MOL Hungarian Oil and Gas Plc. and Subsidiaries

Consolidated financial statements prepared in accordance with International Financial Reporting Standards together with the independent auditors' report

31 December 2009

ERNST & YOUNG

Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

1.) We have audited the accompanying 2009 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprises the consolidated balance sheet as at 31 December 2009 - showing a balance sheet total of HUF 4,229,399 million and a profit for the year of HUF 104,650 million -, the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement 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 2008 on 19 March 2009.

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 and International Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

ERNST & YOUNG

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 Hungarian Oil and Gas Plc. in accordance with Hungarian National and International Auditing Standards and 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 Hungarian Oil and Gas Plc. as at 31 December 2009 and of the results of its operations for the year then ended. The consolidated business report is consistent with the disclosures in the consolidated financial statements.

Budapest, 25 March 2010

Ernst & Young Kft.
Registration No. 001165

Judit Szilágyi
Registered Auditor
Chamber membership No.: 001368

MOL Hungarian Oil and Gas Plc. and Subsidiaries

Consolidated financial statements

prepared in accordance with International Financial Reporting Standards

31 December 2009

Budapest, 25 March 2010

Zsolt Hernádi
Chairman of the Board of Directors
Chief Executive Officer

József Molnár
Executive Vice President for Finance

The notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

31 December 2009

	Notes	2009	2008 restated
ASSETS		HUF million	HUF million
Non-current assets			
Intangible assets	4	425,337	191,402
Property, plant and equipment, net	5	2,541,653	1,417,199
Investments in associated companies	10	59,830	338,984
Available-for-sale investments	11	18,614	842
Deferred tax assets	30	36,855	56,223
Other non-current assets	12	47,512	23,249
Total non-current assets		**3,129,801**	**2,027,899**
Current assets			
Inventories	13	328,010	222,781
Trade receivables, net	14	410,668	327,484
Other current assets	15	116,635	81,378
Prepaid taxes		22,104	34,797
Cash and cash equivalents	16, 37	184,594	222,074
Assets classified as held for sale	31	37,587	-
Total current assets		**1,099,598**	**888,514**
TOTAL ASSETS		**4,229,399**	**2,916,413**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	79,202	72,812
Reserves	18	1,119,492	898,751
Profit for the year attributable to equity holders of the parent		115,796	141,418
Equity attributable to equity holders of the parent		**1,314,490**	**1,112,981**
Non-controlling interests		558,605	118,419
Total equity		**1,873,095**	**1,231,400**
Non-current liabilities			
Long-term debt, net of current portion	19	829,111	728,735
Provisions	20	282,693	146,543
Deferred tax liabilities	30	133,236	56,206
Other non-current liabilities	21	38,745	12,032
Total non-current liabilities		**1,283,785**	**943,516**
Current liabilities			
Trade and other payables	22	745,315	549,412
Current tax payable		2,784	2,934
Provisions	20	32,865	6,436
Short-term debt	23	178,457	80,918
Current portion of long-term debt	19	103,577	101,797
Liabilities classified as held for sale	31	9,521	-
Total current liabilities		**1,072,519**	**741,497**
TOTAL EQUITY AND LIABILITIES		**4,229,399**	**2,916,413**

