DOCUMENTS FOR THE ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING OF
MOL HUNGARIAN OIL AND GAS PLC.

TO BE HELD ON APRIL 23, 2008

Date of the AGM: April 23, 2008, 2 p.m.

Venue of the AGM: Danubius Thermal & Conference Hotel, Helia

Dear Shareholder,

The Annual General Meeting of the Company was convened by the Board of Directors of MOL Plc. for April 23, 2008, 2 p.m., whose agenda is contained in the announcement published as stipulated in the by-laws. The announcement was published on 21 March 2008 on the homepages of Budapest Stock Exchange and MOL.

Agenda items of the Annual General Meeting:

1. Closing the business year 2007:

    - Report of the Board of Directors on the 2007 business operation; presentation of the annual reports drawn up in compliance with the Accounting Act (the parent company financial statements in compliance with the Accounting Act and the accounting principles applied in Hungary and the consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the European Union ("IFRS"); proposal on the use of the after tax profit .
    - The auditor's report on the 2007 financial statements presented by the Board of Directors
    - Report of the Supervisory Board on the 2007 financial statements and the proposal for the distribution of profit after taxation.
    - Decision on the approval of the parent company financial statements prepared in accordance with the Accounting Act and the consolidated financial statements prepared in compliance with IFRS, the use of the after tax profits and the amount of dividend.
    - Decision on the approval of the corporate governance declaration

2. Election of the auditor for the 2008 financial year and determination of its remuneration as well as the material elements of its engagement

3. Authorization of the Board of Directors to acquire treasury shares

4. Election of the members of the Board of Directors

5. Determination of the fees of the members of the Board of Directors and approval of the compensation system for the members of the Board of Directors' based on the results of the Company

6. Election of a member of the Board of Directors appointed for the first time by the Hungarian Energy Office in accordance with Article 4/A of Act XLII of 2003 on Gas Supply

7. Election of a new member of the Supervisory Board appointed for the first time by the Hungarian Energy Office in accordance with Article 4/A of Act XLII of 2003 on Gas Supply

8. Amendments of the Articles of Association (Share capital and shares, Voting Right, Shareholder group, Transfer of shares, General Meeting, Board of Directors, Convening the Board of Directors and its procedures of operation, Increase and decrease of share capital, Documents, Representation, Supervisory Board)

9. Decision on the waiver to be granted to the executive officers according to 30.§ (5) of the Company Act.

10. Decision on capital decrease

Information in reference to the capital decrease

Extent of the capital decrease
Decrease of the share capital by HUF 5,483,775,000 to HUF 104,191,727,578 by withdrawal of 5,483,775 pieces of registered ordinary shares of the series “A” with a par value of HUF 1,000 each owned by the Company (treasury shares) .

Reason of the capital decrease
Change of capital structure in order to increase the shareholder return.

Method of implementation of the capital decrease
Decrease of the number of registered ordinary shares of the series “A” with a par value of HUF 1,000, with 5,483,775 pieces shares owned by the Company (treasury shares). The capital increase shall not affect the shares owned by the shareholders other than the company.

The brochure contains an English language translation of the original proposals and information in accordance with the items on the agenda. The purpose of documents prepared for the General Meeting is to promote a better orientation of the particular items on the agenda and to provide information for the shareholders regarding the questions to be discussed at the General Meeting. Please see the original Announcement for additional information.

This document is published in Hungarian and in English. The official text of this document is in Hungarian only.

Technical remarks

Conditions of participation and exercise of voting rights at the general meeting:

A condition of participation and voting at the general meeting for shareholders is that the holder of the share(s) shall be registered in the share register seven (7) business days prior to the date of the general meeting (on 14 April, 2008) in the framework of shareholders' identification. The registration in the share register based on shareholders' identification shall be in compliance with the Articles of Association of the Company as well as the relevant laws. In order to be registered in the Share Register in the course of the shareholders' identification, shareholders must comply with the Articles of Association of the company and the relevant laws. Upon instruction of the Board of Directors KELER Zrt. shall close the Share Register on 14 April, 2008, and no application for registration shall be accepted until the day following the close of the general meeting. **Record date of shareholder identification shall be 10 April, 2008.** The securities account holders shall be responsible for registering the shareholders in the Share Register pursuant to the instructions of such shareholders. The securities account holders shall provide information for the shareholders on the deadlines of instructions given to the securities account holders.

MOL shall have no liability for the performance of, or the failure to perform, the instructions given to securities account holder. Shareholders may check and obtain information in respect of their registration by phone (06-80-390-207) or personally at the Share-register Office of KELER Zrt. (address: 1075 Budapest, Asbóth u. 9-11) on any workdays between 09.00 a.m. and 03.00 p.m. Closing the Share Register does not restrict the right of the persons registered in it to transfer their shares after the closing date. Transferring the share prior to the general meeting does not deprive the persons registered in the Share Register of their right to participate in the general meeting and exercise their rights which they are entitled to as shareholders.

The general meeting shall have a quorum if the holders of shares representing more than half of the voting rights are present. When determining the quorum, restrictions specified under Articles 10.1 and 10.2 of the Articles of Association shall be applied so that votes exceeding the 10% limit to which a shareholder is entitled shall be disregarded. Holders of registered ordinary shares shall be entitled to one (1) vote after each piece of „A" series of share with a par value of HUF 1,000 (i.e. one thousand forint) each subject to the restrictions specified in the Articles of Association. "B" series preference share entitles its holder to one (1) vote in addition to the voting preference rights defined in the Articles of Associations.

Shareholders shall be entitled to participate in the general meeting either in person or through a proxy issued or by nominee (hereinafter collectively referred as „nominee") in accordance with the provisions of the Act No. IV of 2006. on business associations and the Act No. CXX of 2001 on capital market. In case the shareholders wish to give power of attorney on an **official form** ("proxy card") as defined in Article 13.6 of the Articles of Association, they shall submit such a request to the Investor Relations Department of MOL Plc by 22 April, 2008 at the latest in writing (mailing address: 1117 Budapest, Október huszonharmadika u. 18.) or e-mail to investorrelations@mol.hu. The request shall contain the exact name and address of the shareholder (mailing or e-mail address), to which one would like to receive the form (proxy card).

The power of attorney for the nominee (including the power of attorney submitted on a proxy card) shall be prepared in the form of a public document or a private document with full probative force taking into account international agreements or reciprocity between Republic of Hungary and the country where the document was made. If the power of attorney was prepared in any language other than Hungarian an official Hungarian translation shall be attached. Powers of representations of the persons signing the power of attorney shall be certified by appropriate documents issued by a public authority or office (e.g. certificate of incorporation) or by a public notary. If the certification of the power of representation is in any language other than Hungarian an official Hungarian translation shall be attached. Power of attorney will be valid only for one general meeting, however, they will be also valid at the repeated general meeting, if any, reconvened due to lack of quorum.

The power of attorney (with the exception of the power of attorney submitted on proxy card) shall be deposited according to the Articles of Association at registration prior to the commencement of the general meeting at the latest. The power of attorney given on a proxy card shall arrive to the address of the Company (1117 Budapest, Október huszonharmadika u. 18.) by 22 April, 2008 at the latest.

In case of holders of depository receipts (DRs) issued pursuant to a foreign law, The Bank of New York, as the issuer of such DRs, shall be entitled to exercise rights of representation. Holders of DRs will be entitled to exercise their voting rights by a Letter of Proxy issued in favour of The Bank of New York as the depositary, in accordance with the Articles of Association of MOL, the Deposit Agreement and applicable laws and based on the draft resolutions sent by the Board of Directors of MOL Plc to the DR holders through The Bank of New York. We request the DR holders to obtain information on the detailed rules of procedure at the customer service of the Bank of New York (101 Barclay Street, 22 West New York, NY 10286, Tel: 1 212 815 2228, Fax: 1 212 571 3050, email: cjwoods@bankofny.com). MOL Investors Relations Department will be pleased to be at your disposal for further information as well (phone: +361 464 1395, fax: +361 464 1335).

The registration i.e. the certification of the right to participate as shareholder (nominee) will take place at the venue of the general meeting between 11.00 a.m. and 13.00 p.m.

We request our shareholders to kindly report for registration in time. After the closing of the registration, those shareholders and nominees, who are not listed in the attendance list but registered in the share register, are entitled to participate at the general meeting but cannot exercise their voting rights.

Method of voting

The Board of Directors recommends machine electronic voting to be used at the general meeting, regarding which detailed information shall be provided on the spot. The general meeting shall first decide on the approval of the electronic voting system, then elect the keeper of the minutes, the certifiers of the minutes with the official vote counters.

Item No. 1

Report of the Board of Directors on the 2007 business operation

Financial highlights

In 2007, operating profit remained stable in USD-terms at USD 1,934 mn, but decreased by HUF 54.1 bn, to HUF 355.5 bn, mainly due to 13% depreciation of USD vs. HUF. Operating profit excluding special items increased by 5% in USD-terms as strong increase in downstream and petrochemical sales volumes, strong crude prices as well as improving crack spreads and integrated petrochemical margins compensated for lower hydrocarbon production. Operating profit excluding special items in HUF-terms decreased by 8% to HUF 299.4 bn in 2007. Net profit attributable to the equity holders of the parent excluding special items improved by 13% in USD-terms, while it narrowed by 2% in HUF-terms in 2007 y-o-y. Net income excluding the non-realised fair valuation difference of the conversion option of Magnolia and cleaned of special items was USD 1,215.2 mn (up 12%).

- **Exploration & Production** operating profit for FY 2007 was USD 429 mn down 27% year-on-year (in HUF terms was 78.9 bn or down by 36%) on lower production levels and one-off items.
- **Refining & Marketing** operating profit amounted to USD 935 mn in FY 2007, up 12% year-on-year (stable in HUF-terms at HUF 171.9 bn), boosted by strong volumes and higher crack spreads.
- The **Petrochemical** segment's operating profit doubled to an all time high level of USD 222 mn in FY 2007 (HUF 40.9 bn), due to record production volumes and improving integrated petrochemical margin.
- **Gas Transmission** operating profit (including the impact of asset revaluation) increased by 14.4% to USD 168 mn in FY 2007 (stable in HUF terms at HUF 30.9 bn), mainly due to higher domestic transmission revenue.
- **Corporate and other** operating profit of HUF 26.4 bn in FY 2007 includes a one-off gain of HUF 14.4 bn on the acquisition of a 42.25% minority interest in TVK and a subsequent settlement of HUF 44.3 bn from E.ON in connection with the gas business sales.
- **Efficiency improvement program** has been continued in 2007 as well. Targeted benefit is USD 285 million by the end of 2008. 96% of this target has been already reached by the end of 2007.
- **Capital expenditure** and investments almost doubled in 2007. The increase from USD 0.9 bn (HUF 187.2 bn) in 2006 to USD 2.0 bn (HUF 363.4 bn) in 2007 was fuelled mainly by acquisition expenditures totalled USD 1.1 bn (HUF 207.6 bn) including IES, a further shareholding in TVK, Tifon and the Matjuskhinskaya field.
- **Net debt** at the end of FY 2007 was HUF 506.5 bn, while our gearing ratio (net debt divided by the sum of net debt and total equity) was 35.6% as a result of transactions done within the framework of capital optimisation program.
- **Operating cash flow** before changes in working capital decreased by 4% to HUF 446.5 bn (USD 2,429.3 mn). Including working capital changes and corporate tax paid, operating cash flow decreased by 40% to HUF 315.5 bn in 2007.

Key financial data by business segments

NET SALES REVENUES	2007 (HUF mn)	2006 (HUF mn)	2007 (USD mn)	2006 (USD mn)
Exploration and Production	334,806	389,611	1,822	1,851
Refining and Marketing	2,290,414	2,331,254	12,461	11,075
Natural Gas	90,694	368,195	493	1,749
Petrochemicals	497,616	451,248	2,707	2,144
Corporate and other	102,163	103,034	556	489
TOTAL	**3,315,693**	**3,643,342**	**18,039**	**17,308**

NET EXTERNAL SALES REVENUES[1]	2007 (HUF mn)	2006 (HUF mn)	2007 (USD mn)	2006 (USD mn)
Exploration and Production	178,804	162,350	973	771
Refining and Marketing	1,932,290	2,006,863	10,513	9,534
Natural Gas	78,244	359,934	426	1,710
Petrochemicals	398,181	355,856	2,166	1,691
Corporate and other	6,432	6,058	35	29
TOTAL	**2,593,951**	**2,891,061**	**14,113**	**13,735**

OPERATING PROFIT	2007 (HUF mn)	2006 restated[3] (HUF mn)	2007 (USD mn)	2006 restated[3] (USD mn)
Exploration and Production	78,864	122,930	429	584
Refining and Marketing	171,935	175,337	935	833
Natural Gas	38,743	111,564	211	530
Petrochemicals	40,892	23,297	222	111
Corporate and other	26,446	(41,086)	144	(195)
Inter-segment transfers[2]	(1,375)	17,530	(7)	83
TOTAL	**355,505**	**409,572**	**1,934**	**1,946**

OPERATING PROFIT EXC. SPEC ITEM [4]	2007 (HUF mn)	2006 restated[3] (HUF mn)	2007 (USD mn)	2006 restated[3] (USD mn)
Exploration and Production	80,554	122,930	438	584
Refining and Marketing	171,935	175,337	935	833
Natural Gas	38,743	37,520	211	178
Petrochemicals	40,892	23,297	222	111
Corporate and other	(31,329)	(41,086)	(170)	(195)
Inter-segment transfers[2]	(1,375)	8,724	(7)	41
TOTAL	**299,420**	**326,722**	**1,629**	**1,552**

[1] Net external sales revenues and operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. The Exploration and Production transfers domestically produced crude oil, condensates and LPG to the Refining and Marketing segment and natural gas to the Natural Gas segment. Refining and Marketing transfers chemical feedstock, propylene and isobutane to Petrochemicals, and petrochemicals transfers various by-products to Refining and Marketing. The internal transfer prices used are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in operations of the respective divisions.

[2] This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments on operating profit. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is reported only when the related third party sale has taken place. In previous years, the effect of this unrealised profit 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 Refining & Marketing to Petrochemicals.

[3] The Group has changed its accounting policy to disclose Hungarian local trade tax and innovation fee as income tax expense as these tax types show the characteristics of income taxes rather than operating expenses. In previous years, local trade tax and innovation fee have been recorded as operating expense.

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

Overview of the Business Environment

Challenging macro environment…

Some elements of the macro environment were very favorable, while changes in foreign currency exchange rates had a negative impact in 2007. Although crude prices, refinery and petrochemicals margins improved during the year, the weakening USD against our local currency had a significant impact on our operating performance in 2007.

… with favorable crude prices and crack spreads…

The average Brent price increased significantly, by 11.2% in USD terms to 72.4 USD/bbl in 2007. The average Med quoted price of Ural Blend, which constitutes most of MOL's crude oil purchases, was 69.4 USD/bbl, up by 13% compared to 2006 (61.4 USD/bbl). Average FOB Rotterdam gasoline and gas oil prices increased by 12.4% and 10.2%, respectively. Average USD denominated crack spreads of FOB Rotterdam gasoline increased by 17.3%, and the gas oil crack spread increased by 6.4% compared to 2006, well above historical averages.

…but undermined by weakening USD

The Hungarian Forint strengthened significantly (by 12.7%) against the US Dollar: the average exchange rate in 2007 was 1 USD = 183.8 HUF (1 USD = 210.5 HUF in 2006). The Forint also strengthened (by 4.9%) against the EUR in 2007, compared to the weakening of 6.5% in 2006. During the year, the Slovak Crown strengthened further by 9.3% against the EUR in 2007 continuing the 2006 trend (SKK was up 3.6% in 2006). Slovak Crown strengthened against the US Dollar also: the average exchange rate in 2007 was 1 USD = 24.7 SKK (1 USD = 29.7 SKK in 2006).

Average consumer-price inflation in Hungary was 8.0% in 2007, compared to 3.9% in 2006. In Slovakia, average consumer-price inflation decreased to 2.8% compared to the 4.5% in 2006. The Hungarian GDP growth has dropped to its lowest levels since 1996 and was only 1.3% in 2007, compared to the growth of 3.9% in 2006. The GDP growth in Slovakia was 10.4% in 2007 (8.5% in 2006). Across the region, demand for motor gasoline increased slightly by 1.6%, while demand for motor gas oil increased rapidly by 8.9% in 2007.

Changes in regulated gas tariffs

The asset proportional profit (projected on the asset base acknowledged by the regulator (RAB) and enforceable for the regulated activity at the Hungarian natural gas transmission) tariff was 6.9% in 2007. During the tariff change in July 2007 the entry capacity fee grew by 8% while exit capacity fee remained relatively flat. Turnover fee decreased by 10%, which reflects the decrease of acknowledged gas price. The HEO (Hungarian Energy Office) issued odorization tariffs valid from July 1st, 2007 until June 30th, 2008.

Mining royalty payment in Hungary…

The Company paid 49% of its crude oil and natural gas income as mining royalty to the Hungarian State on the crude oil and natural gas produced in Hungary in 2007. The rate of mining royalty payable by MOL on crude oil and on natural gas produced from fields put into production after 1998 reached 12.5% in 2007. In accordance with the Gas Supply Act (GSA) adopted in 2003 and the related by-laws, the rate of the mining royalty payable on gas produced from fields put into production before 1998 decreased, in line with a formula set by the law, from 75% in 2006 to 64% in 2007. In 2007 HUF 66.2 bn was paid to energy price compensation budget from royalty after production from these fields. The rate of the mining royalty on the production from fields named in the agreement signed between MOL and the Minister of Economy and Transport will be determined according to regulation effective at the end of 2005. Thus the rate of mining royalty payable on natural gas produced from fields put into production after 1998 - assuming a lower increase in gas prices than the increase in the acknowledged cost -, will gradually decrease as per the predetermined formula until it reaches close to 12%, modified from 2006 with a multiplier of 1.02-1.05 as per the agreement. The bilateral agreement determines the royalty payable by MOL on Hungarian hydrocarbon production from fields named in the agreement until 2020. Other fields including new discoveries from 2005 are subject to production level and Brent quotation dependent rates of mining royalty and payment conditions regulated by the modified Mining Act of 2007 and the related by-laws.

…and in Russia

The extraction tax and the export duty in Russia is adjusted depending on the average Urals blend listed prices and the Russian Rouble/US Dollar and are calculated by the calculation formulas established in the tax law. Tax authorities inform the public in official announcements about the extraction tax rate every month and about the export duty rate every second month. The extraction tax rate as of 31 December 2007 was USD 17.5/bbl; average extraction tax rate was 19,1% comparing to the annual average Urals blend price in 2007. The export duty rate as of 31 December 2007 was USD 37.9/bbl; the average export duty rate was 41% comparing to the annual average Urals blend price in 2007.

Sales, Operating Expenses and Operating Profit

Net sales

In 2007, Group net sales revenues decreased by 10% to HUF 2,594.0 bn, primarily reflecting lower revenue as a result of the sale of the gas business and the lower average selling prices of refined products despite increased volumes. The decline has been partially compensated by revenue contribution from the Italian refinery IES since its consolidation in mid-November (HUF 41.0 bn).

Other operating income in 2007 contains the impact of acquisition of a 42.25% minority interest in TVK (HUF 14.4 bn) and the HUF 44.3 bn subsequent settlement from E.ON Ruhrgas International AG in connection with the gas business sale (of which HUF 17.4 bn was received in Q3 2007 for the settlement period of January – June 2007, while a further HUF 26.9 bn for the settlement period of July-December 2007 is expected to be paid in Q1 2008).The comparative figure of other operating income primarily reflects the one-time gain of HUF 82.6 bn realized on the disposal of the gas business at the end of Q1 2006.

Raw materials and consumables

The value of raw materials and consumables decreased by 8%, marginally below the rate of decline in sales. Within this, raw material costs increased by 9%, primarily as a combined effect of the fall in HUF based crude oil import prices and the higher quantity of import crude oil processed as well as the contribution of IES of HUF 36.0 bn. Cost of goods sold decreased by 52%, due to the effect of the gas business sale in Q1 2006 and the decreased volume of crude oil during the period. The value of material-type services used increased by 5% to HUF 131.3 bn.

Other operating expenses

Other operating expenses decreased by 14% to HUF 225.1 bn, mainly as a result of the impact of the sales of the two gas subsidiaries, the reduced value of export duty at ZMB joint venture and the lower mining royalty. Mining royalty decreased due to the combined effect of the disposal of the Szőreg-1 field and lower domestic and foreign production volumes as well as the higher regulated gas wholesale prices.

Personnel expenses

Personnel expenses for the period increased by 7% to HUF 117.3 bn, due to the combined effect of an average salary increase of 6.5% and 1.6% increase in average headcount. The closing headcount of MOL group increased by 8.6%, from 13,861 to 15,058, resulting from the acquisition of IES and Tifon in Q4 2007 and our international E&P expansion.

Of production costs incurred in the period, HUF 70.2 bn is attributable to the increase in the level of finished goods and work in progress, as opposed to the decrease of HUF 13.3 bn in 2006.

Exploration and Production Overview

HUF 78.9 bn operating profit

The Exploration and Production segment's operating profit was HUF 78.9 bn (USD 429 m) in 2007, 36% lower compared to 2006 in HUF-terms and 27% lower in USD-terms. The 12% lower production volumes (mainly as a consequence of suspended production of Szőreg-1 field due to its ongoing conversion into an underground gas storage facility) and the unfavourable exchange rate development (13% weaker USD against HUF) had a negative impact on operating profit in 2007, which was only partially compensated by the 11% higher Brent price.

Lower revenues …

Upstream net sales plus other operating income decreased by HUF 55.2 bn to HUF 335.4 bn in 2007, mainly due to the Szőreg-1 field disposal and decrease in selling prices. Hungarian crude oil transfer prices decreased by 4%, while the Hungarian natural gas transfer and sale prices dropped by 13% in 2007 on an average, in HUF terms compared to 2006.

… partly compensated by lower expenditures

Upstream operating expenditures were HUF 11.1 bn lower year-on-year in 2007. The Group's total royalty payments decreased by HUF 26.8 bn in 2007, out of which the royalty paid by MOL Nyrt. (related to the Hungarian production) decreased to HUF 97.1 bn in 2007 compared to HUF 124.4 bn in 2006. The Hungarian royalty to energy price compensation budget paid on gas produced from fields put into operation before 1998 within this amount was HUF 66.2 bn in 2007, HUF 23.7 bn lower than in 2006. One-off items significantly increased Upstream costs: including a subsequent impairment of HUF 6.8 bn on certain suspended and depleted fields, HUF 5 bn impairment related to commercially non-viable discoveries in Yemen and a HUF 6.0 bn impairment of questionable collection of crude oil sales in 2007.

Main 2007 goals were met

Our main objective is to develop a strong and balanced portfolio with significant upside at an appropriate risk level, by maximizing the value of our existing resource base, acquiring new production, development and exploration assets, where we can deploy our skills and capabilities effectively. We also focus on enhanced and improved recovery of our existing producing fields and originating new projects in territories neighbouring our legacy assets. We made the following steps in 2007 to realise these targets:

- Intensive field development in order to balance production in our cash generating domestic projects (excluding production of Szőreg-1 field)
- Increased international hydrocarbon production by 1.8% year-on-year by acquiring new producing assets in Russia
- Increased total gross proved developed and undeveloped reserves in line with SEC guidelines (excluding Szőreg-1 field disposal and 25% of INA reserves)
- Presentation of P1 and P2 reserves according to SPE as well, providing a more realistic framework for reserves presentation from 2008 onward
- Highly competitive OPEX maintained on Group level
- Acquiring new exploration assets with strategic fit to enhance our existing portfolio

The total hydrocarbon production was 90.4 Mboe/day in 2007 compared to the 102.6 Mboe/day in 2006. The decline mainly was a consequence of suspended production of Szőreg-1 field due to its ongoing conversion into an underground gas storage facility. Hungarian assets contributed 70% of the total production while Russian fields dominated the international production.

Domestic hydrocarbon production

In 2007, the average Hungarian hydrocarbon production was 63.0 Mboe/day, compared to 75.7 Mboe/day in 2006. Hungarian crude oil production (without condensate) fell by 6.8% to 16.5 Mboe/day in 2007, compared to 2006, while natural gas production (net dry) was 39.4 Mboe/day, dropping by 17.8% year-on-year, of which 14% was caused by suspended production of the Szőreg-1 field.

Intensive field development to put into operation our existing reserves

We put strong emphasis on development of our undeveloped reserves in Hungary spending HUF 8.2 bn in 2007 on such projects. The returns for such projects are expected to be strong as transportation infrastructure and gathering systems are available in their proximity.

EOR/IOR/EGR projects to maximize recovery

In 2007 Enhanced Oil Recovery (EOR) technology was applied at 7 fields, representing 15.3% of total Hungarian crude oil production. The high oil price and favourable royalty regulation motivated us to investigate the further EOR/IOR/EGR potential of our fields. In 2007 we analysed 130 objects and we selected 36 individual project plans to realize the certain domestic upside potential.

Szőreg-1 transfer to UGS

We continuously investigate the most profitable usage of our assets. Therefore we decided to transform one of our gas reservoirs (Szőreg-1) to underground gas storage facility. We believe that re-entering gas storage business will enable us to utilize profitably our gas fields close to depletion on a longer time horizon.

International production up 1.8% fuelled by acquisitions

International hydrocarbon production increased by 1.8% year-on-year to 27.4 Mboe/day in 2007 as our acquisitions in Russia could offset the lower volumes from the mature ZMB field (West Siberia, Russia, 50% MOL share).

Russian production balanced by new acquisitions

Our share of the crude oil production from the ZMB field reached 23.9 Mbbl/day in 2007, a 8.2% decrease compared to the previous year, while the Baitugan field (in Russia's Volga-Urals area, with a 100% MOL share) produced 1.8 Mbbl/day and the Matjushkinskaya fields (a 3,231 km^2 block in Tomsk region acquired in April 2007 with 100% interest) provided an additional 0.6 Mbbl/day average production with a peak production above 1.1 Mbbl/day in December.

Intensive field development in Russia

In ZMB field 23 new production and water injection wells were drilled in 2007. Regarding Baitugan field in 2007 the main task was to create the basis for the future production growth. Based on the modification and authorization of existing Field Development Plan the reconstruction of surface facilities has been started. Drilling activities has already started at the end of 2007. USD 260-275 mn will be spent on field development, which may increase daily production, according to our estimation, up to approximately 14.0 Mbbl/day by 2014. In Matjushkinskaya field new production wells were put into operation and existing wells were fractured resulting in higher production in December. Building of Central Processing Station and Commercial Access Point started with the purpose of decreasing transportation and oil preparation cost and provide the ability of processing increased production in the future.

Pakistani production 1.2 Mboe/day

Production in Manzalai and Makori fields in Tal block (Pakistan, 8.42% MOL share) was above 14.0 Mboe/day (1.2 Mboe/day net to MOL) in 2007. The completion of surface facilities, a 200 km gas pipeline and drilling of 6 production wells is in progress in line with our Field Development Plan. The appraisal of Makori field is expected to be done during 2008.

Our reserves according to SEC rules maintained excluding Szőreg disposal

According to our reserve review (excluding MOL's entitlement to 25% of INA d.d.'s reserves) in line with SEC guidelines, total gross proved developed and undeveloped reserves of the MOL Group at December 31, 2007 were 255.4 MMboe, consisting of 18.7 bcm (130.3 MMboe) of natural gas (including condensate and gas liquids) and 17.3 million t (125.1 MMboe) of crude oil. The net proved developed and undeveloped reserves at December 31, 2007 were 182.8 MMboe, consisting of 12.1 bcm (74.1 MMboe) of natural gas and 14.9 million t (108.7 MMboe) of crude oil.

Domestic reserves decreased

In Hungary, annual production in 2007 reduced our gross proved reserves by 22.9 MMboe, while the conversion of Szőreg reservoir to gas storage resulted in a further 17 MMboe decrease of gross proved reserves. New Hungarian discoveries and field extensions increased MOL's gross proved reserves by 1.3 MMboe, while the revaluation of reserves decreased the gross proved reserves by 10.7 MMboe.

Russian acquisitions increased international reserves

Internationally, reserve revisions resulted in an increase (mostly at Baitugan field acquired at the end of 2006) in gross proved reserves of 45.9 MMboe. In April 2007, we acquired Matjushkinskaya field which increased gross proved reserves as of year end by 2.3 MMbbl. The 2007 Russian and Pakistani production reduced our gross proved reserves by 9.8 MMboe.

An independent reserve audit was carried out in 2006 by DeGolyer and MacNaughton to determine the actual recoverable reserves of the ZMB field as at 31 December 2005. According to this audit, the 2005 year-end gross proved reserves of the ZMB field were 104.5 MMbbl (SEC-standards). MOL's share of gross proved reserves - taking into account 2006-2007 production - was 34.4 MMbbl as of 31 December 2007. The Baitugan field had 50.9 MMbbl of proved reserves according to the reserve audit (prepared in line with SEC guidelines) as of December 31, 2007. Proved reserves of the Matjushkinskaya field are 2.3 MMbbl (as per SEC guidelines).

Manzalai and Makori fields in Tal block (Pakistan, 8.42% MOL share) had 13.7 MMboe of proved gas and condensate reserves pertaining to our share, according to the reserve evaluation (prepared in line with SPE guidelines) as of December 31, 2007. Due to lack of long-term gas sale agreement we book only 0.5 MMboe of proved reserves according to SEC guidelines.

SPE P1+P2 reserves reaches 340 MMBoe

Beginning from 2008, parallel to reserves presentation of proved reserves under US SEC, MOL will also publish its P1 and P2 reserves according to SPE. In the opinion of the Company, SPE guidelines provide a more realistic framework for reserves presentation. MOL's 2007 year-end SPE gross proved reserves are 277.2 MMboe, containing only MOL's Hungarian and international reserves excluding INA. SPE P1+2 figures are at 340.6 MMboe (excluding MOL's entitlement to 25% of INA d.d.'s reserves).

Highly competitive OPEX maintained

Although our unit cost of hydrocarbon production increased from 3.2 USD/boe in 2006 to 4.18 USD/boe in 2007 - as a result of unfavourable exchange rate movements and lower volumes- it remained highly competitive considering the 2006 European industrial average of 7.9 USD/boe.

Our main goal is to develop a strong and balanced portfolio

We carried out intensive exploration activity in Hungary and we continued with our international exploration projects in Pakistan, Kazakhstan, Oman and Yemen, and have started new projects in Russia, the Middle East-Central Asia region and in Africa in 2007 in line with our strategic objectives.

High exploration success rate of 50%

Our upstream had a strong exploration performance in 2007. Out of the total 16 exploration wells tested, 8 resulted in commercial discoveries, which represented a drilling success rate of 50%. These successes highlight the attractiveness of our Hungarian acreage position, where these positive results were encountered: we tested 13 wells from which 8 wells have been classified as gas producers and 5 wells have been dry or failed to produce commercial quantities of hydrocarbons on testing. There were 2 additional wells under test or awaiting testing in Hungary at the closing of this report.

New partners in conventional exploration…

In order to maximize skill-base and operating focus as well as to share risks and costs, we have teamed up with partners on several projects (our strategic partner INA from Croatia and Hungarian Horizon Energy, an affiliate of US-based Aspect Energy). Both co-operations were successful in 2007 evidenced by 5 successful exploratory drillings in the two joint operations.

…and in unconventional exploration

We also made a partnership with ExxonMobil to investigate a significant portion of Hungary's unconventional gas potential. The objective is to leverage ExxonMobil's extensive experience, advanced technology and know-how along with MOL's superior understanding of the Hungarian petroleum geology and industry operations to achieve successful results.

Strongest acreage position in Hungary

Our Group has the strongest acreage position in Hungary with 29 blocks and total exploration acreage of 33,825 km^2 at the end of 2007. In addition, two new exploration block permits were underway (2,735 km^2).

Preparation of drilling campaign in Russia

In the Surgut-7 block (Russia, 100% MOL share) we identified three promising leads and prospects based on the first phase of seismic interpretation. Further 3D seismic acquisition is in progress. The drilling of the first prospect is planned to be spud in March 2008. The already producing Matjushkinskaya block has significant exploration potential, with a 2008 drilling campaign already prepared in 2007. Both blocks are near to existing production fields and surface facilities which may provide significant synergies in case of a discovery.

Further success in Pakistani exploration

In 2007 we have drilled a very promising exploration well on MamiKhel structure with natural gas and condensate discovery.
In Margala and Margala North exploration blocks (situated in the eastern part of the productive Potwar basin of northern Pakistan) POL (Pakistan Oilfields Ltd.) received 30% share out of our initial ownership of 100% at the beginning of 2007. We are in negotiations regarding further farm-out up to 20% in order to share the risks of the exploration with partners. In 2007 we conducted several geological, geophysical and field works in order to prepare compilation of 2D seismic acquisition in 2008.

Fedorovsky exploration block (Kazakhstan)

We are operating shareholder (27.5%) of the Fedorovsky exploration block in Kazakhstan. Following non-commercial oil inflow in one of our two prior exploration wells in the southern, basinal part of the Block the focus of exploration activities has been shifted to the northern part of the block.

Yemeni, Omani exploration projects

In Oman (100% MOL share) the 2008 seismic campaign has been prepared in 2007 with detailed planning of the different geophysical surveys and choosing of the potential contractors for the work. In Block 48 (Yemen, 100% MOL share) both wells (Tibela North-1 and Tibela Northwest-1) proved the previous geological model, but none of the wells gave commercial volume of hydrocarbon.

New exploration projects: in Kurdistan and Cameroon

MOL has entered into 2 PSCs with Kurdistan Regional Government and Gulf Keystone Petroleum Int. Ltd. in Iraq in November 2007. MOL is the operator of Block Akri-Bijeel with a working interest of 80% and has 20% non-operated working interest in Block Shaikan.
In Cameroon we have signed an SPA with Tullow Oil for a 40% non-operated interest in Ngosso block at the end of 2007. Completion is subject to the Cameroonian Government's approval.

Refining and Marketing Overview

Operating profit up 12% in USD-terms, but stable in HUF-terms

Refining and Marketing operating profit increased by 12% in USD-terms to USD 935.4 mn in 2007, but remained almost stable at HUF 171.9 bn (down by a mere 1.9% year-on-year). Higher sales volumes, favourable crack-spreads and efficiency improvements compensated the negative impact of the weakening of US dollar against local currencies to a large extent.

Outstanding efficiency maintained

As in the previous years, our top ranking position amongst European downstream players was maintained throughout 2007. A key driver of our outstanding downstream performance is the high-quality refining and logistics asset base. The strategic and disciplined deployment of leading edge technologies enable us to convert heavier, sour crudes

(92% of the crude supply in 2007) into a portfolio of highly marketable motor fuel products with lowest possible residue production. The supply chain optimization driven by the ‘from-crude-to-plastics’ concept throughout the entire value chain combined with the outstanding logistic networks largely contributed to our success.

Growth strategy successfully pursued

Growth strategy initiatives have been successfully pursued. For organic capabilities, a large-scale vacuum gas oil hydrocrack project package in Duna Refinery was launched in May 2007 to leverage on the growing middle distillate demand in our core markets. For inorganic capabilities, the Italian IES and the Croatian Tifon companies have been acquired in Q4 2007. For stretching into attractive new markets, long-term agreements with the Czech energy company CEZ have been concluded.

Dieselization shapes organic development

The growth of world demand for middle distillates (diesel, jet, heating oil) is expected to significantly outpace other products in the oil barrel for the next years. While the diesel deficit in Europe was estimated over 15 Mt in 2007, the gap is projected to grow further according to IEA. Current diesel deficit in the CEE region is also forecast to grow to 11 Mt, in line with these expectations. The growing demand offered a sound business opportunity for us.

Large-scale hydrocrack project to meet growing demand

To capture the emerging diesel growth, the implementation of a large-scale conversion (hydrocrack) package in the Duna Refinery has been launched. The pack has three main levers. Crude oil processing capacity will be revamped by 1.3 Mtpa to ensure the processing of higher quantities of REB type crudes. A grass-root new VGO Hydrocrack plant of 1.5 Mtpa capacity will be constructed to increase the refinery conversion level. Parallel to these, the existing Delayed Coker unit will have to be upgraded with an incremental 0.3 Mtpa capacity to process the residues. Capital expenditures for the investment are estimated at around EUR 300 mn. The package is expected to provide additional 1.3 Mtpa middle distillate production thus elevating gas and heating oil yield from current 44% to 53% by 2011.

IES acquisition…

The implementation of non-organic growth strategy continued with the acquisition of the 100% share in Italiana Energia e Servici (IES), an oil refining and marketing company as of 15 November 2007. IES owns the Mantova refinery with 2.6 Mtpa capacity and has a network of 176 retail stations. The refinery, similarly to our existing assets, is a pipeline-supplied, landlocked refinery with high complexity (NCI of 8.4) and produces good quality products at favourable product slates (middle distillate yield of 46%) from heavy crude oil.

…reaching new markets and building on current strengths

The new entity is located in the highly-motorized hub of North-East Italy. The transaction provides an excellent opportunity to reach out and expand our downstream activities into North-East Italy, Austria and Switzerland, adjacent to our current focus markets. The high-demand location will secure market channels beyond our local production also for volumes of INA refineries on the mid-run. We will improve the efficiency of the current operation by intensive transfer of our proven know-how and techniques in crude processing, refinery modernization and product marketing. The refinery will undergo an investment program of EUR 145 mn in 2008 focusing on gas oil desulfurization and related environmental expectations. We continue to explore the possibility of elevating processing capacity and residue conversion level, while expanding our captive markets through the profitable retail channel in Italy.

Tifon – expansion of retail network

We purchased 100% of Tifon, a fuel retail and wholesale company in Croatia as of 31 October 2007. Tifon, a respected fuel retailer, currently owns and operates a premium network of 35 well positioned fuel stations all over in Croatia. Tifon is the fourth largest fuel wholesaler with 8% market coverage in Croatia and its retail market share was 7% at the end of 2007. In addition, the company has more than 20 premium site develeopment projects under implementation, expected to be finished within the next two years.

With the transaction we made a further step to reach our retail strategic goals in the North-Adriatic region. We aim to raise network porfitability by improving Customer Value Proposition as well as by introducing efficient network management practicies for stringent cost-control.

JV with CEZ – entry into the electricity market

We created a strategic alliance and signed a joint venture agreement with CEZ energy company to create a joint gas-fired power and heat generation business in Central and South Eastern Europe, including Slovakia, Hungary, Croatia and Slovenia. The cooperation with CEZ provides an entry into a highly attractive regional electricity market with additional growth opportunities with a reputable partner. Our partnership also enhances our energy security of supply, increases our refinery efficiency and complexity and provides significant synergy opportunities.

The first major investment is the construction of two combined cycle gas turbine power plants (with 800MW capacity each) fuelled primarily by gas and also by refinery residuals at the Bratislava and Duna refinery sites. In addition, in Bratislava, the current thermal plant will be modernized and its capacity increased to 160MW. The expected investment by the parties in both projects will be approximately EUR 1.4 bn and the first year of operation is scheduled for 2013-14. This is an important step in cost effective steam and power supply while increasing the complexity of the refineries.