The notes are an integral part of these consolidated financial statements

Consolidated income statement

31 December 2009

	Notes	2009	2008 restated
		HUF million	HUF million
Net revenue	24	3,226,036	3,535,001
Other operating income	25	138,424	19,751
Total operating income		**3,364,460**	**3,554,752**
Raw materials and consumables used		2,513,444	2,745,501
Personnel expenses	26	200,827	139,745
Depreciation, depletion, amortisation and impairment		219,117	151,908
Other operating expenses	27	270,216	279,969
Change in inventories of finished goods and work in progress		(55,837)	59,617
Work performed by the enterprise and capitalized		(31,878)	(21,212)
Total operating expenses		**3,115,889**	**3,355,528**
Operating profit		**248,571**	**199,224**
Financial income	28	16,388	114,742
Of which: Fair valuation difference of conversion option	28	-	64,550
Financial expense	28	75,172	130,818
Of which: Fair valuation difference of conversion option	28	19,698	-
Financial expense, net	**28**	**58,784**	**16,076**
Income from associates		(1,664)	(25,190)
Profit before tax		**188,123**	**157,958**
Income tax expense	30	80,131	16,734
Profit (loss) for the year from continuing operation		**107,992**	**141,224**
Profit (loss) for the year from discontinued operation		**(3,342)**	**-**
Profit for the year		**104,650**	**141,224**
Attributable to:			
Equity holders of the parent		115,796	141,418
Non-controlling interests		(11,146)	(194)
Basic earnings per share Attributable to ordinary equity holders of the parent (HUF)	32	**1,357**	**1,604**
Diluted earnings per share Attributable to ordinary equity holders of the parent (HUF)	32	**1,357**	**815**

The notes are an integral part of these consolidated financial statements

Consolidated Statement of comprehensive income

31 December 2009

	Notes	2009	2008
		HUF million	HUF million
Profit for the year		**104,650**	**141,224**
Other comprehensive income			
Exchange differences on translating foreign operations	29	502	57,002
Available-for-sale financial assets, net of deferred tax	29	5,003	(7)
Cash-flow hedges, net of deferred tax	29	1,338	(2,856)
Share of other comprehensive income for associates	29	(9,383)	(2,487)
Other comprehensive income for the year, net of tax		**(2,540)**	**51,652**
Total comprehensive income for the year		**102,110**	**192,876**
Attributable to:			
Equity holders of the parent		112,474	191,916
Non-controlling interest		(10,364)	960

The notes are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

31 December 2009

	Share capital	Share premium	Fair valuation reserve	Translation reserve	Equity component of debt and difference in buy-back prices	Retained earnings	Total reserves	Profit for the year attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Opening balance 1 January 2008	**65,950**	**(578,752)**	**5,660**	**66,467**	**(8,074)**	**983,117**	**468,418**	**257,796**	**792,164**	**127,417**	**919,581**
Retained profit for the year	**-**	-	-	-	-	-	**-**	141,418	**141,418**	(194)	**141,224**
Other comprehensive income for the year	**-**	-	(7,115)	57,613	-	-	**50,498**	-	**50,498**	1,154	**51,652**
Total comprehensive income for the year	**-**	-	(7,115)	57,613	-	-	**50,498**	141,418	**191,916**	960	**192,876**
Transfer to reserves of retained profit for the previous year	**-**	-	-	-	-	257,796	**257,796**	(257,796)	**-**	-	**-**
Equity dividends	**-**	-	-	-	-	(64,032)	**(64,032)**	-	**(64,032)**	-	**(64,032)**
Dividends to non-controlling interests	**-**	-	-	-	-	-	**-**	-	**-**	(13,043)	**(13,043)**
Net change in balance of treasury shares held	**6,535**	184,425	-	-	-	-	**184,425**	-	**190,960**	-	**190,960**
Equity recorded for share-based payments	**-**	-	-	-	-	133	**133**	-	**133**	-	**133**
Conversion of convertible bonds	**327**	1,513	-	-	-	-	**1,513**	-	**1,840**	-	**1,840**
Net of capital increase and decrease	**-**	-	-	-	-	-	**-**	-	**-**	2,785	**2,785**
Acquisition of subsidiaries and non-controlling interests	**-**	-	-	-	-	-	**-**	-	**-**	300	**300**
Closing balance 31 December 2008	**72,812**	**(392,814)**	**(1,455)**	**124,080**	**(8,074)**	**1,177,014**	**898,751**	**141,418**	**1,112,981**	**118,419**	**1,231,400**
Retained profit for the year	**-**	-	-	-	-	-	**-**	115,796	**115,796**	(11,146)	**104,650**
Other comprehensive income for the year	**-**	-	9,802	(13,124)	-	-	**(3,322)**	-	**(3,322)**	782	**(2,540)**
Total comprehensive income for the year	**-**	-	9,802	(13,124)	-	-	**(3,322)**	115,796	**112,474**	(10,364)	**102,110**
Transfer to reserves of retained profit for the previous year	**-**	-	-	-	-	141,418	**141,418**	(141,418)	**-**	-	**-**
Dividends to non-controlling interests	**-**	-	-	-	-	-	**-**	-	**-**	(8,501)	**(8,501)**
Net change in balance of treasury shares held, net of tax	6,390	67,145	-	-	-	18,363	**85,508**	-	**91,898**	-	**91,898**
Acquisition of non-controlling interests	**-**	-	-	-	-	(2,863)	**(2,863)**	-	**(2,863)**	(148)	**(3,011)**
Transactions with non-controlling interests	**-**	-	-	-	-	-	**-**	-	**-**	5,788	**5,788**
Consolidation of Subsidiaries previously accounted for as Associates	**-**	-	-	-	-	-	**-**	-	**-**	453,411	**453,411**
Closing balance 31 December 2009	**79,202**	**(325,669)**	**8,347**	**110,956**	**(8,074)**	**1,333,932**	**1,119,492**	**115,796**	**1,314,490**	**558,605**	**1,873,095**

The notes are an integral part of these consolidated financial statements

Consolidated cash flow statement

31 December 2009

	Notes	2009 HUF million	2008 restated HUF million
Profit before tax from continuing operations		*188,123*	*157,958*
Loss before tax from discontinued operations	31	*(3,342)*	-
Profit before tax		*184,781*	*157,958*
Depreciation, depletion, amortisation and impairment		219,117	151,908
Non-cash gain recognized upon acquiring INA Group	7	(70,596)	--
Write-off of inventories, net		(6,615)	30,005
Increase / (decrease) in provisions		12,173	1,274
Net (gain) / loss on sale of property, plant and equipment		(20,212)	(356)
Write-off / (reversal of write-off) of receivables		13,541	6,555
Unrealised foreign exchange (gain) / loss on trade receivables and trade payables		7,927	(3,332)
Net gain on sale of subsidiaries		(25,665)	(7,580)
Exploration and development costs expensed during the year		5,790	11,105
Share-based payment		-	133
Interest income		(10,534)	(19,230)
Interest on borrowings		23,290	37,841
Net foreign exchange (gain) / loss excluding foreign exchange differences on trade receivables and trade payables		3,216	19,863
Fair valuation difference of conversion option (see Note 28)		19,698	(64,550)
Other financial (gain) / loss, net		12,041	35,773
Share of net profit of associate		1,664	25,190
Other non cash items		3,336	1,671
Operating cash flow before changes in working capital		*372,952*	*384,228*
Decrease / (increase) in inventories		13,437	77,405
Decrease / (increase) in trade receivables		4,751	34,318
Decrease / (increase) in other current assets		180	(7,129)
(Decrease) / increase in trade payables		36,921	(89,321)
(Decrease) / increase in other payables		11,907	9,625
Income taxes paid		*(28,978)*	*(61,923)*
Net cash provided by operating activities		**411,170**	**347,203**
Capital expenditures, exploration and development costs		(303,680)	(323,753)
Proceeds from disposals of property, plant and equipment		20,676	2,333
Acquisition of subsidiaries and non-controlling interests, net cash	37	(6,666)	(12,158)
Acquisition of associated companies and other investments		(1,066)	(227,262)
Cash effect of consolidation of Subsidiaries previously accounted for as associates		19,166	-
Net cash inflow / (outflow) on sale of subsidiary undertakings (see Note 8)		4,150	28,143
Proceeds from disposal of associated companies and other investments		-	1,221
Changes in loans given and long-term bank deposits		(11,287)	(2,621)
Changes in short-term investments		(5,865)	-
Interest received and other financial income		11,228	57,108
Dividends received		896	2,197
Net cash used in investing activities		**(272,448)**	**(474,792)**