Refinery throughput up 6%

In 2007, we processed 13.3 Mt of crude oil, compared to 12.5 Mt in the previous year (an increase of 6.1%) supported by the smooth operation of our refineries. The Hungarian processing volume was 7.0 Mt in 2007, increased of 2.3% compared to 2006. The proportion of Hungarian crude oil processed at the Duna Refinery continued to fall in line with the trend seen in previous years, accounting for 11.4% (12.4% in 2006), while the volume of imported crude oil processed was higher by 3.5% than at base. Slovnaft processed 6.0 Mt of imported crude oil representing growth of 5.6% in comparison with 2006. The consolidation of IES boosted throughput by 0.3 Mt in Q4 2007.

Refinery sales up 8%

Aggregate product sales volumes were 13.1 Mt (including sales of LPG and gas products, but excluding the chemical raw materials sold to the Petrochemical segment), compared to 12.1 Mt in 2006. The consolidation of IES added 0.3 Mt to our refined product sales volumes in Q4 2007. We focused on our key markets in order to achieve our objective of profit optimization.

Leading position in our home markets maintained

Our Hungarian refinery product sales increased by 0.1 Mt to 4.9 Mt in 2007. We managed to increase sales of higher value products such as diesel (by 4%) and gasoline (by 3.5%) in 2007 year-on-year. Our sales in Slovakia increased by 4% (0.1 Mt), also supported mainly by higher diesel volumes and increase in gasoline sales by 9 %.

Growing exports

Our exports increased from 5.8 Mt to 6.7 Mt mainly due to the higher gas and heating oil, gasoline and bitumen exports (up by 13% (0.4

Mt), by 8% (0.1 Mt) and by 134% (0.2 Mt), respectively) partially supported by the acquisitions of IES and Tifon in Q4 2007.

Demand remained healthy, above 6% growth

In spite of the increase of crude oil and international product quoted prices, the demand for motor fuels in the regional market increased further significantly by over 6% due to fast economic growth. Within motor fuels the demand for gasoline increased to a small extent, while consumption of diesel increased significantly, due to higher need for transportation driven by infrastructural investments and due to spread of diesel-engine passenger cars. MOL has successfully maintained its position on the regional market.

Hungarian motor fuel consumption grew by 4%

Motor fuel consumption increased in Hungary by more than 4% boosted by households, despite the austerity measures and moderate economic growth. Road transportation increased by 17% y-o-y on the basis of freight ton kilometres, while public sector fuel demand was cut back in 2007. We continued to maintain our strong position in the motor fuel wholesale market in 2007 driven by efficient commercial work and excellent product quality. Our sales increased in line with the growth in the market: motor gasoline sales increased by 3.5% and diesel by 4.2%. We have launched motor gasoline with minimum 4.4% (v/v) renewing fuel component content in Hungary as of 1st of July 2007. The introduction of motor gasoline with bio-ethanol content took place successfully. Since the end of 2007 we have also exclusively been distributing diesel with 4.4% (v/v) biodiesel content in Hungary.

Slovakian motor fuel demand up 6%

In Slovakia the motor gasoline consumption increased by 2%. Despite expansion of hypermarket filling stations, we could increase our market share in 2007 with sales increasing by more than 9% due to commercial work. Demand for diesel increased by more than 8% and our sales increased by 7%.

But bitumen demand in our core markets declined

Several infrastructural investments and highway construction projects were completed or arrived into a final phase before 2007, which had a significant impact on the bitumen market. The Hungarian consumption dropped by 45%. Our bitumen market share declined slightly to 71%. The Slovakian market declined by 25% compared to the previous year, but Slovnaft could increase its market share up to 65%.

Higher LPG market shares

We could improve both our wholesale and retail market shares in LPG in Hungary, despite decreasing demand on milder weather. Our wholesale market share increased from 76% of 2006 to 79% in 2007, while our retail market share improved marginally from 22% to 23%. In Slovakia the introduction of selling autogas through Slovnaft's filling station network continued through 95 filling stations at the end of 2007 compared to 84 in 2006. The number of our autogas sales sites was in Hungary 151, down by 4 sites from 2006.

Petchem feedstock volume was up 8%

In 2007, the total transferred volume to Petrochemical segment increased by 200 kt to 2,700 kt in 2007. Out of this, naphtha amounted to 1,994 kt and chemical gasoil was 203 kt (1,841 kt and 158 kt, respectively, in 2006). In 2007, our Petrochemical segment supplied 630 kt of by-products to our Refining and Marketing segment for further processing.

Retail network performance and customer satisfaction improved

We achieved considerable improvement in general brand perception through increasing customer satisfaction by 4% in our mature markets, Hungary, Slovakia and Romania. Customers rated fuel quality, general appearance of the filling station and the politeness of service with the same improving perception. MOL is viewed as the innovative, quality leader on most of our markets, which provide a good basis for generating solid returns on our investments. There is an ongoing knowledge-transfer and integration practice within retail to transfer key know-how from mature markets to new acquisitions (more than 200 retail outlets in 2007 from Tifon and IES) to quickly exploit synergies.

Stable retail volumes in Hungary

Hungarian retail sales (excluding LPG) remained stable (1.3% decrease in our gasoline sales was offset by the 0.9% increase in diesel sales), while the average throughput per site showed a 1.4% decrease in 2007 year-on-year. Our retail market share decreased by 1.6% to 36.7% (33.9% in gasoline and 39.7% in diesel), according to the Hungarian Oil Association (MÁSZ) in 2007. This was primarily due to the intensive growth of the hypermarkets and entrance of the new players into the market. Our shop sales increased by 12% while our card fuel sales decreased by 3.9% in 2007 year-on-year.

Throughput per site: up 13% in Slovakia…

We increased the average throughput per site by 13% in 2007, as a result of our continued efficiency improvement program in Slovakia. Based on the data of the SAPPO, our market share in Slovakia remained stable at 38.5% in gasoline and 41% in diesel.

… and up 8% in Romania

Our fuel sales in Romania decreased by 2.9%, due to the decrease in size of our network. We disposed of the 30 least competent filling stations, while we purchased only 11 in the deal with Petrom S.A. in 31 October 2006 and opened two filling stations in 2007. As a result, we had a temporary decrease in the sales volume, but we managed to increase the throughput per site by 7.8%. Our Romanian retail market share almost remained stable at 12.8%. Our shop sales in Romania are not comparable to the 2006 figure, due to change in the operational model.

By executing our strategy to expand our network, fuel sales in Serbia doubled to 49.3 million litres in 2007.

Close to 1000 petrol stations

At year end we had 994 petrol stations, including 357 in our main market of Hungary, 209 in Slovakia after the closure due to efficiency increase 122 in Romania, and 30 in the Czech Republic. We acquired Tifon d.o.o. with 35 petrol stations in Croatia as of 31st October 2007. Furthermore, we acquired IES in mid-November 2007 with 176 retail stations in Italy.

Petrochemicals Overview

Highest ever operating profit (+ 76% y-o-y)

The Petrochemical segment achieved its highest ever annual operating profit of HUF 40.9 bn in 2007 (up 76% from HUF 23.3 bn in 2006). The outstanding profit was mainly driven by all-time high production and sales volumes, improving internal operational efficiency, as well as the favourable trends in raw material and product markets characterising almost the whole year of 2007.

Record production volumes

Both monomer and polymer production increased significantly by 12% and 9% in 2007 compared to the previous year. The high capacity utilisation of new Steam Cracker continuously surpassing its nominal capacity in 2007, led to the highest ever ethylene production (870 kt). The high capacity utilisation of the new HDPE and PP units contributed to the highest ever polymer production (above 1.2 Mt).

7% increase in polymer sales volumes

Polymer sales volume improved by 7% compared to previous year, due to smooth and efficient operations and a positive market environment. The growth was the most significant in case of HDPE (+12%) and PP (+7%) products, mainly due to the higher capacity utilisation of the new HDPE and PP plants.

There was also a change in the structure of the polymer sales the ratio of HDPE grew to 33%, that of PP to 45% and LDPE the remaining 22%.

Both Hungarian and Slovakian sales volumes increased by each 12 kt compared to the previous year. The ratio of polymer export sales increased further, reflecting the improving commercial efficiency. We increased our sales mainly in the Czech, Austrian, German, Polish, and Italian markets.

Favorable integrated petrochemical margin

Almost the whole year of 2007 was characterised by favourable trends in raw material and product markets. The integrated petrochemical margin indicating the profit generating capability of the industry grew by 7.0% in EUR-terms year-on-year in 2007. In 2007, polyethylene (PE) quoted prices increased by 8-10%, and polypropylene (PP) quotations by 6-7% year-on-year, while naphtha quotations increased by 10% in EUR-terms. A weaker exchange rate against USD compare to the previous year had a positive effect on the integrated margin.

Natural Gas Overview

Close to base level operating profit reflecting the performance of gas transmission (FGSZ Zrt.)

The Natural Gas segment reported an operating profit of HUF 38.7 bn in 2007 compared to an operating profit of HUF 111.6 bn in 2006. The 2007 profit is not comparable to the basis, as Operating profit of the gas segment in 2006 included a one-off gain and the profit of HUF 74.0 bn on the sale of gas subsidiaries (MOL Földgázellátó Zrt. and MOL Földgáztároló Zrt.) to E.ON on March 31st, 2006.

The profit of the gas business adjusted for the different operational conditions of the two periods and for the one-off gains from divestment of the gas business reflects the profit of FGSZ Földgázszállító Zrt (FGSZ Zrt., previously called as MOL Földgázszállító Zrt.) in 2007. The storage business, which MOL re-entered in Q1 2007 by purchasing shares in MMBF Zrt.(previously called as MSZKSZ Zrt.) and the gas trading subsidiary MOL Energiakereskedő Kft. have very limited contribution to the overall operating profit of the gas segment at this stage.

FGSZ Zrt. operating profit remained stable

IFRS operating profit of FGSZ Zrt. remained stable at HUF 30.9 bn in 2007. Several factors influenced the operating profit of the domestic gas transmission: HUF 2.1 bn revenue was realized from the excess capacity fee invoiced to the players on the Hungarian market in 2006 but not in 2007 due to legal changes. Regulated revenues from Hungarian transmission increased by HUF 0.5 bn year-on-year to HUF 55.1 bn in 2007, as the regular tariff correction offset the negative impact of the 13.4% transmission volumes decrease caused by mild weather conditions.

The non-regulated transit natural gas transmission revenue decreased by 3.8% (to HUF 13.9 bn) compared to 2006. While transited natural gas volume remained stable, unfavorable forex rate changes deteriorated, gas prices and change of contractual conditions fuelled the growth of the transit fee.

The profit impact of reducing revenues was compensated by the 5.4% decrease in operating costs (without COGS and subcontractor performances). Within this, the natural gas cost used for operational purposes – mainly for compressors – showed saving of 25.6% as a consequence of the 15.5% volume decrease.

Capacity expansion – new pipeline construction

FGSZ Zrt. has already started the expansion of the Hungarian import pipeline capacity by 30 Mm^3/day, delivering gas to Hungary and the region from Q3 2009. Total CAPEX for the project is HUF 69 bn. The enlarged import capacity will give an opportunity to fulfill the future domestic demand and allow us to access gas stocks of the strategic storage in the future. In addition, it will enable us to enjoy a more pro-active role in future natural gas transmission businesses.

Strategic and commercial storage

We are again an active participant in the gas storage business through MMBF Zrt. (66.3% subsidiary of MOL). The MMBF Zrt. started the establishment of the underground gas storage facility with a strategic mobile capacity of 1.2 bcm and 0.7 bcm commercial capacities from a producing reservoir, Szőreg-1. The development, operated by MOL Nyrt. is proceeding according to schedule. The CAPEX estimated at HUF 150 bn, including the HUF 67 bn purchase price of the reservoir which has been sold by MOL to MMBF Zrt. The present infrastructure already enables MMBF to provide strategic gas storage services starting from January, 2008 whereas the whole development is expected to be completed by 2010.

Corporate and other segment overview

HUF 9.8 bn operating profit improvement (excluding one-off items)

Corporate and other operating profit of HUF 26.4 bn in 2007 includes a one-off gain of HUF 14.4 bn on the acquisition of a 42.25% minority interest in TVK, as a result of the excess of book value of the minority interest acquired over the consideration. It also includes subsequent settlement of HUF 44.3 bn from E.ON in connection with the sale of gas business, of which HUF 17.4 bn was recorded as a revenue in Q3 2007 and a further HUF 26.9 bn expected to be paid in Q1 2008.

Additional differences between the profits of the two periods are explained by certain non-recurring items, such as penalties paid and / or provided for at Slovnaft in 2006, or the gain on sale of Klingerova Kolónia (HUF 1.6 bn) a Slovnaft real estate in 2007, and lower project costs due to the difference in project scope between the two years.

Financial results

Net financial expense declined by HUF 21 bn

The net financial expense of HUF 16.6 bn was recorded in 2007 (compared to HUF 37.6 bn in 2006). Interest payable was HUF 16.9 bn in 2007 (HUF 13.4 bn in 2006) and interest received amounted to HUF 13.4 bn in 2007 (HUF 13.2 bn in 2006). A foreign exchange gain of HUF 7.6 bn has been recognised in 2007 compared to a foreign exchange loss of HUF 20.8 bn in 2006. The fair valuation expense on the conversion option embedded in the capital security issued in the monetization of treasury shares by Magnolia Finance Ltd. was HUF 13.0 bn (HUF 14.1 bn in 2006).

Income from associates

INA contributed net HUF 5.1 bn

Income from associates was HUF 5.3 bn, including contribution of HUF 5.1 bn from INA in 2007 as compared with HUF 4.4 bn in 2006 (net of additional depreciation on assets revalued to their fair value).

Profit before Taxation

As a result of the above-mentioned items, the Group's profit before taxation in 2007 was HUF 344.3 bn, compared to HUF 377.1 bn in 2006.

Taxation

Local trade tax & innovation fee were reclassified

Corporate tax expense (including local trade tax and innovation fees which have been reclassified from operating expenses in both periods) increased by HUF 42.2 bn to HUF 81.9 bn in 2007, primarily as a result of the current tax expense of MOL Nyrt. compared to the previous year's figure, which reflects MOL Nyrt.'s tax holiday. The different IFRS and tax treatment of the share repurchase option with BNP (treated as a derivative instrument for tax purposes on which a significant taxable gain has been realized in FY 2007) added HUF 7.1 bn to our tax expense. Furthermore the non-realised expense on the conversion option of our capital securities issued by Magnolia Finance Ltd. did not affect our tax base. The current tax expense is the result of the contribution of MOL Nyrt. (16% corporate tax and 4% solidarity surplus tax), Slovnaft a.s. (19% corporate tax rate) and TVK Nyrt. (16%+4%), of HUF 48.3 bn, HUF 12.0 bn and HUF 5.4 bn respectively, as well as the corporate tax payable on the profit of the ZMB joint venture (HUF 6.5 bn) and the corporate tax expense of the other subsidiaries.

Cash flow

Consolidated Cash Flow	2007 (HUF mn)	2006 (HUF mn)
Net cash provided by operating activities	315,506	529,508
of which movements in working capital	(61,511)	101,150
Net cash provided by/(used in) investing activities	(336,978)	111,669
Net cash used in financing activities	(245,951)	(287,481)
Net increase/(decrease) in cash equivalents	(267,423)	353,696

Operating cash flow down 40% mainly due to working capital increase

Operating cash flow in 2007 was HUF 315.5 bn, a 40% decrease compared to 2006. Operating cash flow before movements in working capital decreased by 4% compared to 2006. The change in working capital position decreased funds by HUF 61.5 bn, arising from an increase in inventories of HUF 86.0 bn, trade receivables of HUF 36.8 bn, other receivables of HUF 2.2 bn, trade payables of HUF 74.8 bn accompanied by a decrease in other payables of HUF 11.3 bn. Corporate taxes paid amounted to HUF 69.5 bn, relating to a cash outflow from the income taxes of MOL, Slovnaft and ZMB project companies.

Acquisitions boosted net cash used in investing activities

Net cash used in investing activities was HUF 337.0 bn compared with net cash of HUF 111.7 bn provided in 2006. The cash outflow of the current period reflects the combined effect of the consideration paid for the acquisition of the minority interest of TVK, the second installment paid for the acquisition of BaiTex LLC, the consideration paid for IES, Tifon and Energopetrol as well as the net settlements of post-closing purchase price adjustment on sale of MOL Földgázellátó Zrt. to E.ON Ruhrgas International AG. The comparative figure for FY 2006 contains the consideration for gas subsidiaries (Wholesale and Storage) received at the time of closing the transaction and acquisition of BaiTex LLC.

Net financing cash outflows on capital structure optimisation

Net financing cash outflows amounted to HUF 246.0 bn, mainly as a result of the repurchase of treasury shares as part of our capital structure optimization program, our dividend payment and HUF 335.9 bn net drawn down of long-term debt while the comparative figure of 2006 contained the result of the issuance of the perpetual exchangeable capital securities by the fully consolidated Magnolia, repurchase of treasury shares and HUF 176.5 bn net repayment of long-term debt

Funding overview

63% EUR-denominated debt

MOL Group's total debt increased from HUF 211.9 bn at year-end 2006 to HUF 636.3 bn at 31 December 2007. The currency composition of total debt was 63% EUR, 35% USD, 2% HUF and other currency as of 31 December 2007. Our net debt amounted to HUF 506.5 bn at the end of 2007.

Gearing ratio reached 35.6%

Our gearing ratio (net debt to the sum of net debt and total equity) was 35.6% at 31 December 2007.

Syndicated loans

The main pillars of the funding were the EUR 2.1 bn syndicated loan facility signed in October 2007, the EUR 825 mn syndicated loan facility, the 700 mn syndicated loan facility and the EUR 750 mn Eurobonds with a BBB- investment grade credit rating issued by MOL in September 2005. The EUR 2.1 bn facility is the largest ever Euroloan transaction for MOL which clearly shows the success of the company's financial strength and excellent operational outlook, as well as the high level of support from MOL's relationship banks in spite of the global credit market difficulties. The proceeds of the facility will be used for general corporate purposes (including acquisitions).

Risk management

Enterprise Risk Management

In the past two years MOL Group has significantly widened its existing risk management practice and enhanced the risk awareness culture across the whole organization through the implementation of Enterprise Risk Management (ERM) framework.

Enhanced risk culture

A core initiative of the ERM concept is to measure, manage and report different classes of risks (financial, operational and strategic) based on a common methodology and on consolidated basis. The ERM process identifies the possible risks and so enhances the risk awareness culture and discovers risk-return attributes of the whole group, business units and projects. Quantification of risks enables the company to choose the right risk mitigation tools in line with a defined "risk appetite" of the company. ERM helps strategic planning by facilitating the alignment of MOL's strategic goals with its risk appetite. ERM is a perfect tool to build a business portfolio with optimized risk-return characteristics via using results of risk quantification in budgeting/CAPEX allocation.

State-of-the-art quantification methodology

ERM includes the following key elements:

- Identification of events and key risk drivers possibly effecting the earnings of MOL group in each business unit, quantification of probabilities and impact metrics to calculate the magnitude of this effect (using Cash Flow @ Risk approach)
- Regular reports about the results (including the risk mitigation proposals elaborated with the Business Units, results of these actions) to the Board of Directors, the Finance & Risk Management Committee Executive Board, and to the Management of Business Units
- Integration of the results into key decision making processes (i.e. strategic review, capital allocation, risk-return impact of particular business decisions)

Comprehensive approach in risk management

The key risk factors are identified in the Enterprise Risk Management model. It quantifies the financial, operational and strategic risks on a group level considering the portfolio effects.

Basically, the model uses the Monte Carlo approach that has been successfully applied so far in Financial Risk Management. As a result, different risk-return attributes can be evaluated for the whole group and for the different Business Units and these are used in making decisions on a Group level basis.

Risk outputs integrated into decision making

Financial risk outputs are already being updated on a monthly basis based on actual market data. In ERM, the operational and strategic risks will also be continually reviewed in line with recent changes in the technical, economic, geological and political environment. MOL will continue to prepare monthly reports on financial risks to the top management, while the full risk report including operational and strategic risks will be compiled quarterly for the Finance and Risk Management Committee and the Managing Directors of Business Units. Each report will contain proposals on mitigation actions together with interim reports on the status of actions taken by the concerned Business Units

Capital expenditure program

MOL Group CAPEX	2007 (HUF mn)	2006 (HUF mn)
Exploration and Production	56,691	79,639
Refining and Marketing*	206,400	74,808
Natural Gas	28,823	13,111
Petrochemicals	7,032	8,923
Corporate and other	64,454	10,731
Total	**363,400**	**187,212**

* Including Refining & Marketing, Retail and Lubricants segments

Almost doubling CAPEX on acquisitions

Our Group capital expenditures (CAPEX) including exploration costs increased from HUF 187.2 bn in 2006 to HUF 363.4 bn in 2007 primarily due to higher acquisition spending. We increased our share in TVK Nyrt., purchased an Italian refinery and a retail network in Croatia, and extended interests in Russia.

Exploration & Production CAPEX down HUF 23.0bn

In 2007, Exploration and Production segment spent HUF 16.4 bn on exploration activities, compared to HUF 13.3 bn in the previous year. HUF 17.2 bn was spent on domestic production projects at previously explored fields, compared to HUF 17.9 bn in 2006. Within the project program, company developed previously explored fields, continued the implementation of hydrocarbon production intensification programs and maintained the technical level of production facilities.

Concerning international exploration and production projects, capital expenditures decreased by HUF 23.0 bn, from HUF 51.6 bn in 2006, mainly due to the smaller volume of acquisition activities. CAPEX contains the amounts spent, irrelevant whether it is expensed or capitalized, therefore does not contain capitalized FX differences.

Refining & Marketing CAPEX up 176%

Refining and Marketing segment expenditures increased by HUF 131.6 bn (up 176%) to HUF 206.4 bn in 2007. The amount contains CAPEX commitments, and does not contain capitalized FX differences. This segment consists of following businesses:

- **Refining and Marketing Business** expenditures were HUF 106.6 bn higher at HUF 170.6 bn in 2007 compared to the previous year. It is a combined result of the Italian Refinery acquisition (IES: HUF 121.6 bn) and lower implementation value of the Refinery projects (by HUF – 19.8 bn compared to previous year) due to completion of main projects in 2006 (Steam system intensification; Expanding MSA plant) and higher volume of periodical maintenance works in the previous year. In 2007 MOL implemented several logistics projects in the Refining and Marketing Division in order to ensure reliable operation of the pipeline system and logistics depots. Completion of these projects will ensure compliance with stringent authority and environmental requirements.
- In the **Retail Business**, capital expenditures increased to HUF 35.2 bn compared to HUF 10.5 bn in 2006 mainly due to the South Region's (MOL) acquisitions in Croatia and Bosnia in 2007. (Tifon: HUF 16.9 bn; Bosnia: HUF 4.6 bn).
- In case of **Lubricant Business** the capital expenditures increased by 55% to the previous year due to the higher volume of sales and production development.

Natural gas segment CAPEX up 120%

In the **Natural Gas segment,** capital expenditures were at HUF 28.8 bn, which HUF 15.7 bn higher than in 2006 as a consequence of MMBF Zrt. Investment (storage activities added to the Natural Gas segment in December 2007) and two key projects with high capital expenditures implemented in 2007 (Pilisvörösvár-Százhalombatta DN800 PN64; Increasing import capacity).

Petrochemicals segment CAPEX down 21%

Capital expenditures in the **Petrochemical segment** decreased by HUF 1.9 bn compared to 2006 due to the completion of the Strategic Development projects at TVK and Slovnaft in previous years that were followed by smaller maintenance type works.

Corporate & Other segment CAPEX up HUF 53.7bn

Capital expenditures of the **Corporate and Other segment** increased by HUF 53.7 bn year-on year to HUF 64.5 bn in 2007, mainly driven by acquisition spending (TVK: HUF 50.2 bn; MMBF: HUF 3.0 bn). In addition HUF 5.8 bn were spent on the further development of our Group information system and HUF 2.8 bn on the property maintenance.

Strategy

Our stated strategic goal is to maximise the potential from growth in "New Europe" while providing superior returns. Drawing on our disciplined transaction track record and proven transformation and integration skills, we continue to develop the group with a focus on growth and efficiency, while at the same time closely managing risk at the group level.

15% ROACE target

Predominantly we focus on achieving the return target of 15% ROACE (NOPLAT based) on the group level. In addition to organic developments we seek for acquisitions as well as partnerships to reach our return target. Our group ROACE excluding one-off items was 19% in 2007, well above the target.

Partnerships to add value

In order to achieve the strategic targets we actively seek strategic partnership opportunities and partners with complementary skills providing added value for the whole group or the different businesses. In 2007 we established a strategic cooperation with CEZ, the Czech energy provider, focusing on gas-fired power generation opportunities in Central and South Eastern Europe, including Slovakia, Hungary, Croatia and Slovenia. This strategic alliance with CEZ will provide an entry into the highly attractive regional electricity market and it will also enhance the energy integration of our refineries.

Furthermore, we signed a strategic co-operation agreement with Oman Oil Company in Q1 2008, which could provide us significant growth potential in upstream and downstream businesses in the Middle-East, Central Asia and in other regions thus creating further value for the shareholders.

We initiated to establish a joint transmission company to operate an integrated Central and South-East European gas pipeline network. The new company would have one of the longest gas pipeline networks in Europe (27,000km) and would be well positioned to leverage international capital markets to finance major projects. Consumers would also enjoy the benefits of an integrated platform for gas supply and a greater overall security of supply.

Dividend payout ratio of 40%

Our Board intends to increase the dividend payout ratio towards 40% of normalised earnings from 2008, depending on investment opportunities.

Organic EBITDA target of USD 2.9bn by 2011

Excluding any future M&A activity, the company is targeting Group EBITDA of USD 2.9 billion in the year of 2011, representing a compound annual average growth of 6.5% between 2006 and 2011 (based on the 2006 macro environment). We estimate that its organic capital expenditure will be approximately USD 5.3 billion between 2007 and 2010.

Exploration & Production targets

As a result of our organic projects, total hydrocarbon production is expected at 110-120 Mboe/day by 2011. In Hungary our main goal is to moderate the decline of production and to keep the top-European efficiency in terms of unit costs. To achieve this, we intend to work our exploration acreage in a more intensive way, putting ever harder emphasis on partnerships, but at the same time we continuously develop our newly discovered fields as well as work on new projects – exploiting a period of high hydrocarbon prices – which all aim to enhance the brownfield potential of some of its oil and gas fields through enhanced or improved hydrocarbon recovery methods (EOR/IOR/EGR).

In international arena we continue the development of the previously acquired Russian assets and the already discovered Pakistani reserves. We carry out exploration activities in a growing number of countries. Finally, we intend to develop a stronger, balanced portfolio through acquisitions with significant upside opportunities at appropriate geologic and technical risk level.

Refining & Marketing targets

Our aim is to maintain our efficiency leadership of our Refining & Marketing segment and leverage it to new growth markets. Organic projects, including the Hydrocrack project at Duna Refinery, is expected to boost refinery capacity to 310,000 barrels per day, while the acquisition of Italian IES added further 52,400 barrels per day.

The Hydrocracker project in Duna Refinery is expected to improve EBITDA by approximately USD 150 mn per year starting in 2011 (based on 2006 macro environment), raising gas and heating oil yields of our group from 44% in 2006 to 53% in 2011. The CAPEX budget is very competitive at EUR 300 mn, as a result of our existing high complexity asset base.

We target an efficient group retail network within its refineries' supply radius. The acquisition of Italian IES and Croatian Tifon in Q4 2007 added 176 and 35 stations respectively, raising the total number of petrol stations to 994 by the end of 2007.

We actively investigate further value creative acquisition and/or partnership opportunities in both refining/marketing and retail businesses, especially in the high growth Central European region. We also seek selectively M&A opportunities in the Mediterranean and CIS regions.

Petrochemical targets

Our aim is to strengthen its traditional niche market position on Western markets, while developing its presence in strategic Eastern growth markets. The TVK-Slovnaft petrochemicals merger will further improve the already cost effective operations.

The capacity of our ethylene plants is planned to increase to 870 kt, while polymer capacity expected to reach 1.3 mn tonnes per annum through the cost effective intensification of TVK units, revamp of Slovnaft's ethylene cracker and replacement of LDPE unit by 2012.

Natural gas targets

We see significant profit upside in gas storage business. The first project with a 1.2 bcm strategic and 0.7 bcm commercial storage capacities are expected to start operation in 2010.

The international gas transit volume is expected to double by 2011 as a result of building pipeline connections to the neighbouring Croatia and Romania. The import capacity extension project will open the way for further regional transit opportunities.

Corporate Values

Sustainable Development

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

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

Strategic initiatives and action plan

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

Social Investments

New Europe Foundation

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

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

The programme was introduced in Romania and Slovakia from 2007 and the overwhelming number of applications demonstrates its success in the region.

Green Belt Programme

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

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

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

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

Health, safety and environmental protection

Key performance indicators

In 2007, MOL Group took a great leap forward again in decreasing the number of work related injuries among its employees: the number of Lost Time Injuries (LTI), used as one of our key performance indicator, dropped to 37 from 58 in 2006. This means a nearly equivalent drop in relative terms as well: the frequency of LTI cases measured against one million worked hours (LTIF) diminished to 1.52 from 2.2 reaching the lowest ever level well below our target for 2007 (LTIF should not exceed 1.8). This aligns with the ambitious strategic goal of targeting LTIF to be at least 1.0 by 2008, achieving excellent results compared to industry practice.
2007 was also the year we introduced leading indicators, as tools for proactively focusing on prevention of events.

Fortunately, there were not any work related fatalities among our own staff or contractors. However, a serious injury hurt one of our employees irrevocably, and we regret to report that two 3rd party individuals passed away in road accidents where Slovnaft Trans’ tank cars were involved.

STEP programme

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

Health promotion through physical exercise focused mainly on the implementation of local initiatives; sports opportunities of local communities were sponsored primarily through offering various season’s tickets for sport facilities. As a result of the internal competition, approximately 3000 employees got access to different sports at discounted rates.
Our goal is to achieve 75% participation of MOL Group employees in the health promotion programme by 2010, aiming to provide a possibility of a healthier life-style.

Process Safety Management

One of the most challenging operational safety tasks in 2007 was Group level implementation of a comprehensive Process Safety Management system (PSM).

The basic mission of the new PSM system is the adaptation and implementation of a control system for all our hazardous processes, which is based on international experience and is suitable for managing all key factors, including the human factor.
The Process Safety has several unambiguous benefits including corporate responsibility, business flexibility, risk reduction and sustained value. Business flexibility provides the license to operate and increase business options.

To introduce and develop of PSM system at MOL Group companies, we operate a large, dedicated PS expert network with more than 100 members. As an essential part of successful PSM implementation, we have performed basic PSM trainings including "Train the Trainer" sessions to provide personnel with the appropriate information, tools and understanding to conduct tasks in alignment with process safety needs.
MOL Group PSM Manual was elaborated as basic standard defining requirements valid for all hazardous operations. The Manual describes the management system, responsibilities, PSM element principles and basic requirements necessary for efficient every day work at operations. Our aim is to implement a risk-based approach, addressing all potential hazards along the entire operation.

Human Values

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

Efficiency

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

Growth

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

HR also started to focus on solving the problem of aging Refinery and Upstream work force as well as on the lack of managerial succession, due to current trends in education, student preference and business environment. Revitalizing the Group's relation with higher educational institutions started in 2006 by signing long-term agreements with six outstanding Hungarian universities. Active presence at the campuses helped establishing direct links to students and building up MOL Group as an Employer Brand. As part of a long-term strategy to provide talents for *Freshhh 2007*, our online competition for graduates attracted more than 800 students from 12 countries, while *Growww 2007*, a one-year programme for graduates helped us filling more than 90 job vacancies across all divisions. HR also launched a new leadership competency model and a 360 degree feedback process in 2007, to facilitate and support feedback about performance.

Control and risk minimisation

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

Capability

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

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

Future challenges

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

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

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

- the new Performance Measurement System (PMS), that is the focal point of a merit based culture,
- Career Management System and Competency Model as a basis of improving capabilities and efficiency of human resources.
- Further development in the field of recruitment and retention is needed, therefore in 2008
- a Group Level Managerial Talent Program (MTP) starts in cooperation with the University of Bled which provides a mini MBA for 15 high potentials across the Group;
- we continue to work on graduate recruitment, focusing on students with engineering background (Freshhh 2008 and Growww 2008);
- Late 2007 PIMS academy was started in order to secure professional expert level succession in SCM. Intensive assessments in Refining, US and Corporate Services will be delivered during 2008-2009.

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

Statistical code: 10625790-2320-114-01
Company registration number: 01-10-041683

HUF million

Code	*Description*	*Previous year*	*Adjustments for previous years*	*Current year*
A.	NON-CURRENT ASSETS	1,021,966	137	1,165,007
I.	INTANGIBLE ASSETS	15,099	14	61,838
1.	Capitalised cost of foundation and restructuring	0	0	0
2.	Capitalised research and development cost	293	0	744
3.	Property rights	1,167	0	1,962
4.	Intellectual property	11,537	14	11,666
5.	Goodwill	2,102	0	47,466
6.	Advances on intellectual property	0	0	0
7.	Revaluation of intangible assets	0	0	0
II.	PROPERTY, PLANT AND EQUIPMENT	350,756	123	336,196
1.	Land and building and related property rights	199,601	284	198,449
2.	Plant, machinery and vehicles	102,517	160	95,696
3.	Other equipment, fixtures and vehicles	8,724	3	8,871
4.	Livestock	0	0	0
5.	Assets under construction	39,828	(324)	33,095
6.	Advances on assets under construction	86	0	85
7.	Revaluation of property, plant and equipment	0	0	0
III.	NON-CURRENT FINANCIAL INVESTMENTS	656,111	0	766,973
1.	Long-term investments	572,100	0	744,791
2.	Long-term loans to related parties	83,844	0	21,643
3.	Other long-term investments	1	0	432
4.	Long-term loans to other investments	0	0	0
5.	Other long-term loans	166	0	107
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

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HUF million

Code	*Description*	*Previous year*	*Adjustments for previous years*	*Current year*
B.	CURRENT ASSETS	1,089,456	926	1,433,207
I.	INVENTORIES	110,366	(8)	163,343
1.	Raw materials and consumables	32,734	(85)	54,762
2.	Unfinished production and semi-finished products	36,581	0	47,551
3.	Grown, fattened and other livestock	0	0	0
4.	Finished products	30,914	0	45,355
5.	Merchandises	10,014	77	15,675
6.	Advances on stocks	123	0	0
II.	RECEIVABLES	398,189	934	988,693
1.	Receivables from the supply of goods and services (customers)	75,831	517	79,588
2.	Receivables from related parties	195,070	428	309,253
3.	Receivables from other investments	1,906	0	3,272
4.	Receivables from bills of exchange	0	0	0
5.	Other receivables	103,540	(11)	539,434
6.	Fair valuation difference of receivables	0	0	0
7.	Positive valuation difference of derivative transactions	21,842	0	57,146
III.	SECURITIES	240,201	0	241,852
1.	Investments in related parties	256	0	209
2.	Other investments	360	0	360
3.	Treasury shares	237,665	0	239,263
4.	Debt securities for trading purposes	1,920	0	2,020
5.	Fair valuation difference of securities	0	0	0
IV.	CASH AND CASH EQUIVALENTS	340,700	0	39,319
1.	Cash and cheques	2,040	0	1,218
2.	Bank accounts	338,660	0	38,101
C.	PREPAYMENTS	24,932	(11)	101,854
1.	Accrued income	2,804	(11)	29,486
2.	Prepaid cost and expenses	22,128	0	72,368
3.	Deferred expenses	0	0	0
TOTAL ASSETS		2,136,354	1,052	2,700,068

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HUF million

Code	*Description*	*Previous year*	*Adjustments for previous years*	*Current year*
D.	SHAREHOLDERS' EQUITY	1,468,070	863	1,687,544
I.	SHARE CAPITAL	109,330	0	109,675
	Of which: treasury shares at nominal value	10,899	0	9,070
II.	REGISTERED BUT UNPAID CAPITAL (-)	0	0	0
III.	SHARE PREMIUM	220,759	0	222,354
IV.	RETAINED EARNINGS	622,754	0	878,448
V.	TIED-UP RESERVE	269,860	0	260,396
VI.	VALUATION RESERVE	0	0	0
1.	Revaluation adjustment reserve	0	0	0
2.	Fair valuation reserve	0	0	0
VII.	NET INCOME FOR THE PERIOD	245,367	863	216,671
E.	PROVISIONS	104,014	0	112,434
1.	Provisions for expected liabilities	104,014	0	112,434
2.	Provisions for future expenses	0	0	0
3.	Other provisions	0	0	0
F.	LIABILITIES	516,981	191	855,968
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	195,409	0	502,129
1.	Long-term loans	0	0	0
2.	Convertible bonds	5,800	0	0
3.	Liability from bond issue	189,225	0	190,012
4.	Liabilities from capital investment and development loans	0	0	0
5.	Liabilities from other long-term loans	0	0	312,089
6.	Long-term liabilities to related parties	369	0	0
7.	Long-term liabilities to other investments	0	0	0
8.	Other long-term liabilities	15	0	28

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HUF million

Code	*Description*	*Previous year*	*Adjustments for previous years*	*Current year*
III.	SHORT-TERM LIABILITIES	321,572	191	353,839
1.	Short-term borrowings	0	0	3,860
	Of which: convertible bonds	0	0	3,860
2.	Short-term loans	0	0	34,172
3.	Advances from customers	1,173	0	1,111
4.	Liabilities from the supply of goods and services (suppliers)	103,039	739	125,894
5.	Bills of exchange	0	0	0
6.	Short-term liabilities to related parties	64,178	49	99,831
7.	Short-term liabilities to other investments	54	25	55
8.	Other short-term liabilities	147,239	(622)	83,612
9.	Fair valuation difference of liabilities	0	0	0
10.	Negative valuation difference of derivative transactions	5,889	0	5,304
G.	ACCRUALS	47,289	(2)	44,122
1.	Deferred revenues	5	0	12
2.	Accrued cost and expenses	44,546	(2)	34,928
3.	Other deferred income	2,738	0	9,182
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,136,354	1,052	2,700,068

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HUF million

Code	*Description*	*Previous year*	*Adjustments for previous years*	*Current year*
01.	Net domestic sales revenue	1,472,052	556	1,465,896
02.	Net export sales revenue	401,584	360	375,605
I.	NET SALES REVENUES	1,873,636	916	1,841,501
03.	Changes in own produced inventory	(2,335)	0	25,411
04.	Work performed by the enterprise and capitalised	7,878	0	7,703
II.	CAPITALISED OWN PERFORMANCE	5,543	0	33,114
III.	OTHER OPERATING INCOME	16,484	3	17,745
	Of which: reversed impairment	249	0	15
05.	Raw material costs	758,983	33	821,558
06.	Value of services used	99,616	605	91,407
07.	Other services	237,122	(547)	211,039
08.	Cost of goods sold	210,351	39	192,069
09.	Value of services sold (intermediated)	5,598	2	9,174
IV.	MATERIAL EXPENSES	1,311,670	132	1,325,247
10.	Wages and salaries	33,019	0	34,187
11.	Other personnel expenses	6,635	35	6,607
12.	Tax and contribution	11,872	(36)	12,213
V.	PERSONNEL EXPENSES	51,526	(1)	53,007
VI.	DEPRECIATION	57,936	(19)	55,604
VII.	OTHER OPERATING EXPENSES	340,888	(82)	349,607
	Of which: impairment	14,314	(10)	20,336
A.	PROFIT OR LOSS FROM OPERATING ACTIVITIES	133,643	889	108,895