The notes are an integral part of these consolidated financial statements

	Notes	2009 HUF million	2008 restated HUF million
Long-term debt drawn down	37	524,231	1,097,225
Repayments of long-term debt		(625,621)	(893,118)
Changes in other long-term liabilities		130	125
Changes in short-term debt		(28,483)	13,899
Interest paid and other financial costs		(39,697)	(47,190)
Dividends paid to shareholders		(224)	(63,737)
Dividends paid to non-controlling interest		(8,531)	(13,116)
Minority shareholders contribution		7,523	2,785
Issuance of treasury shares		959	137,860
Repurchase of treasury shares		-	(25,663)
Net cash provided by / (used in) financing activities		**(169,713)**	**209,070**
(Decrease) / increase in cash and cash equivalents		**(30,991)**	**81,481**
Cash and cash equivalents at the beginning of the year		222,074	129,721
Exchange differences of cash and cash equivalents of consolidated foreign subsidiaries		(5,567)	6,576
Unrealised foreign exchange difference on cash and cash equivalents		676	4,296
Cash and cash equivalents at the end of the year	37	186,192	222,074

The notes are an integral part of these consolidated financial statements.

1 General

MOL Hungarian Oil and Gas Plc. (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 on the transformation of its legal predecessor, the Országos Kőolaj- és Gázipari Tröszt (OKGT). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of OKGT were revalued as at that date. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) are involved in the exploration and production of crude oil, natural gas and other gas products, refining, transportation and storage of crude oil and wholesale and retail marketing of crude oil products, production and sale of olefins and polyolefins. The number of the employees in the Group as of 31 December 2009 and 2008 was 34,090 and 17,213, respectively. The registered office address of the Company is Október huszonharmadika u. 18., Budapest, Hungary.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are listed on the Luxembourg Stock Exchange and are quoted on the International Order Book in London and other over the counter markets in New York, Berlin and Munich.

2.1 Authorization, statement of compliance and basis of preparation

i) Authorization and Statement of Compliance

These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 25 March 2010.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and all applicable IFRSs that have been adopted by the European Union (EU). IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Effective 1 January 2005, the change in the Hungarian Accounting Act allows the Group to prepare its consolidated financial statements in accordance with IFRS that have been adopted by the EU. Currently, due to the endorsement process of the EU and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

Presentation of the financial statements complies with the requirements of the relevant standards. With respect to the conversion option embedded in the perpetual exchangeable capital securities issued in 2006, the revaluation difference arising on this option has been presented as a separate line item on the face of the income statement. The management believes that by separating this non-cash item improves the transparency of the financial statements, since the gain or loss recognized thereon is not affected by the operations of the Group or any relevant factors of the external business environment influencing these operations. For further details on the conversion option see Note 17.

ii) Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective on 31 December 2009. The Group has early adopted IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements* in the current year in advance of their effective date (1 July 2009).

MOL Plc. prepares its statutory unconsolidated financial statements in accordance with the requirements of the accounting regulations contained in Law C of 2000 on Accounting (HAS). Some of the accounting principles prescribed in this law differ from IFRS.

For the purposes of the application of the Historical Cost Convention, the consolidated financial statements treat the Company as having come into existence as of 1 October 1991, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

The financial year is the same as the calendar year.

iii) Principles of Consolidation

Subsidiaries

The consolidated financial statements include the accounts of MOL Plc. and the subsidiaries that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. As required by IAS 27, immediately exercisable voting rights are taken into account when determining control.