Statistical code: 10625790-2320-114-01
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HUF million

Code	*Description*	*Previous year*	*Adjustments for previous years*	*Current year*
13.	Received (due) dividend	82,250	0	67,967
	Of which: received from related parties	82,233	0	67,906
14.	Gain from the sale of investments	62,065	0	44,269
	Of which: received from related parties	0	0	0
15.	Interest and exchange rate gains on financial investments	4,991	0	4,947
	Of which: received from related parties	4,980	0	4,934
16.	Other received (due) interest and interest-type revenues	22,986	0	23,226
	Of which: received from related parties	12,020	0	12,057
17.	Other revenues of financial transactions	99,664	11	78,733
	Of which: fair valuation difference	21,842	0	36,893
VIII.	TOTAL FINANCIAL INCOME	271,956	11	219,142
18.	Exchange rate loss on financial investments	43,988	0	0
	Of which: to related parties	0	0	0
19.	Interest and interest-type expenses	12,134	0	15,658
	Of which: to related parties	1,201	0	2,375
20.	Impairment on investments, securities, bank deposits	3,007	0	20,075
21.	Other financial expenses	69,096	15	37,539
	Of which: fair valuation difference	5,889	0	3,411
IX.	TOTAL FINANCIAL EXPENSES	128,225	15	73,272
B.	FINANCIAL PROFIT OR LOSS	143,731	(4)	145,870
C.	ORDINARY BUSINESS PROFIT	277,374	885	254,765
X.	Extraordinary revenues	40,920	7	1,734
XI.	Extraordinary expenses	21,961	0	689
D.	EXTRAORDINARY PROFIT OR LOSS	18,959	7	1,045
E.	PROFIT BEFORE TAXATION	296,333	892	255,810
XII.	Income tax	966	29	39,139
F.	PROFIT AFTER TAXATION	295,367	863	216,671
22.	Use of retained earnings for dividend	0	0	0
23.	Approved dividend and profit share	50,000	0	0
G.	NET INCOME FOR THE PERIOD	245,367	863	216,671

MOL Magyar Olaj- és Gázipari Nyrt. and Subsidiaries
Consolidated balance sheet as of 31 December 2007 prepared in accordance with International Financial Reporting Standards

	2007	2006 restated
ASSETS	HUF million	HUF million
Non-current assets		
Intangible assets	160,553	89,011
Property, plant and equipment, net	1,173,686	1,031,422
Investments in associated companies	144,754	131,569
Available-for-sale investments	1,362	1,597
Deferred tax assets	20,162	20,500
Other non-current assets	32,567	26,936
Total non-current assets	**1,533,084**	**1,301,035**
Current assets		
Inventories	318,604	181,030
Trade receivables, net	353,556	229,986
Other current assets	82,397	43,728
Prepaid taxes	3,680	10,449
Cash and cash equivalents	129,721	399,104
Total current assets	**887,958**	**864,297**
TOTAL ASSETS	**2,421,042**	**2,165,332**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	65,950	83,467
Reserves	468,418	666,716
Profit for the year attributable to equity holders of the parent	257,796	329,483
Equity attributable to equity holders of the parent	**792,164**	**1,079,666**
Minority interests	124,902	191,537
Total equity	**917,066**	**1,271,203**
Non-current liabilities		
Long-term debt, net of current portion	526,992	208,279
Provisions	114,222	112,646
Deferred tax liabilities	71,238	33,181
Other non-current liabilities	138,094	56,881
Total non-current liabilities	**850,546**	**410,987**
Current liabilities		
Trade and other payables	525,489	467,694
Current tax payable	6,234	1,288
Provisions	12,450	10,507
Short-term debt	57,976	2,175
Current portion of long-term debt	51,281	1,478
Total current liabilities	**653,430**	**483,142**
TOTAL EQUITY AND LIABILITIES	**2,421,042**	**2,165,332**

MOL Magyar Olaj- és Gázipari Nyrt. and Subsidiaries

Consolidated income statement for the year ending on 31 December 2007 prepared in accordance with International Financial Reporting Standard

	2007	2006
		Restated
	HUF million	HUF million
Net revenue	2,593,951	2,891,061
Other operating income	75,063	101,088
Total operating income	**2,669,014**	**2,992,149**
Raw materials and consumables used	1,916,196	2,092,452
Personnel expenses	117,260	109,325
Depreciation, depletion, amortisation and impairment	140,538	132,826
Other operating expenses	225,098	262,721
Change in inventories of finished goods and work in progress	(70,181)	13,337
Work performed by the enterprise and capitalized	(15,402)	(28,084)
Total operating expenses	**2,313,509**	**2,582,577**
Profit from operations	**355,505**	**409,572**
Financial income	22,096	17,676
Financial expense	38,663	55,294
Of which: Fair valuation difference of conversion option	12,966	14,131
Financial (income)/expense, net	**16,567**	**37,618**
Income from associates	5,318	5,195
Profit before tax	**344,256**	**377,149**
Income tax expense	81,853	39,623
Profit for the year	**262,403**	**337,526**
Attributable to:		
Equity holders of the parent	257,796	329,483
Minority interests	4,607	8,043
Basic earnings per share attributable to ordinary equity holders of the parent (HUF)	**3,057**	**3,424**
Diluted earnings per share attributable to ordinary equity holders of the parent (HUF)	**2,981**	**3,376**

Proposal to Item 1 of the Agenda

The auditor's report on the 2007 financial statements presented by the Board of Directors

Our shareholders are requested to note that the Auditor's Reports form integral parts of the Annual Report and Consolidated Annual Report for 2007 of MOL Nyrt. and the information set out in these reports should be considered in conjunction with the financial statements indicated in said reports (Balance-sheet and Profit and Loss Statement) and with the supplementary notes, not present in the General Meeting materials. For a better understanding of MOL Nyrt.'s and MOL Group's consolidated financial position as of 31 December 2007 and the results of its operations for the year then ended, the accompanying balance sheets and statements of operations should be read in conjunction with the supplement (notes) to the financial statements.

This is a translation of the Hungarian Report

Independent Auditors' Report

on the annual financial statements presented to the shareholders' meeting for approval

To the Shareholders of MOL Magyar Olaj- és Gázipari Nyrt.

1.) We have audited the accompanying 2007 annual financial statements of MOL Magyar Olaj- és Gázipari Nyrt. ("the Company"), which comprises the balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 2,700,068 million and a profit for the year of HUF 216,671 million -, the related profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's annual financial statements as at 31 December 2006 on 22 March 2007.

Management's Responsibility for the Financial Statements

3.) Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these financial statements based on the audit and to assess whether the business report is consistent with the financial statements. 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 whether the financial statements are free from material misstatement.

5.) 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 and fair presentation of the financial statements 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. Our work regarding the business report is restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

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

Opinion

7.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of MOL Magyar Olaj- és Gázipari Nyrt. in accordance with Hungarian National Auditing Standards and we have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of MOL Magyar Olaj- és Gázipari Nyrt. as at 31 December 2007 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

8.) Without qualifying our opinion, we draw the attention to 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.

9.) Without further qualifying our opinion, we draw attention to the fact that this independent auditor's report has been issued for consideration by the forthcoming shareholders' meeting for decision making purposes and, as such, does not reflect the impact, if any, of the resolutions to be adopted at that meeting. Accordingly, the accompanying annual financial statements and this independent auditor's report are not suitable, nor should be used, for statutory reporting and disclosure purposes.

Budapest, 20 March, 2008

(The original Hungarian language version has been signed.)

Ernst & Young Kft.
Registration No.: 001165

Judit Szilágyi
Registered Auditor
Chamber membership No.: 001368

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MOL Magyar Olaj- és Gázipari Nyrt.

1.) We have audited the accompanying 2007 consolidated annual financial statements of MOL Magyar Olaj- és Gázipari Nyrt. and its subsidiaries ("the Company"), which comprises the consolidated balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 2,421,042 million and a profit for the year of HUF 262,403 million -, the related consolidated profit and loss account for the year then ended, changes in shareholder's equity, consolidated cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by EU as at 31 December 2006 on 22 March 2007.

Management's Responsibility for the Consolidated Financial Statements

3.) Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated financial statements. 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 whether the consolidated financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our work regarding the consolidated business report is restricted to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

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

Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of MOL Magyar Olaj- és Gázipari Nyrt. in accordance with Hungarian National Auditing Standards and we have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of MOL Magyar Olaj-és Gázipari Nyrt. as at 31 December 2007 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, 20 March 2008

(The original Hungarian language version has been signed.)

Ernst & Young Kft.
Registration No. 001165

Judit Szilágyi
Registered Auditor
Chamber membership No.: 001368

Proposal to Item 1 of the Agenda

Report of the Supervisory Board on the 2007 financial statements and the proposal for the distribution of profit after taxation

The Supervisory Board performed its duties in full accordance with its statutory obligations, held 5 meetings during the year, regular agenda points of the meetings include the quarterly report of the Board of Directors on company's operations and the reports of Internal Audit and Corporate Security. In addition, the Supervisory Board reviewed the proposals for the Annual General Meeting. The report of the Supervisory Board has been prepared pursuant to the report of the Board of Directors, the opinion of the auditors, the scheduled regular midyear reviews and the work of the Audit Committee. In its meetings during 2007, the Supervisory Board dealt in detail with the business situation of the MOL Group as well as the strategic development of the Group and its divisions. Numerous special topics and issues requiring the consent of the Supervisory Board have been examined following the decisions of the Board of Directors.

MOL is the leading integrated oil and gas company in Central and Eastern Europe, the market leader in Hungary, and, with the parent company's net sales of HUF 1,841.5 billion and the Group's net sales of HUF 2,594.0 billion (according to the International Financial Reporting Standards (IFRS)), the largest company in Hungary. In 2007, the weighted average stock exchange price of MOL shares increased by 15.4% to HUF 25,089 (in 2006 this was HUF 21,745). The stock exchange closing price on 31st December, 2007 was HUF 24,495.

The Company's 2007 financial statements provide a true and fair picture of its economic activities and were audited by Ernst & Young Kft. The accounting methods applied in developing the financial reports are supported by the report of the Audit Committee, comply with the provisions of the Accounting Act and are consistent with the accounting policies of the Company. All figures in the balance sheet are supported by analytical registration. Assessment and payment of tax obligations were implemented as prescribed by law.

For the MOL Group a total of 86 companies were fully, and a further 19 companies were partially consolidated, using the equity method. Last year the ownership structure changed: at the end of 2007, the shareholding of foreign institutional investors (holding less than 5% of the company) reduced to 31.7%, while the shareholding of OMV increased to 20.2%. In addition to this BNP Paribas held 8.3%, Magnolia 5.5% MFB Invest Ltd. 10.0% of the shares and OTP Bank Plc. had a 9.2% shareholding in the company at the end of 2007. The ownership of domestic institutional and private investors amounted to 6.8% while the company held 8.3% treasury shares at the end of December 2007.

2007 was characterised by progress in several key strategic areas with a number of transactions. *As part of the organic growth strategy*, the company has decided to implement a development program in the Duna refinery which will result in an additional 1.3 mn tonnes middle distillate from 2011 onwards. *In the Downstream business,* MOL has acquired the IES Downstream company in Italy and Tifon, the Croatian retail company. Furthermore, the company has created a *strategic alliance* with CEZ thereby enhancing the energy integration of MOL Group refineries. CEZ and MOL will focus on gas-fired power generation in four countries of Central and South Eastern Europe, including Slovakia, Hungary, Croatia and Slovenia. The first major investment is the construction of combined cycle gas turbine power plants at the refineries of the MOL Group in Bratislava and Százhalombatta. In both locations the installed capacity will amount to 800 MW. In order to strengthen the strategic alliance CEZ purchased 7 % stake for which MOL holds an American call option. *In the Upstream* *business* new international exploration blocks have been acquired in Russia, Cameroon and Kurdistan and important alliances have been developed in Qatar and Libya.

On 22 June 2007, based on the decision of the Board of Directors to develop a more efficient capital structure, the company started a capital optimisation program. The Supervisory Board endorses the proposal of the Board of Directors to pay a gross dividend of HUF 85 billion for 2007. The Supervisory Board proposes that the General Meeting approves the audited financial statements of MOL Plc for 2007, with a balance-sheet total of HUF 2,700 billion, after-tax profit of HUF 217 billion, and tie-up reserve of HUF 260 billion and the audited consolidated financial statements of the MOL Group for 2007, with a balance sheet total of HUF 2,421 billion and profit attributable to equity holders of HUF 258 billion. These reports do not include the impact of the proposed dividend submitted for approval to the General Meeting.

Budapest, 31st March, 2008

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

Dr. Mihály Kupa
Chairman of the Supervisory Board

Decision on the approval of the parent company financial statements prepared in accordance with the Accounting Act and the consolidated financial statements prepared in compliance with IFRS, the use of the after tax profits and the amount of dividend.

Proposed resolution on the financial statements

The Board of Directors proposes to the General Meeting to approve the annual report of MOL Nyrt. prepared in accordance with Hungarian statutory accounting legislation and the related auditors' report with total assets of HUF 2,700 bn, profit after taxation of HUF 217 bn and tied-up reserve of HUF 260 bn.

The Board of Directors proposes to the General Meeting to approve the consolidated annual report of MOL Group prepared based on chapter 10 of the accounting law, in accordance with IFRS and the related auditor's report with total assets of HUF 2,421 bn and profit attributable to equity holders of HUF 258 bn.

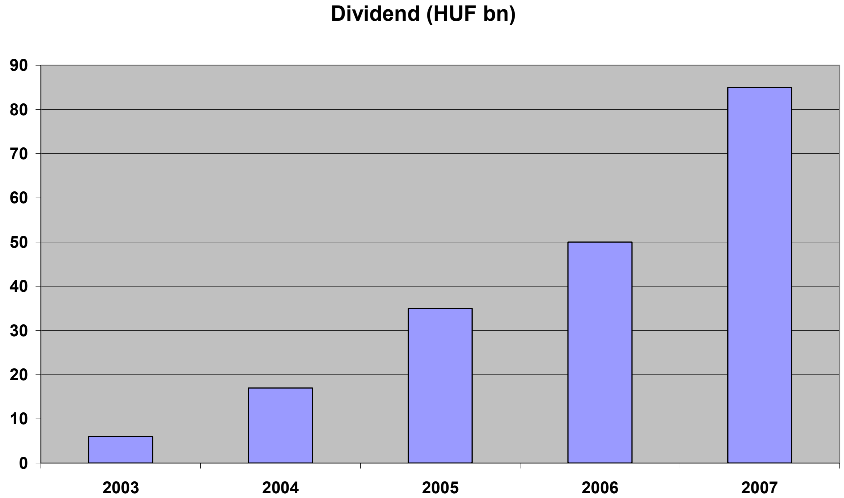
Proposal to Item 1 of the Agenda

Decision on amount of dividend

MOL included an explicit statement in the new five year strategy on its intention to increase the absolute level of dividend and to reach the dividend payout ratio of peers (30% of normalised earnings at the time of strategy announcement) by 2010. In addition, Board of Directors stated in July 2007, that it intends to increase the dividend payout ratio towards 40% of the normalised earnings from 2008 in line with industry practice, depending on investment opportunities.

MOL's capability to efficiently integrate and operate acquired assets has been proven in practice following the acquisitions made in the past. In line with our strategy, we are committed to create value via our M&A activity. Strengthening our position in INA is one of the key focus and we are currently examining several sizeable transactions, which requires maintaining financial flexibility. Despite the continuous M&A activity the Board of Directors decided to propose to pay 40% of the normalised earnings as dividend to the shareholders.

In the last 5 years the Board of Directors continuously increased the dividend level from HUF 6bn paid after the 2003 financial year to HUF 85 bn proposed after the 2007 results, while successfully closing important M&A transactions at the same time.



Last year's normalised earnings (excluding the gain on TVK share purchase and subsequent price adjustment paid or payable by E.ON) was HUF 210.4 bn, after which the 40% payout ratio would represent HUF 85 billion dividend payment. Depending on the number of shares held in treasury, at a share price of HUF 20,000-22,000 this would represent roughly a 4% dividend yield. Additionally if the AGM votes in favour of the share capital cancellation of 5% the shareholder payout in total could reach 9% of the share price, one of the highest cash contributions among peers.

Draft Resolution

The Board of Directors recommends to the General Meeting to pay HUF 85 bn as a dividend in 2008 connected to the year ended 31 December 2007. The dividend on treasury shares is distributed to those shareholders eligible for dividend, in proportion to their shares. The profit after dividend payment shall be booked as retained earnings.

Proposal to Item 1 of the Agenda

Decision on the approval of the corporate governance declaration

Budapest Stock Exchange published its corporate governance recommendations (“Recommendations”) in 2004. In 2004, MOL voluntarily submitted its declaration on the compliance with the Recommendations among first issuers. From 2005 MOL is obliged to submit its declaration on the Recommendations. The Board of Directors approved the declaration in both years. Pursuant to the new Company Act from 1 July 2006 the declaration needs to be approved by general meeting, MOL however playing a pioneer role approved already in 2006 by its general meeting the declaration to be submitted to the Budapest Stock Exchange.

In 2007, Budapest Stock Exchange issued new Corporate Governance Recommendations (“CGR”). According to the CGR, companies listed on the stock exchange are required to express their views on their corporate governance practices in two ways. In the first part of the statement they have to give account of the corporate governance practices applied by their company in the given business year, including their corporate governance policy, and a description of any unusual circumstances.

In the second part of the statement, in accordance with the "comply or explain" principle, they have to indicate their compliance with those recommendations included in specified sections of the CGR ("R" - recommendation) and whether they apply the different suggestions formulated in the CGR ("S" - suggestion). If the issuer does not apply the recommendation or applies it in a different manner, an explanation of what the discrepancies are and the reasons for the said discrepancies should be provided ("comply or explain" principle). In the case of suggestions, companies shall only indicate whether they apply the given guideline or not; there is no need for a specific explanation.

The size of the declaration increased significantly. Until 2007, issuers had to make declaration consisting of 22 questions, this year 140 questions had to be responded.

The Corporate Governance Guidelines of the Budapest Stock Exchange are available on: www.bse.hu

Proposed resolution

The Board of Directors upon the approval of the Supervisory Board agrees to propose the AGM the approval of the Corporate Governance Report, based on the Corporate Governance Recommendations of the Budapest Stock Exchange, as follows:

DECLARATION

MOL Group Corporate Governance Report in accordance with Budapest Stock Exchange Corporate Governance Recommendations

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

MOL's corporate governance meets the requirements of the regulations of the Budapest Stock Exchange, the directives of the Hungarian Financial Supervisory Authority and the relevant regulations of the Capital Market Act. MOL also subjects its policies to regular review to ensure that they take account of continually evolving international best practice in this area. In 2006, MOL approved its Corporate Governance Code, which summarises its approach to shareholders' rights, main governing bodies, remuneration and ethical issues. The Corporate Governance Code has been published on the homepage of the Company.

MOL's corporate governance practices were rated highly in a report issued on December 30th, 2003 by Deminor Rating, the international corporate governance consultancy and rating firm. The original rating was updated in 2005. Corporate governance initiatives in 2004 and 2005 were taken into consideration, and the overall rating was raised from 7.0 to 7.5 (on a scale of 1-10). In 2007, ISS Corporate Services (successor of Deminor Rating) reviewed and further improved MOL's rating to 8.0. MOL's sub-rating improved on three areas reviewed out of four, the company improved especially on the area of shareholders' rights and duties.

Board of Directors

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

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

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

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders, the executive management and the Company. The composition of the Board reflects this with the majority (eight of eleven members) made up of non-executive directors. At present, 7 members of the Board of Directors qualify as independent on the basis of its own set of criteria (based on NYSE recommendations) and the declaration of directors.

The members of the Board of Directors and their independence status (professional CVs of the members are available on corporate homepage):

Zsolt Hernádi, Chairman-CEO	non-independent
Dr. Sándor Csányi, Vice Chairman	independent
László Akar	independent
Michel-Marc Delcommune	non-independent
Dr. Miklós Dobák	independent
Dr. Gábor Horváth	independent
Miklós Kamarás	independent
Dr. Ernő Kemenes	independent
József Molnár (since 12 October 2007)	non-independent

(before József Molnár, until 11 October 2007 Kálmán Simóka Dr. was the member of the Board of Directors with independent status)

György Mosonyi	non-independent
Iain Paterson	independent

Operation of the Board of Directors

The Board acts and makes resolutions as a collective body.

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

The Board Charter covers:

- scope of the authority and responsibilities of the Board,
- scope of the committees operated by the Board,
- provision of information to the Board,
- main responsibilities of the Chairman and the Deputy Chairman,
- order and preparation of Board meetings and the permanent items of the agenda, and
- decision-making mechanism, and the manner in which the implementation of resolutions is monitored.

Report of the Board of Directors on its 2007 activities

In 2007, the Board of Directors held 10 meetings with an average attendance rate of 91%. Alongside regular agenda items, such as reports by the Committees' chairmen on the activities pursued since the last Board meeting, or an overview of capital market developments, the Board of Directors also individually evaluates the performance of each of the company's business units.

In line with the Company's strategic objectives, the Board of Directors decided on the acquisition of the 100% stake in Russian oil producer Matjushkinskaya Vertical LLC, the Italian refiner IES and Tifon, the Croatian retail company, as well as on a strategic alliance with CEZ, the Czech energy concern. In the course of the year, the Board of Directors reviewed the implementation of the strategic and business objectives of the Company's business units and their growth potential.

Committees of the Board of Directors

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

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

The members and chairs of the Committees are elected by the Board of Directors.

The Board allocates responsibilities to the various Committees as follows:

Finance and Risk Management Committee (previously Audit Committee):

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

- Dr. Miklós Dobák – chairman, 25 October 2002
- László Akar, 25 October 2002
- Dr. Ernő Kemenes, 25 October 2002
- Iain Paterson, 8 September 2000
- Mrs. Kálmán Simóka PhD. (from 25 October 2002 until 11 October 2007)

Responsibilities:

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

Corporate Governance and Remuneration Committee:

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

- Dr. Sándor Csányi – chairman, 17 November 2000
- Zsolt Hernádi, 8 September 2000
- Dr. Gábor Horváth, 8 September 2000
- Miklós Kamarás, 25 October 2002

Responsibilities:

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

Sustainable Development Committee:

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

- György Mosonyi – chairman, 29 June 2006
- Michel-Marc Delcommune, 29 June 2006
- Dr. Ernő Kemenes, 29 June 2006
- Iain Paterson, 29 June 2006

Responsibilities:

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

Report of the Finance and Risk Management Committee on its 2007 activities

In 2007, the Finance and Risk Management Committee held 6 meetings with a 86% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor’s work and the regular monitoring of internal audit, the Committee also devoted a considerable amount of time to the following topics:

- Risk management: the Committee reviewed the major risk factors of the Company and the status reports on risk management actions attached to these factors. The committee discussed further opportunities to apply Enterprise Risk Management (ERM).
- Internal audit: the Committee evaluated the internal audit reports and the accomplishment of the annual audit plan.
- Financial position: the Committee continuously monitored the Company’s financial position.

Report of the Corporate Governance and Remuneration Committee on its 2007 activities

In 2007, the Corporate Governance and Remuneration Committee held 9 meetings with a 94% average attendance rate. In addition to the issues of corporate governance, remuneration and the composition of the management, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

Report of the Sustainable Development Committee on its 2007 activities

In 2007, the Sustainable Development Committee held 2 meetings with a 100% attendance rate. The Committee decided on 2008 targets and formed opinion on Sustainable Development Report.

Relationship between the Board and the Executive Management:

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

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

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

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

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

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

- Zsolt Hernádi	Chairman-CEO
- György Mosonyi	Group Chief Executive Officer
- József Molnár	Group Chief Financial Officer
- Lajos Alács	Executive Vice President, Strategy and Business Development
- Zoltán Áldott	Executive Vice President, Exploration and Production
- Ferenc Horváth	Executive Vice President, Refining and Marketing
- József Simola	Executive Vice President, Corporate Centre

The Executive Board is a decision preparation forum where every Member has an obligation to express an opinion, on the basis of which the final decision is made by the Chairman-CEO. If there is a difference of opinion between the GCEO, GCFO and the C-CEO, the BoD shall make the decision.

In 2007, the Executive Board held 47 meetings and discussed 10 issues on a meeting on average.

Incentives provided for non-executive directors

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

The basis of the effective incentive scheme for non-executive directors was approved by the Extraordinary General Meeting (EGM) on 1st September 2003. Updates and further revision of the scheme were authorised by the subsequent General Meetings (AGMs) in 2004 and 2005.

ELEMENTS OF THE INCENTIVE SCHEME:

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

  On 9th October 2003, directors participating in the program and the entitled top managers had a chance to subscribe for bonds convertible to privately issued "A" series ordinary shares, using a bank loan. As part of the program, 1,200 bonds with a 10 million HUF/bond nominal value were issued, with the option to convert to MOL shares in equal proportions within 5 years. The maturity of the convertible bonds is October 2008.

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

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

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

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

Non-executive directors	25,000 EUR/year
Chairman*	41,500 EUR/year

*if the Chairman is not a non-executive director, the deputy chairman (who is a non-executive) is entitled to this remuneration

OTHER BENEFITS:

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

Incentive system for the top management

The Incentive System for the top management in 2007 included the following elements:

1. Incentive (bonus)

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

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

2. Relative performance incentive

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

3. Share option program

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

4. Bond program

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

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

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

In July 2004, 3 other managers joined the program and were entitled to buy a total of 105 bonds from the bond portfolio.
In September 2004, a total of 80 bonds were repurchased from 2 top managers. In October 2004, the Chairman-CEO of the Company approved a purchase of 24 additional bonds by 2 top managers who were already taking part in the bond program. In 2005, the company repurchased 36 bonds from a top manager, whilst there were no changes in the program in 2006.
In September 2007 the company repurchased 5 bonds from a manager and in October 2007 repurchased 5 bonds from member of the Board.

OTHER FRINGE BENEFITS

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

Supervisory Board

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

The members of the Supervisory Board and their independence status:

Dr. Mihály Kupa, Chairman	independent
Lajos Benedek	non-independent (employee representative) from 12 October, 2007
John I. Charody	independent
Dr. Attila Chikán	independent
Slavomír Hatina	independent
Attila Juhász	non-independent (employee representative) from 12 October, 2007
Dr. Sándor Lámfalussy	independent
János Major	non-independent (employee representative)

István Vásárhelyi independent
Ms. Piroska Bognár non-independent (employee representative) until 11 October, 2007
József Kudela non-independent (employee representative) until 11 October, 2007

Regular agenda points of the Supervisory Board include the quarterly report of the Board of Directors on company's operations and the reports of Internal Audit and Corporate Security. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting.

In 2007 the Supervisory Board held 5 meetings with an 87% attendance rate.

Remuneration of the members of the Supervisory Board

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

Audit Committee

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

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

<u>Members of the Audit Committee and dates of appointment (professional backgrounds of members are available on company homepage):</u>

- John I. Charody, 27 April, 2006
- Dr. Attila Chikán 27 April, 2006
- Dr. Mihály Kupa 27 April, 2006
- and in case of long-term incapacitation of any of the permanent members, Sándor Lámfalussy dr.

Report of the Audit Committee on its 2007 activities

In 2007, the Audit Committee held 7 meetings with a 95% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of internal audit, the Committee also devoted a considerable amount of time to the following topics:

- Risk management: the Committee reviewed the major risk factors of the Company and the status reports on risk management actions attached to these factors. The committee discussed further opportunities to apply Enterprise Risk Management (ERM).
- Internal audit: the Committee evaluated the internal audit reports and the accomplishment of the annual audit plan.
- Financial position: the Committee continuously monitored the Company's financial position.

Enterprise Risk Management

4-pillar system managing a broad variety of risks:

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by Enterprise Risk Management which approach has been rolled out to all the divisions of MOL Group. ERM integrates financial and operational risks along with a wide range of strategic risks. Following identification, different classes of risk are quantified based on a common methodology, on consolidated basis, built on the assessment of their likelihood and possible impacts. The time horizon of the model emphasises long term view (according to strategic horizons): up to 10-year and even beyond, when analysing the variability of net present values. The ERM process identifies the most significant risks to the performance of the company (both divisional and on a group level) and calls for a decision to be made regarding which risks should be retained and which should be mitigated and how. Some of the risks are managed centrally, while some are dealt with by the divisions, overseen by nominated risk owners. Risk Management regularly controls the realization of these risk mitigation actions – in a form of quarterly required reports from the risk owners.

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

Transferring of excess operational risks is done by Insurance Management. It means purchase of insurance, which is an important risk mitigation tool used to cover the most relevant operational exposures. The major insurance types are: Property Damage, Business Interruption, Liability, and Control of Well Insurance. Due to the peculiarity of the insurance business major tasks of this function are set around a yearly cycle (i.e. annual renewal of most insurance programmes). Since insurance is managed through a joint program for the whole group (including MOL, TVK and Slovnaft), MOL Group is able to exploit considerable synergy effects.

Business Continuity Management (BCM) is the process of preparing for unexpected operational events. Proper Business Contingency Plans, Crisis Management processes and other risk control programs (like regular engineering reviews) are crucial in such a business like MOL Group's where operational risk exposure is significant as a result of the chemical and physical processes underlying most of the operations. To measure up to our aspirations of safety and preparedness in 2007 GRM continued the roll out of BCM approach to all divisions with high operational risk exposure.

External auditors

The MOL Group was audited by Ernst & Young in both 2007 and 2006, excluding the ZMB joint venture in Russia and the operating company of the Fedorovsky Block in Kazakhstan in both years (these entities were audited by Deloitte & Touche and PricewaterhouseCoopers, respectively).

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

Ernst & Young also provided other services to MOL Nyrt. Summary of the fees paid to the auditors in 2007 and 2006 are as follows (HUF mn):

	2007	**2006**
Audit fee for MOL plc (including audit fee for interim financial statements)	177	185
Audit fee for subsidiaries	380	315
Other non-audit services	79	52
Tax advisory services	16	34
Total	**648**	**586**

Non-audit services in 2007 and 2006 were mainly related to due diligence services performed for MOL.

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

Relationship with the shareholders, insider trading

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

Formal channels of communication with shareholders include the Annual Report and Accounts and the quarterly results reports, as well as other public announcements made through the Budapest Stock Exchange (primary exchange) and the Warsaw Stock Exchange. Regular and extraordinary announcements are published on PSZÁF (Hungarian Financial Supervisory Authority) publication site and on MOL's homepage. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting and extraordinary General Meetings. Roadshow visits are also made to various cities in the UK, the US and Continental Europe where meetings are held with representatives of the investment community, including MOL shareholders and holders of MOL's Global Depository Receipts. Furthermore, investors are able to raise questions or make proposals at any time during the year, including the Company's General Meeting. Investor feedbacks are regularly reported to the Board of Directors.

In 2007 MOL participated in 15 roadshows and investor conferences (3 US and 12 European) having over 200 meetings with potential and existing shareholders.

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

MOL Group is committed to the fair marketing of publicly-traded securities. Insider dealing in securities is regarded as a criminal offence in most of the countries in which we carry out business. Therefore, we require not only full compliance with relevant laws, but also the avoidance of even the appearance of insider securities trading and consultancy.

MOL Group employees:

• should not buy or sell shares in MOL Group or any other company while in possession of insider information
• should not disclose insider information to anyone outside the company, without prior approval.
• should be careful, even with other MOL Group employees, should disclose insider information to a co-worker when they have permission to do so and if it is necessary to do their job.
• should protect insider information from accidental disclosure.

Exercise of shareholders' rights, general meeting participation

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

A condition of participation and voting at the general meeting for shareholders is that the holder of the share(s) shall be registered in the Share Register. The depositary shall be responsible for registering the shareholders in the Share Register pursuant to the instructions of such shareholders in line with the conditions set by the general meeting invitation. According to Article 8.6 of Articles of Associations: „Each shareholder, when requesting the registration into the share register, shall declare whether he, or he and any other shareholder belonging to the same shareholder group as specified in Articles 10.1.1 and 10.1.2 holds at least 2% of the Company's shares, together with the shares regarding which he asks for registration." If the conditions described in the previous sentence are met, the shareholder requesting registration is obliged to declare the composition of the shareholder group taking into account Article 10.1.1 and 10.1.2.

According to Article 10.1.1 of Articles of Associations: „No shareholder or shareholder group (as defined below) may exercise more than 10% of the voting rights with the exception of the Hungarian State, the Hungarian Privatization and Asset Holding Company, any of its legal successors, any entity exercising ownership rights on behalf of the Hungarian State, and the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares (the latter shall be exempted only insofar as the ultimate person or persons exercising the shareholder's rights represented by the shares and securities deposited with them do not fall within the limitations specified here below)."

The conditions to participate in the general meeting are published in the invitation to the general meeting. Invitations to the general meeting are published on company homepage. The ordinary general meeting is usually held in late April, in line with the current regulation.

The ordinary general meeting, based on the proposal of Board of Directors approved by the Supervisory Board, shall have the authority to determine profit distribution, i.e. the amount of the profit after taxation to be reinvested into the Company and the amount to be paid out as dividends. Based upon the decision of the general meeting, dividend can be paid in a non-cash form as well.

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

Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.
By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

<u>Yes (Complies)</u> No (Please explain)

R 1.1.2 The company applies the "one share - one vote" principle.

Yes (Complies) <u>No (Please explain)</u>

"B" series share is a voting preference share held by Hungarian State Holding Company. The special rights attached to the "B" share were cancelled by the Annual General Meeting of 26 April 2007, except the veto right related to voting right ceiling, scope of issues requiring special majority voting and the amendment of rights of the holder of the "B" share, the proposed cancellation of which was not supported by special majority of the shareholders. Par value of "A" series shares is HUF 1,000, while the par value of "C" series shares is HUF 1,001, but the rights attached to these shares, taking into account the different par value, are identical. Currently all "C" series shares are held by MOL.

According to the Articles of Associations, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of the Hungarian State, the Hungarian State Holding Company, any of its legal successors, any entity exercising ownership rights on behalf of the Hungarian State, and the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares. This voting limitation was approved by a general meeting held in 1995 and since that time all of our investors purchased shares knowing this limitation.

R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

<u>Yes (Complies)</u> No (Please explain)

R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

<u>Yes (Complies)</u> No (Please explain)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies) <u>No (Please explain)</u>

The proposals included the explanation of the effects of the decision. Though the Supervisory Board analyses all proposals, which fall within the exclusive scope of authority of the Company's General Meeting, it submits written report only on the proposal on the annual report and the distribution of the profit after taxation.

R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

<u>Yes (Complies)</u> No (Please explain)

R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies) No (Please explain)

Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies) No (Please explain)

R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies) No (Please explain)

R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes (Complies) No (Please explain)

R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.

Yes (Complies) No (Please explain)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies) No (Please explain)

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies) No (Please explain)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies) No (Please explain)

R 2.5.1 The Management Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies) No (Please explain)

R 2.5.4 At regular intervals (in connection with the CG Report) the Managing Body requested a confirmation of their independent status from those members considered independent.

Yes (Complies) No (Please explain)

R 2.5.5 At regular intervals (in connection with the CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies) No (Please explain)

R 2.5.7 The company disclosed on its website the guidelines on the independence of the Managing Body and the Supervisory Board, as well as the criteria applied for assessing independence.

Yes (Complies) No (Please explain)

R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies) No (Please explain)

R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

Yes (Complies) No (Please explain)

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

Yes (Complies) <u>No (Please explain)</u>

According to MOL's practice, these transactions are approved by the Board of Directors, with the simultaneous notification to the chairman of the Audit Committee.

R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies) <u>No (Please explain)</u>

Board members declare at the time of their appointment, if they have Board membership or an executive management position in a company which is not part of the company group. According to the charter of the Board of Directors, a member of the Board of Directors informs the Board of Directors, if he/she receives an offer of Board membership or an offer of an executive management position in a company which is not part of the company group. Chairman of the Supervisory Board participates in Board meetings as permanent invitee.

R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

<u>Yes (Complies)</u> No (Please explain)

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

<u>Yes (Complies)</u> No (Please explain)

R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

<u>Yes (Complies)</u> No (Please explain)

The Supervisory Board formed an opinion on the remuneration guidelines.

<u>Yes (Complies)</u> No (Please explain)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

<u>Yes (Complies)</u> No (Please explain)

R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies) <u>No (Please explain)</u>

The Board of Directors prepares a formal evaluation of the work carried out in every two years, but it reviews continuously its annual activity.

The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

<u>Yes (Complies)</u> No (Please explain)

The Supervisory Board reviews continuously its annual activity. In addition, the report of the Supervisory Board includes a general evaluation on the work of the Supervisory Board.

R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

<u>Yes (Complies)</u> No (Please explain)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies) No (Please explain)

R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes (Complies) No (Please explain)

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

Yes (Complies) No (Please explain)

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies) No (Please explain)

The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report.

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

Yes (Complies) No (Please explain)

The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements.

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies) No (Please explain)

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes (Complies) No (Please explain)

The Managing Body took the necessary steps to identify the major risk areas.

Yes (Complies) No (Please explain)

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

Yes (Complies) No (Please explain)

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies) No (Please explain)

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4

Yes (Complies) No (Please explain)

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies) No (Please explain)

R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee.

Yes (Complies) No (Please explain)

The Internal Audit reported at least once to the Audit Committee on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies) No (Please explain)

R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee.

Yes (Complies) No (Please explain)

The Internal Audit reports to the Financial and Risk Management Committee, with the simultaneous notification to the Audit Committee. The Audit Committee carries out works set in the Company Act.

As an organisation, the Internal Audit function is independent from the executive management.

Yes (Complies) No (Please explain)

R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

Yes (Complies) No (Please explain)

R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.

Yes (Complies) No (Please explain)

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

Yes (Complies) No (Please explain)

R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes (Complies) No (Please explain)

R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes (Complies) No (Please explain)

R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.

Yes (Complies) No (Please explain)

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

Yes (Complies) No (Please explain)

R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, the Nomination Committee and the Remuneration Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies) No (Please explain)

R 3.2.1 The Audit Committee monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies) No (Please explain)

R 3.2.3 The Audit Committee received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies) No (Please explain)

R 3.2.4 The Audit Committee requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4

Yes (Complies) No (Please explain)

R 3.3.1 There is a Nomination Committee operating at the company.

Yes (Complies) No (Please explain)

The Corporate Governance and Remuneration Committee manages issues related to the composition of the Board of Directors and the Supervisory Board. Therefore at the following questions on Nomination Committee, MOL makes declaration on the Corporate Governance and Remuneration Committee.

R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes (Complies) No (Please explain)

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

Yes (Complies) No (Please explain)

The Nomination Committee evaluated the activity of board and executive management members.