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the date of obtaining control. The cost of an acquisition is measured at the aggregate of the consideration transferred and the amount of any non-controlling interest (formerly known as minority interest) in the acquiree. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses – unless the losses indicate impairment of the related assets – are eliminated. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests represent the profit or loss and net assets not held by the Group and are shown separately in the consolidated balance sheet and the consolidated income statement, respectively. For each business combination, non-controlling interest is stated either at fair value or at the non-controlling interests' proportionate share of the acquiree's fair values of net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequently the carrying amount of non-controlling interests is the initially recognised amount of those interests adjusted with the non-controlling interests' share of changes in equity after the acquisition. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a negative balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the company.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Group jointly controls with its fellow venturers.

The Company's interests in its joint ventures are accounted for by the proportionate consolidation method, where a proportionate share of the joint venture's assets, liabilities, income and expenses is combined with similar items in the consolidated financial statements on a line-by-line basis. The financial statements of the joint ventures are prepared for the same reporting year as the parent company, using consistent accounting policies. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the venture.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. Losses on intragroup transactions are recognised immediately if the loss provides evidence of reduced net realisable value of current assets or impairment loss.

When the joint control is lost, the Group measures and recognises its remaining investment at its fair value unless the joint control does not become a subsidiary or associate. The difference between the carrying amount of the joint entity and the fair value of the remaining investment together with any proceeds from disposal is recognised in profit or loss.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity.

The Group's investments in its associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates are assessed to determine whether there is any objective evidence of impairment. If there is evidence that the recoverable amount of the investment is lower than its carrying value, then the difference is recognised as impairment loss in the income statement . Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

When the significant influence over the associate is lost, the Group remeasures and recognises any retaining investment at its fair value. The difference between the carrying amount of the associate and the fair value of the retaining investment together with any proceeds from disposal is recognised in profit or loss.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those applied in the previous financial years, apart from some minor modifications in the classification of certain items in the balance sheet or the income statement, none of which has resulted in a significant impact on the financial statements. While the comparative period has been restated, an opening balance sheet has not been included as the reclassifications made were not considered material**.**

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Except as noted below, adoption of these standards and interpretations did not have any effect on the financial statements of the Group. They did, however, give rise to additional disclosures.

- IFRS 1 – First-time Adoption of International Financial Reporting Standards

-IFRS 2 – Share-based Payment

- IFRS 3 – Business Combinations (Revised)

- IFRS 7 – Financial Instruments: Disclosures

- IFSR 8 – Operating Segments

- IAS 1 – Presentation of Financial Statements

- IAS 16 – Property, Plant and Equipment

- IAS 19 – Employee Benefits

- IAS 20 – Accounting for Government Grants and Disclosures of Government Assistance

- IAS 23 – Borrowing costs

- *IAS 27 – Consolidated and Separate Financial Statements*

- *IAS 28 – Investments in Associates*

- *IAS 29 – Financial Reporting in Hyperinflationary Economies*

- *IAS 31 – Investments in Joint Ventures*

- *IAS 32 – Financial Instruments: Presentation*

- *IAS 36 – Impairment of Assets*

- *IAS 38 – Intangible Assets*

- *IAS 39 – Financial Instruments: Recognition and Measurement*

- *IAS 40 – Investment Property*

- *IAS 41 – Agriculture*

- *IFRIC 15 – Agreements for the Construction of Real Estate*

The Group has early adopted IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements* from 1 January 2009.

The principal effects of these changes are as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The new version of IFRS 1 retains the substance of the previous version, but with a changed structure. It replaces the old version of IFRS 1 and becomes effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 January 2009.

IFRS 2 Share-based Payment

This amendment to IFRS 2 – Share-based Payment becomes effective for financial years beginning on or after 1 January 2009. It clarifies the definition of vesting and non-vesting conditions, as well as the accounting treatment of cancellations.

IFRS 3 Business Combinations (Revised)

The revised standard comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. It introduces significant changes in the accounting for business combinations as outlined below:

Business combinations are accounted for using the acquisition method and all acquisition costs incurred are expensed as opposed to the previous version of IFRS 3 where business combinations were accounted for using the purchase method and transaction costs directly attributable to the acquisition formed part of the acquisition costs. For business combination achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss. At acquisition the embedded derivatives separated from the host contract by the acquiree are reassessed; while previously those were only assessed, if the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

The IFRS 3 Revised allows a choice on the measurement of non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, where previously only the latter was permitted.

Additional guidance is added on recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised if, and only if, the Group had a present obligation that the economic outflow was more likely than not and a reliable estimate could be determined. Subsequent adjustments to the contingent consideration affected goodwill. The revised IFRS 3R measures contingent consideration at fair value at the acquisition date; subsequent adjustments to it are recognised against goodwill only to the extent that they arise from better information about the acquisition date fair value within a timeframe of 12 months from the acquisition date. All other subsequent adjustments are recognised in profit and loss.

The Group has early adopted IFRS 3 (Revised) beginning 1 January 2009 and has applied the revised version of the standard when accounting for the acquisition of INA Group.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 seek to enhance disclosures about fair value measurements and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The changes are effective starting on or after 1 January 2009.

IFRS 8 Operating Segments

IFRS was issued in November 2006 and became effective for financial years beginning on or after 1 January 2009. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. There are no changes in the current disclosures, as the primary business segments determined for reporting purposes qualify as operating segments under the new standard.

IAS 1 Presentation of Financial Statements

The revised standard (effective from 1 January 2009) separates owner and non-owner changes in equity. Therefore, the statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group applies IAS 1 (Revised) from 1 January 2009 electing the option to present separate income statement and statement of comprehensive income as performance statements.

IAS 16 Property, Plant and Equipment

IASB replaced the term “net selling price” with “fair values less costs to sell”. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 19 Employee Benefits

This improvement revised the definition of ‘past service costs’, ‘return on plan assets’ and ‘short-term’ and ‘other long–term’ employee benefits. Amendments to plans that result in a reduction in benefits related to future services should be accounted for as curtailment. The reference to the recognition of contingent liabilities has been deleted to ensure consistency with IAS 37. This amendment has no material impact on the Group.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance

According to this improvement loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount should be accounted for as government grant. Also various terms had been changed in order to be consistent with other IFRS. This amendment has no material impact on the Group.

IAS 23 Borrowing Costs

The revised standard requires capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group currently follows this policy; therefore the change has no impact on the consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements

The revised Standard became effective as of 1 July 2009. It requires that a change in the ownership interest of a subsidiary, which does not result in loss of control, is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor it will they give rise to a gain or loss. In addition, the total comprehensive income is attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a negative balance. The previous standard allocated such excess losses to the owners of the parent except for some rare circumstances. Furthermore, requirements have been added to treat changes in a parent’s
The notes are an integral part of these consolidated financial statements.

ownership interest in a subsidiary which result in loss of control of a subsidiary specifying that any gain or loss arising on the loss of control of a subsidiary must be recognized in profit or loss.

Additionally, when a parent entity accounts for subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment should continue when the subsidiary is subsequently classified as held for sale.

The revised standard has been early adopted by the Group together with IFRS 3 for periods beginning on or after 1 January 2009.

IAS 28 Investments in Associates

If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Group as it does not account for its associates at fair value in accordance with IAS 39.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the Group because this policy was already applied.

IAS 29 Financial Reporting in Hyperinflationary Economies

This amendment revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being example, rather than implying that is a definitive list. Also various terms have been changed in order to be consistent with other IFRS. This amendment has no material impact on the Group.

IAS 31 Interests in Joint Ventures

If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment has no impact on the Group because it does not account for its joint ventures at fair value in accordance with IAS 39.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and obligations Arising on Liquidation

These revised standards became effective for financial years beginning on or after 1 January 2009. They require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendment has no impact on the existing financial instruments of the Group.