Yes (Complies) No (Please explain)

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes (Complies) No (Please explain)

R 3.4.1 There is a Remuneration Committee operating at the company.

Yes (Complies) No (Please explain)

The works of the Remuneration Committee are carried out by the Corporate Governance and Remuneration Committee. Therefore at the following questions on Remuneration Committee, MOL makes declaration on the Corporate Governance and Remuneration Committee.

R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

<u>Yes (Complies)</u> No (Please explain)

R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

<u>Yes (Complies)</u> No (Please explain)

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

<u>Yes (Complies)</u> No (Please explain)

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

<u>Yes (Complies)</u> No (Please explain)

R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines and the remuneration of individual persons.

<u>Yes (Complies)</u> No (Please explain)

The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

<u>Yes (Complies)</u> No (Please explain)

The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

<u>Yes (Complies)</u> No (Please explain)

R 3.4.7 The majority of the members of the Remuneration Committee are independent.

<u>Yes (Complies)</u> No (Please explain)

R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.

Yes (Complies) <u>No (Please explain)</u>

Between 2003 and 2007, MOL's corporate governance practice was rated by Deminor Rating (later ISS Corporate Services) international corporate governance rating and advisory firm. The rating firm has not commented the combination of the remuneration and nomination committee functions. Therefore the Board of Directors has not discussed the separation of nomination and remuneration committee tasks.

R 3.5.2 The Managing Body carried out the duties of the Remuneration and Nomination Committees and disclosed its reasons for doing so.

Yes (Complies) <u>No (Please explain)</u>

The duties of the Remuneration and Nomination Committees were carried out by the Corporate Governance and Remuneration Committee.

R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

<u>Yes (Complies)</u> No (Please explain)

R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes (Complies) No (Please explain)

R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes (Complies) No (Please explain)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes (Complies) No (Please explain)

R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.

Yes (Complies) No (Please explain)

Each year MOL assigns a London based independent investor relations consulting firm to make a survey among investors and analysts, about the general understanding of MOL strategy and whether the market players are satisfied with the performance of the management and investor relations department, including the disclosure processes.

R 4.1.5 The company published its corporate events calendar on its website.

Yes (Complies) No (Please explain)

R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes (Complies) No (Please explain)

R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

Yes (Complies) No (Please explain)

R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies) No (Please explain)

R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

Yes (Complies) No (Please explain)

The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management. However, there was no information on the criteria considered when evaluating individual members.

R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies) No (Please explain)

The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements.

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes (Complies) No (Please explain)

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes (Complies) No (Please explain)

R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes (Complies) No (Please explain)

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies) No (Please explain)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

Yes (Complies) No (Please explain)

Level of compliance with the Suggestions
The company should indicate whether the relevant suggestion of the CGR is applied or not (Yes / No)

S 1.1.3 The company has an investor relations department.

<u>Yes</u> No

S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)

<u>Yes</u> No

S 1.2.2 The company's articles of association are available on the company's website.

<u>Yes</u> No

S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).

<u>Yes</u> No

S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.

<u>Yes</u> No

Information and documents regarding general meetings (invitations, proposals, draft resolutions, resolutions) were published on the company's website. Excerpts from the minutes were published on the website of the Budapest Stock Exchange (in Hungarian).

S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.

<u>Yes</u> No

S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.

<u>Yes</u> <u>No</u>

S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision making by shareholders.

<u>Yes</u> No

S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.

<u>Yes</u> No

S 1.3.1 The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.

<u>Yes</u> No

S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.

<u>Yes</u> No

S 1.3.3 The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

Yes <u>No</u>

S 1.3.4 The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.

Yes No

The company has not made any further requirements above those set by the law.

S 1.3.5 The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.

Yes No

S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.

Yes No

S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.

Yes No

S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.

Yes No

S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.

Yes No

Excerpts from the minutes were published on the website of the Budapest Stock Exchange (in Hungarian) 42 days after the general meeting.

S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.

Yes No

The dividend was paid on the starting day of dividend payment to those shareholders who had provided all the necessary information and documentation. Following this date, dividend is paid monthly to those shareholders providing the necessary documentation.

S 1.4.2 The company disclosed its policy regarding anti-takeover devices.

Yes No

S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.

Yes No

S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.

Yes No

S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.

Yes No

S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.

Yes No

The charter of the Board of Directors regulates this issue.

S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.

Yes No

S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2

Yes No

S 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.

Yes No

S 2.5.2 The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.

Yes No

S 2.5.3 The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.

Yes No

S 2.5.6 The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.

Yes No

S 2.7.5 The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.

Yes No

S 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.

Yes No

S 2.8.2 The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.

Yes No

S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10

Yes No

S 2.8.12 The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee.

Yes No

The company's auditor receives regular information on the risk management system and the risk management operations, and it can follow and monitor these activities. During the audit process the audit reviews and analyses the risk management system and the efficiency of the risk management operations *for its own purposes, but it does no issue a report on such audits to any external party (e.g. Audit Committee).*

S 2.9.1 The rules of procedure of the Managing Body, the Supervisory Board and the committees cover the procedure to be followed when employing an external advisor.

<u>Yes</u> No

S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.

<u>Yes</u> No

S 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.

<u>Yes</u> No

S 3.1.2 The chairmen of the Audit Committee, Nomination Committee, Remuneration Committee (and any other committees operating at the company) regularly inform the Managing Body about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

<u>Yes</u> No

S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.

<u>Yes</u> No

S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5

<u>Yes</u> No

S 3.2.2 The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company.

<u>Yes</u> No

S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.

Yes <u>No</u>

There was an evaluation on the operation of the Board of Directors. In 2007, there was no evaluation on the works of individual members.

S 3.3.4 The majority of the members of the Nomination Committee are independent.

<u>Yes</u> No

S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5

Yes <u>No</u>

S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.

Yes <u>No</u>

The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements.

S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.

Yes <u>No</u>

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4

Yes <u>No</u>

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.

Yes <u>No</u>

S 4.1.7 The company's financial reports followed IFRS guidelines.

<u>Yes</u> No

S 4.1.16 The company also prepares and releases its disclosures in English.

<u>Yes</u> No

Item No. 2

Election of the auditor for the 2008 financial year and determination of its remuneration as well as the material elements of its engagement

The Board of Directors of the Company, after evaluating Ernst & Young in respect of its 2007 performance and its binding offer for the 2008 audit tasks, proposes further cooperation with Ernst & Young in 2008.

Proposed resolution

The Audit Committee proposes to the Annual General Meeting the election of Ernst & Young Könyvvizsgáló Kft. (1132 Budapest, Váci út 20.), namely Judit Szilagyi (registration number: MKVK-001368), substituted in case of hindrance by Zsuzsanna Bartha (registration number: MKVK-005268), to be the independent auditor of MOL Plc. for the year 2008, until the AGM closing the year but latest 30 April 2009. The Audit Committee proposes the audit fee for MOL Plc. for 2008 to be HUF 90.64 million plus VAT.

In addition to the abovementioned, the material elements of the contract with the auditor are as follows:

- Scope:

  Audit of the statutory financial statements of MOL Plc. prepared for the year 2008 in accordance with Law C of 2000 on accounting and the audit of the consolidated financial statements of MOL Group prepared for the year 2008 in accordance with the International Financial reporting Standards (IFRS).

- Billing and settlement:

  In 12 equal monthly installments, invoices are submitted by the 5th day of the following month and MOL Plc. is obliged to settle them in 30 days.

- Term of the contract:

  From 23 April 2008 until the Annual General Meeting closing the year 2008 but latest 30 April 2009.

- In any other questions the general terms and conditions relating to audit agreements of Ernst & Young Könyvvizsgáló Kft. shall apply.

Item No. 3

Authorization of the Board of Directors to acquire treasury shares

Background, evaluation of the current situation

The authorisation granted by the Annual General Meeting of MOL Plc on 26 April 2007 for the Board of Directors to purchase treasure shares shall expire at the end of October 2008. The Board of Directors asks for a new authorisation from the General Meeting to purchase treasury shares from the General Meeting to October 2009.

In its strategy MOL set the optimum level of its gearing (net debt to net debt to equity) in a range around 30%. As a result of favourable earnings and delay in acquisitions the capital structure of the company reached an inefficient level and at the end of March 2007 net cash to the sum of net debt and total equity was 14.7%. As a solution for the capital structure optimisation the company restarted the treasury share buy-back program. This was the quickest way to return cash to the shareholders. As a result of the share purchases in 2007 and 2008, MOL's gearing ratio returned to a normal range.

The Board of Directors of MOL would like to maintain the authorisation for further share purchases in order:

- to protect shareholders from possible share overhang, similarly to the APV transaction made in 2005, MOL should be able to purchase a larger block of shares,
- to use treasury shares as acquisition currency like in the case of Slovnaft, and to use the shares to create strategic partnerships, like with Oman Oil Company,
- to be able to exercise in the money call options,
- to maintain flexibility for further shareholder structure optimisation and share cancellation.

Proposed resolution

The Board of Directors proposes the Annual General Meeting of 2008 to authorise the Board of Directors of the Company to acquire treasury shares – simultaneously setting aside the resolution No 7 of the April 26 2007 AGM – pursuant to the following terms and conditions:

- Purpose of acquiring the treasury shares:
  - supporting the achievement of the strategic goals of MOL, particularly use of treasury shares as consideration in acquisition transactions, or
  - operation of share-based incentive schemes, or
  - adding a new potential measure to optimize the capital structure through the repurchase of outstanding share capital (eventually, if justified by later cancellation of shares re-purchased), or
  - facilitating the implementation of potentially attractive share-based or hybrid financing instruments.

- Mode of acquisition of treasury shares: with or without consideration, either on the stock exchange or through public offer or on the OTC market if not prohibited by legal regulations.
- The authorisation empowers the Board of Directors to acquire any shares of the Company with any par value.
- The amount (number) of shares that can be acquired: the total amount of nominal value of treasury shares owned by the Company at any time may not

exceed 25 % of the actual share capital of the Company.

- The period of validity of the authorisation: from the resolution made on the Annual General Meeting for an 18 months period.

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

Item No. 4

Election of the members of the Board of Directors

Mandate of 4 members (Zsolt Hernádi, György Mosonyi, Iain Paterson and Dr. Gábor Horváth) of the Board of Directors (consisting of 11 members) shall expire on 24 February, 2009. Accordingly, it is reasonable to elect (re-elect) such members at the AGM to be held on 23 April, 2008, without holding another general meeting.

Proposal on the members of the Board of Directors:

The Board of Directors proposes to reelect Zsolt Hernádi, György Mosonyi, Iain Paterson and Dr. Gábor Horváth from 25 February 2009 until 24 February 2014.

Proposed resolution

The Board of Directors proposes the Annual General Meeting to elect Mr. Zsolt Hernádi to be member of the Board of Directors from February 25, 2009 to February 24, 2014.

Proposed resolution

The Board of Directors proposes the Annual General Meeting to elect Mr. György Mosonyi to be member of the Board of Directors from February 25, 2009 to February 24, 2014.

In compliance with 25. § (1) of the Company Act, the Board of Directors proposes the Annual General Meeting to approve Mr. Mosonyi's position as member of supervisory board of Slovnaft, a.s.

Proposed resolution

The Board of Directors proposes the Annual General Meeting to elect Mr. Iain Paterson to be member of the Board of Directors from February 25, 2009 to February 24, 2014.

Proposed resolution

The Board of Directors proposes the Annual General Meeting to elect Mr. Dr. Gábor Horváth to be member of the Board of Directors from February 25, 2009 to February 24, 2014.

The Board of Directors proposes to elect Mulham Basheer Abdullah Al Jarf from the day following the closing of the general meeting until 22 April 2013 as member of the Board of Directors.

Mr Mulham (38) has wide experience in both Upstream and Downstream businesses and a wide regional knowledge in Middle-East and Central Asia, which could support MOL by executing MOL's international growth strategy. Central Asia and Middle-East are considered as one of our strategic focus areas, Mr Mulham's deep knowledge and business relationships in these regions would significantly strengthen MOL's growth opportunities in upstream, downstream and natural gas businesses directly and through partnerships.

Mr. Mulham is the deputy CEO of Oman Oil Company since 2004. He is member of the board in the following companies: Sohar Aluminium (Oman), GS EPS Energy South Korea, Oman Arab Bank, Oman Polypropylene Co., Oman Oil Marketing Co., Oman Trading International, Sohar Refinery Co. He has work experience in Oman Gas Company, Ministry of Oil and Gas and General telecommunications Co in Oman. He graduated international business and finance from the USA and he is Barrister at Law of the Bar of England and Wales.

Proposed resolution

The Board of Directors of MOL Plc. proposes for the Annual General Meeting to elect Mr. Mulham Basheer Abdullah Al Jarf for Board membership from the day following the closing of the general meeting until 22 April 2013.

In compliance with 25. § (1) of the Company Act, the Board of Directors proposes the Annual General Meeting to approve Mr. Mulham's positions as Board member of the following companies: Sohar Aluminium (Oman), GS EPS Energy South Korea, Oman Arab Bank, Oman Polypropylene Co., Oman Oil Marketing Co., Oman Trading International Limited-Dubai, Sohar Refinery Co.

Item No. 5

Determination of the fees of the members of the Board of Directors and approval of the compensation system for the members of the Board of Directors' based on the results of the Company

To ensure uniformity and transparency the following remuneration system is proposed for the Board members:
The system consists of two elements:

- *fix remuneration, and*
- *incentive – based on the profitability of the company using the so-called value added method.*

1. Fix remuneration

Proposed resolution

The Supervisory Board proposes to the AGM to define the fix remuneration of the Board members as it follows:

From 1 January 2009 the Board members will be entitled, pro rata with the term of their appointment in the given calendar year to the following net amount of remuneration per annum following the AGM:

Members of the Board of Directors	25 000 EUR
Chairmen of the Committees	31 250 EUR

A Board member who is a citizen of a country other than the Republic of Hungary and who is ordinarily resident outside of Hungary and needs to travel to Hungary to attend such meetings will receive up to maximum EUR 1,500 (gross) 15 times per annum for each meeting of the Board or a committee of the Board attended.

The Supervisory Board will control the implementation of the fix remuneration scheme.

2. Incentive system of the Board members – subject to the profitability of the company

In accordance with Article 2.2 p) of the Articles of Association the Annual General meeting has the exclusive authority "to approve the remuneration system of the Board subject to the profitability of the company, based on the proposal of the Supervisory Board.

The AGM approved the long term incentive scheme of the Board members as the convertible bond program (AGM of 01/09/2003, resolutions nos. 73-74.). The 5 years term of the convertible bond program will end in 2008.

To provide incentive for the Board members we propose to implement an incentive system based on the value added method, which can recognise the increase in the long-term sustainable development of profitability based on the 'value added methodology', and thus can ensure that the interests of the participants in the incentive program can coincide with those of the shareholders.

The incentive system based on the value added method will support commitment of the participants and motivate them towards increasing the absolute value-added as their incentive will depend on the produced added value.

Proposed resolution

The Supervisory Board proposes to the AGM to approve the incentive system based on the value added method – subject to the profitability of the company - for the Board members as it follows:

a) Methodology and goal of the value added-based incentive program

The annual incentive of the Board Members will be determined according to an economic value added methodology. The Economic Value Added will recognise performance as a result on top of the cost of capital invested. The incentive will consist of two parts: an absolute part (recognising the performance only of the given year) and an incremental part (recognising the performance of the given year compared to the average of the previous years). Thus this methodology will reward the Board Members for increasing shareholder value on long-term and as a sustainable improvement.

b) Determination of Value Added

Value added will recognise the value on top of the cost of capital invested (equity and long term debt), according to the following:

Value added on top of the cost of capital invested = NOPAT – capital invested * cost of capital invested,

where

NOPAT = Net Operating Profit After Tax (i.e. "profit from operations" of the IFRS consolidated income statement of the given year * (1- effective tax rate))

where

effective tax rate = "income tax expense" of the IFRS consolidated income statement of the given year divided by the "profit before tax" of the IFRS consolidated income statement of the given year

capital invested = arithmetic average of the sum of the opening and the sum of the closing balances of the IFRS consolidated balance sheet of the given year of the following balance sheet lines: "total equity" + "total non-current liabilities" – "provisions" + "current portion of long-term debt"

cost of capital invested = [equity / (equity + debt)] * cost of equity + [debt / (equity + debt)] * cost of debt * (1 – effective tax rate)

the cost of capital invested will be determined each year, prior to the payment of the bonus according to the process and definitions described in details in Section j), with the review and approval of the Auditor.

c) Evaluation of performance of Board members in the given year

The incentive of one Board member = 50% * absolute part + 50% * incremental part, but with a minimum value of 0

where

absolute part = value added on top of the cost of capital invested * 0,1 %,
but with a minimum value of 0

incremental part = [value added on top of the cost of capital invested (of the given year) – average value added on top of the cost of capital invested (of the previous 3 years)] * 0,25 %,
but with a minimum value of 0

where

average value added on top of the cost of capital invested (of the previous 3 years) = [value added on top of the cost of capital invested (of the given year – 3 years) + value added on top of the cost of capital invested (of the given year – 2 years) + value added on top of the cost of capital invested (of the given year – 1 year)] / 3.

d) Share of one Board member from the value added

- Members of the Board of Directors: incentive as defined in section c)
- Chairman of the Board: additional 40 % added to the incentive payable to Board members. If the Chairman is an executive member, then the non-executive vice-chairman will be entitled to this amount.

e) Definition of the incentive
The incentive will be defined as a net amount according to the method described in section c). Taxes, duties and other payables after the incentive will be defined in accordance with the relevant Hungarian tax and social insurance regulations, and the treaties on the avoidance of double taxation.

f) The currency of payment
The incentive will be defined in Hungarian Forint (HUF), because the reporting currency of the Group is also HUF. In case of any change in the reporting currency, the currency of the incentive will be changed automatically.

g) The timing of payment
The incentive will be paid, as the latest, until the 5th working day of the 2nd month after the AGM (this is the date of payment). The precondition of the payment is the AGM approval for the audited financial statements.
If the membership is terminated during or after the relevant year but before the date of payment, then the due amount will be paid only after the AGM, as in case of other members.
In case of the death of the Board member, the lawful heir (public document is required) will be entitled to receive the amount, but not earlier than the members.

h) Defining the entitlement for the incentive
The entitlement period will be between 1 January and 31 December in the year for which the target setting is valid, calculating with calendar days for the term of the relevant Board membership.

i) Control of the execution of the incentive program

The Supervisory Board will control the execution of the value added-based incentive system.

j) Further definitions

The cost of capital invested applied in the incentive program for the given year will be determined each year following the AGM approval of the financial statements, with the review and approval of the Auditor. The value of the cost of capital invested defined in the previous year will be modified for the given year if – due to significant market developments or Company events – its value is changed by 0.5% points or more. After the revision the cost of capital invested will be applied in a form rounded to 0.25%points.
Definitions:

cost of capital invested = [equity / (equity + debt)] * cost of equity + [debt / (equity + debt)] * cost of debt * (1 – effective tax rate)

where

cost of equity = risk free rate + Beta * market risk premium

The cost of equity is the rate of return expectation of the shareholders expressed in percentage. Its calculation is based on the CAPM (Capital Asset Pricing Model) methodology, where:

risk free rate = average 10-year Hungarian bond rate of the given year (calculated from daily data)

Beta = the measure of the relative risk of the company compared to the market portfolio according to investors. It is calculated in MOL Group separately for each division (from long term market prices of those numerous and publicly traded companies, which have similar activities) and the Beta of the company is given by the asset-weighted average of these values.

market risk premium = the expected extra yield of the market portfolio above the return of the risk free asset. It will be determined by MOL Group based on the extra return of equity indices, taking the latest economic literature into consideration.

cost of debt = risk free rate + average cost of debt above the risk free rate

Item No. 6

Election of a member of the Board of Directors appointed for the first time by the Hungarian Energy Office in accordance with Article 4/A of Act XLII of 2003 on Gas Supply

Antecedents, evaluation of the current situation

As provided in Article 4/A of Act XLII of 2003 on Gas Supply, the person having adequate professional qualifications and experiences and appointed by HEO will be entitled to participate in the business management of companies that have strategic significance in the security of the country's gas supply.
The supreme body of the company is obliged to elect the person appointed for the first time by the Hungarian Energy Office ("HEO") as the member of the Board of Directors on its first meeting following such appointment. The elected member of the Board of Directors shall have no right to vote, and shall exclusively participate in the meetings of the Board of Directors with the right of consultation. Whenever the quorum of the Board of Directors or the number of members present is identified such person shall not be included in the headcount. The delegated member of the Board of Directors shall have no right of representation. This person shall be invited to attend the meetings of the Board of Directors by sending him the agenda.
The delegated person may independently form his position to be represented at the meetings of the Board of Directors, consequently his opinion or position or activities shall not be deemed as HEO's position.
The delegated member shall regularly inform HEO on his activities, and shall regularly report HEO on his position presented at the meetings of the Board of Directors in issues related to the security of public supply, as well as to pursue this activity until his appointment is revoked.
He is obliged to inform the Board of Directors in writing, if the resolution adopted is, to his best judgement, in conflict with any law on energy or natural gas industry, or it otherwise is injurious to the principles of the country's energy policy.
The delegated member of the Board of Directors will not be responsible for the decisions adopted by the corporate bodies.

HEO has appointed **dr. Gyula Dávid,** as the person to be delegated as member of MOL Plc's Board of Directors for the first time.

Proposed resolution

The Board of Directors proposes to the General Meeting (AGM) to elect dr. Gyula Dávid as member of MOL Plc's Board of Directors pursuant to Article 4/A of Act XLII of 2003 on Gas Supply ("GSA"), in accordance with the appointment of the Hungarian Energy Office, as the person to be delegated for the first time, for a term commencing with April 23, 2008 until his appointment is revoked or the legal obligation to elect such an appointee ceases, provided that the newly elected member of the Board of Directors will exclusively have the rights, as specified in the GSA.

Item No. 7

Election of a member of the Supervisory Board appointed for the first time by the Hungarian Energy Office in accordance with Article 4/A of Act XLII of 2003 on Gas Supply

Antecedents, evaluation of the current situation

As provided in Article 4/A of Act XLII of 2003 on Gas Supply ("GSA"), a person having adequate professional qualifications and experiences and appointed by the Hungarian Energy Office ("HEO") will be entitled to participate in the supervision of the business management of companies that have strategic significance in the security of the country's gas supply.
The supreme body of the company is obliged to elect the person appointed for the first time by HEO as the member of the Supervisory Board on its first meeting following such appointment. The elected member of the Supervisory Board shall have no right to vote, and shall exclusively participate in the meetings of the Supervisory Board with the right of participation and consultation. Whenever the quorum of the Supervisory Board or the number of members present must be identified, such person shall not be included in the headcount.
The delegated member of the Supervisory Board shall have no right of representation. This person shall be invited to attend the meetings of the Supervisory Board by sending him the agenda.
The delegated person may independently form his position to be represented at the meetings of the Supervisory Board, consequently his opinion or position or activities shall not be deemed as HEO's position.
The delegated member shall regularly inform HEO on his activities, and shall regularly report HEO on his position presented at the meetings of the Supervisory Board in issues related to the security of public supply, as well as to pursue this activity until his appointment is revoked.
He is obliged to inform the Supervisory Board in writing, if the resolution adopted is, in his best judgement, in conflict with any law on energy or natural gas industry, or it otherwise harms the principles of the country's energy policy.
The delegated member of the Supervisory Board will not be responsible for the decisions adopted by the corporate bodies.

HEO has appointed **István Gergely,** as the person to be delegated as member of MOL Plc's Supervisory Board for the first time.

Proposed resolution

The Board of Directors proposes to the General Meeting (AGM) to elect István Gergely as member of MOL Plc's Supervisory Board pursuant to Article 4/A of Act XLII of 2003, on Gas Supply ("GSA"), appointed by the Hungarian Energy Office as the person to be delegated for the first time, for a term commencing with April 23, 2008 until his appointment is revoked or the legal obligation to elect such an appointee ceases, provided that the newly elected member of Supervisory Board will exclusively have the rights as specified in the GSA.

Item No. 8

Amendments of the Articles of Association (Share capital and shares, Voting Right, Shareholder group, Transfer of shares, General Meeting, Board of Directors, Convening the Board of Directors and its procedures of operation, Increase and decrease of share capital, Documents, Representation, Supervisory Board)

11. TRANSFER OF SHARES

Amendment of Article 11.1.

In Article 11.1 of the Article of Associations, the reference to the provisions of the Company Act is not correct as a result of the recent changes in the law.

To avoid the Articles of Associations to be amended once again as a result of eventual changes in the law in the future, we propose the cancellation of the reference in Article 11.1 to the exact legal regulation.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 11.1. of the Articles of Association as follows *(wording proposed to delete crossed, new wording in bold)*:

„11.1 Shares shall be transferred in compliance with **the relevant** Article**s** ~~180 (3)~~ of the Company Act. Transfer shall only be binding upon the Company and the shareholder shall be entitled to exercise his shareholder's rights only if such shareholder (or shareholder's proxy) has been duly registered into the share register in compliance with the applicable rules."

Amendment of Article 11.2.

Pursuant to 202. § (9) of the Company Act, if the shareholder's ownership on the share(s) is terminated is terminated by the debiting of the securities account, the keeper of the security account is obliged to notify the keeper of the share register regarding this fact within 2 workdays.
In contrary to this, the notification has to be made within 5 days pursuant to Article 11.2 of the Articles of Association.

Considering that the Articles of Associations may not diverge from the above provisions of the Company Act, we propose the appropriate amendment of Article 11.2.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 11.2. of the Articles of Association as follows *(wording proposed to delete crossed, new wording in bold)*:

„11.2 The keeper of security account or the depository, if the shareholder previously registered in the share register, shall report to the Company within ~~five~~ **two work**days that the shareholder's ownership on the share(s) is terminated by debiting of the shareholder's security account or by termination of the deposit. The keeper of the share register shall be responsible for the deletion from the share register on the basis of such reporting. The deleted data shall, however, remain observable."

12. GENERAL MEETING

Amendment of Article 12.2.

According to Articles 12.2. m) and n) of the Articles of Associations, the general meeting has the exclusive scope of authority and competence to decide on the transfer of control over the crude oil refineries of the Company located In Százhalombatta or Tiszaújváros and in the decision on the transfer of the Company's ownership interest in a subsidiary pursuing natural gas transport and system administration activity or the approval of the increase of the registered capital of such a subsidiary, in case the transfer or the capital increase would result that the voting rights attached to the Company's ownership interest in such subsidiary decreases below 25 % + 1 vote.

Taken into consideration that according to 1 § (2) of Act CXVI of 2007 on the amendment of certain laws pertaining enterprises having high significance from the aspect of security of public supply the decision of the supreme body is required for the transfer of the basic assets of the company having strategic significance, indication of the above provisions in the Articles of Association is unnecessary. Based on this, we propose to cancel Articles 12.2. m) and n).

Proposed resolution

The Board of Directors proposes the Annual General Meeting the cancellation of Articles 12.2. m) and n) of the Articles of Association as follows *(wording proposed to delete crossed)*:

„12.2. The general meeting shall have the exclusive scope of authority and competence in the following matters:
[…]

m.) ~~decision on transferring control over the crude oil refineries of the Company located In Százhalombatta or Tiszaújváros~~;

n.) ~~decision on the transfer of the Company's ownership interest in a subsidiary pursuing natural gas transport and system administration activity or the approval of the increase of the registered capital of such a subsidiary, in case the transfer or the capital increase would result that the voting rights attached to the Company's ownership interest in such subsidiary decreases below 25 % + 1 vote~~;"

Amendment of Article 12.7.

According to the present effective Article 12.7 of the Articles of Associations, the general meeting shall be held in Budapest, the exact place, date and its agenda is specified by the Board of Directors. As per 232 § (5) of the Company Act, the place of the general meeting is the seat of the company or its business premise except if the Articles of Associations or the Board of Directors disposes contrary to this.

Considering the above, we propose the amendment of Article 12.7 as follows: determination of the place of the general meeting is the competence of the Board of Directors.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 12.7. of the Articles of Association as follows *(wording proposed to delete crossed, new wording in bold)*:

„12.7 The ~~general meeting shall be held in Budapest; the~~ Board of Directors shall specify the exact place, date and agenda **of the general meeting**. In case a general meeting does not have a quorum, then a second general meeting convened within 15 (fifteen) days from the date of the first meeting shall have a quorum in respect of all issues put on the original Agenda, irrespective of the number of shareholders being present."

Amendment of Article 12. with respect to the waiver defined in 30. § (5) of the Company Act

According to 30 § (5) of the Company Act, the Articles of Association may set forth that the general meeting is obliged to put on its agenda annually the evaluation the work of the executive officers performed in the previous business year and to make a resolution on the waiver which may be granted for the executive officers. The waiver becomes void if the court assesses subsequently in its final decision that the information serving as a ground for granting the waiver were incorrect or deficient.

Considering the above, we propose to amend chapter 12 of the Articles of Associations ("General Meeting") by adding a provision on the above indemnity.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of chapter 12 of the Articles of Association by inserting a new Article 12.12. as follows *(new wording in bold)*:

„12.12. The Annual General Meeting is obliged to put on its agenda annually the evaluation the work of the Board of Directors performed in the previous business year and to make a resolution on the waiver which may be granted for the Board of Directors."

15. BOARD OF DIRECTORS

Amendment of Article 15.1.

According to the present Article 15.1, the Board of Directors shall have nine to eleven natural person members. As this regulation stricter than the relevant provision of the Company Act (which defines 3-11 members) is unnecessary, we propose to cancel the above provision.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the cancellation of the second sentence of Article 15.1. of the Articles of Association as follows *(wording proposed to delete crossed)*:

„15.1. The Board of Directors is the executive management body of the Company. ~~The Board of Directors shall have nine to eleven natural person members.~~"

Amendment of Article 15.3.

According to Article 15.3.1, the Board of Directors adopts its decisions by simple majority of the votes, with the exception of issues specified in Articles 15.3.2 and 15.3.3. Provisions of Articles 15.3.2 and 15.3.3 mean unreasonable restrictions of decision-making of the Board of Directors. Considering that rules of decision-making of the Board of Directors should be regulated in the by-laws of the Board of Directors than in the Articles of Association, we propose to cancel Articles 15.3.2 and 15.3.3 and to amend Article 15.3.1 respectively.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 15.3. of the Articles of Association as follows *(wording proposed to delete crossed, new wording in bold)*:

„15.3.~~1~~ The Board of Directors adopts its decisions by simple majority of the votes, with the exception of issues specified in **the by-laws of the Board of Directors.** ~~Articles 15.3.2 and 15.3.3~~

~~15.3.2. The validity of any decision of the Board of Directors on the issues specified in articles 15.2 a.), c.), e.) and g.) requires an additional vote in excess of a simple majority of the votes.~~

~~15.3.3. In case of a capital increase through private placement of new shares or public issue of new "a" series of shares pursuant to articles 15.2. n) and 17.d) the decision of the Board of Directors shall require at least nine "yes" votes of the members. The decision shall be rendered at a meeting of the Board of Directors held with the personal attendance of the members.~~"

Amendment of Article 15.5.

With respect to the cancellation of the second sentence of Article 15.1, Article 15.5 is unnecessary as well; therefore we propose to cancel the above provision.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the cancellation of Article 15.5. of the Articles of Association as follows *(wording proposed to delete crossed)*:

„15.5. ~~In the event the number of the members of the Board of Directors falls below nine, a general meeting shall be convened to elect new members.~~"

17. INCREASE AND DECREASE OF SHARE CAPITAL

Amendment of Article 17.a.)

According to the second sentence of Article 17.a), decrease of share capital can only be performed through replacement or stamping of the shares. As the shares issued by the Company are dematerialized, the above sentence is not interpretable, thus we propose the cancellation thereof.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the cancellation of the second sentence of Article 17.a.) of the Articles of Association as follows *(wording proposed to delete crossed)*:

„**17. INCREASE AND DECREASE OF SHARE CAPITAL**

a.) Unless otherwise provided by law, the general meeting shall be competent to decide on the reduction of share capital. ~~Reduction of share capital can only be performed through replacement or stamping of the shares.~~"

18. DOCUMENTS

Amendment of Article 18.1.

In Article 18.1 of the Article of Associations, the reference to the provisions of the Company Act is not correct as a result of the recent changes in the law.

To avoid the Articles of Associations to be amended once again as a result of eventual changes in the law in the future, we propose the cancellation of the reference in Article 18.1 to the exact legal regulation.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 18.1. of the Articles of Association as follows *(wording proposed to delete crossed, new wording in bold)*:

„18.1. An attendance list shall be drawn up at the general meeting pursuant to **the relevant** Article**s** ~~235~~ of the Company Act. The signatures of the Chairman and the minute's keeper of the general meeting shall certify this list."

<u>Amendment of Article 18.2.</u>

In Article 18.2 of the Article of Associations, the reference to the provisions of the Company Act is not correct as a result of the recent changes in the law.

To avoid the Articles of Associations to be amended once again as a result of eventual changes in the law in the future, we propose the cancellation of the reference in Article 18.2 to the exact legal regulation.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 18.2. of the Articles of Association as follows *(wording proposed to delete crossed)*:

„18.2. Minutes taken at the general meeting shall contain all data defined by ~~Article 239 of~~ the Company Act, whereas minutes taken at meetings of the Board of Directors shall contain the following:

a) the names of participants in the meeting;

b) the procedure of the meeting and each resolution adopted; and

c) all appointments made by the Board of Directors.

The minutes shall be certified by the signature of the respective chairman of the general meeting and by the minute's keeper, as well as by a designated member of the Board of Directors, and, in the case of the minutes of the general meeting, by a shareholder appointed for such purpose."

20. REPRESENTATION

<u>Amendment of Article 20.1.</u>

In Article 20.1 of the Article of Associations, the reference to the provisions of the Company Act is not correct as a result of the recent changes in the law.

To avoid the Articles of Associations to be amended once again as a result of eventual changes in the law in the future, we propose the cancellation of the reference in Article 20.1 to the exact legal regulation.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 20.1. of the Articles of Association as follows *(wording proposed to delete crossed)*:

„20.1. The Board of Directors - as a body - shall be entitled to represent the Company in general, in each case and with respect to any third person, pursuant to ~~Article 39 (1) of~~ the Company Act."

22. SUPERVISORY BOARD

<u>Amendment of Article 22.2.</u>

Fourth sentence of Article 22.2 of the Articles of Associations contains an unnecessary provision, as 36. § (2) of the Company Act is stricter than those in the said sentence of the Articles.

Considering the above, we propose to cancel the fourth sentence from Article 22.2 of the Articles of Associations.

Proposed resolution

The Board of Directors proposes the Annual General Meeting the amendment of Article 22.2. of the Articles of Association as follows *(wording proposed to delete crossed)*:

„22.2. Members of the Supervisory Board shall elect a chairman from among themselves. The Board itself shall define the by-laws of the Supervisory Board, and these shall be approved by a resolution of the general meeting. The Company may not employ members of the Supervisory Board with the exception of the employee members appointed by the Central Works Council. ~~Stipulations of Articles 23 (1) and (2), and 25 of the Company Act shall also be applicable to the members of the Supervisory Board.~~"

Item No. 9

Decision on the waiver to be granted to the executive officers according to 30.§ (5) of the Company Act

Antecedents, evaluation of the current situation

According to 30 § (5) of the Company Act, the Articles of Association may set forth that the general meeting is obliged to admit to its agenda annually the evaluation the work of the executive officers performed in the previous business year and to make a resolution on the waiver which may be granted for the executive officers.
The waiver becomes void if the court assesses subsequently in its final decision that the information serving as a ground for granting the indemnity were incorrect or deficient.

Based on the above, in case chapter 12 ("General meeting") of the Articles of Association shall be amended by inserting a provision on the above waiver, then the general meeting, under this separate item of the agenda, may make resolution on the waiver with respect to the 2007 business year.

Resolution proposal

The Board of Directors proposes the Annual General Meeting to – as per Article 12.12. of the Article of Association - approve the work of Board of Directors performed in the 2007 business year and to grant for the Board of Directors the waiver defined in 30. § (5) of the Company Act.

Item No. 10

Decision on capital decrease

Antecedents, evaluation of the current situation

As a result of strong earnings, disciplined capex and delay in acquisitions, the net cash position in balance sheet increased considerably during the first half of 2007, therefore the Board of Directors decided to start a capital optimisation program. Based on the authorisation granted by the Annual General Meeting of MOL Plc. on 26 April 2007, the company restarted the treasury buy-back program.

At the same time on 22 June 2007, we stated that at the next AGM the Board of Directors would propose the withdrawal of part of the treasury shares in order to increase the shareholders' return.

In order to maintain the financial flexibility of the company, the Board of Directors proposes a share capital decrease of 5% to the shareholders. The proposed share capital cancellation of 5% plus a dividend yield of around 4%calculated at a share price of HUF 20,000-22,000, the shareholder payout in total could reach around 9% of the share price, resulting one of the highest cash contributions among peers.

According to 315. § of the Company Act, the validity of the resolution on the capital decrease requires the *separate* approval of the holders of the affected class of shares in the manner specified in the Articles of Association as well. According to the second paragraph of Article 12.10 of the Articles of Association, the holders of the series of shares present at the general meeting shall decide upon such approval by simple majority of the votes.

Resolution proposal

The Board of Directors proposes the holders of "A" series shares present at the general meeting to grant their approval to the proposed capital decrease in compliance with 315 § of the Company Act and the second paragraph of Article 12.10 of Articles of Association.

Resolution proposal

The Board of Directors proposes the Annual General Meeting to decrease the Company's share capital as follows

<u>Extent of the capital decrease:</u>
By withdrawal of 5.483.775 pieces registered ordinary shares of the series "A" with a par value of HUF 1,000 each owned by the Company (treasury shares), decrease of the share capital with HUF **5.483.775.000** to HUF **104.191.727.578.**

<u>Reason of the capital decrease:</u>
Change of capital structure in order to increase the shareholders' return.

Method of effectuation of the capital decrease:
Decrease of the number of registered ordinary shares of the series "A" with a par value of HUF 1,000, with 5.483.775 pieces of shares owned by the Company (treasury shares). The capital decrease shall not affect the other shareholders' shareholdings.

The Annual General Meeting authorizes the Board of Directors to complete the tasks in connection with the effectuation of the capital decrease (share withdrawal), particularly the tasks defined in the Company Act (Act IV of 2006) and the Act on the company registration (Act V of 2006).

In case the process of the capital increase shall be successfully completed, the resolution of the Annual General Meeting on the capital increase qualifies as amendment of the initial sentence and point a) of Article too, as follows:

"7.2. The Company's share capital amounts to HUF **104.191.727.578**, i.e. **one hundred and four billion one hundred and ninety-one million seven hundred and twenty-seven thousand five hundred seventy eight** forint, represented by

a) **104.191.148** pieces registered ordinary shares of the series "A" with a par value of HUF 1,000 each, and 578 pieces of registered ordinary shares of the series "C" with a par value of HUF 1,001 each, issued at a price of HUF 6,000 each, in exchange for in kind contribution and providing identical rights to the holders of such shares, and"