IAS 36 Impairment of Assets

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its CGUs is currently estimated using 'value in use'.

IAS 38 Intangible Assets

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

Additionally, the revised standard determines that in a business combination an intangible asset must be recognised separately from goodwill even, if it is separable together with a related contract. Complimentary intangible assets with similar useful lives or intangible assets which are only separable together with another intangible asset can be recognised together as a single asset.

IAS 39 Financial Instruments: Recognition and Measurement

According to this improvement, changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The reference in IAS 39 to a 'segment', when determining whether an instrument qualifies as a hedge, has been removed. The use of the revised effective interest rate also is required when re-measuring a debt instrument on the cessation of fair value hedge accounting. This amendment has no material impact on the Group.

IAS 40 Investment Property

This amendment revised the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction should be measured at cost until such time as fair value can be determined or construction is complete. The amendment also revised the conditions for voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability. This amendment has no impact on the Group since it has no such properties.

IAS 41 Agriculture

The amendment removed the reference to the use of pre-tax discount rate to determine fair value and replaced the term 'point-of-sale costs' with 'costs to sell'. Also the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value has been removed. This amendment has no impact on the Group since it does not pursue such activities.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 has no an impact on the consolidated financial statement because the Group does not conduct such activity.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The IFRIC 16 was issued in July 2008 and became effective for financial years beginning on or after 1 October 2008. This interpretation provides guidance on the accounting for a hedge of a net investment. The interpretation has no impact on the Group's financial statements, as the Group has not entered in any such hedges.

Issued but not yet effective International Financial Reporting Standards

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 1 (Revised) – First-time Adoption of International Financial Reporting Standards

The revised standard (effective from 1 January 2010) aims at simplifying the retrospective application of IFRSs in two particular situations. First, entity using the full-cost method is exempt from retrospective application of IFRSs for oil and gas assets. The entity, choosing to apply this exemption, will use the carrying amount under its old GAAP as the costs of its oil and gas assets at the date of first-time adoption of IFRSs. Second, entity is exempt from having to apply IFRIC 4 *Determining whether an Arrangement Contains a Lease* when it adopts IFRSs, if the entity made the same type of determination of whether an arrangement contains a lease in accordance with its previous GAAP as that required by IFRIC 4.

IFRS 2 Share-based Payment (amendment) – Cash-settled Share-based Payment Transactions

The amendments to IFRS 2 *Share-based Payment* become effective for financial years beginning on or after 1 January 2010 and must be applied retrospectively. They clarify how an individual subsidiary in a group should account for share-based payment arrangements in its own financial statements. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. As a result IFRIC 8 and IFRIC 11 have been withdrawn.

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was issued on 12 November 2009 and is intended to replace IAS 39 *Financial Instruments: Recognition and measurement*. The standard introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013. According to IFRS 9 all financial assets are initially recognised at fair value plus transaction costs. The standard also eliminates the available-for-sale and held-to-maturity categories currently existing in IAS 39.

IAS 24 Related Party Disclosure

The amendments to IAS 24 *Related Party Disclosures* become effective for financial years beginning on or after 1 January 2010 and must be applied retrospectively. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. As a result, such a reporting entity is exempt from the general disclosure requirements in relation to transactions and balances with the government and government-related entities.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 was issued in November 2008 and becomes effective for financial years beginning on or after 1 July 2009. This interpretation provides guidance on the accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The dividend should be measured at the fair value of the assets distributed and the difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. This interpretation will have no impact on the Group because dividend is distributed in cash.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after 1 July 2009. Entities in specific sectors often receive items of property, plant and equipment form their customers, or cash to acquire or construct specific assets. These assets are then used to connect customers to a network and/or provide them with ongoing access to a supply of goods and/or services. This interpretation provides guidance on when and how an entity should recognise such assets. When the item of property, plant and equipment transferred from a customer meets the definition of an asset under the IASB Framework from the perspective of the recipient, the recipient must recognise the asset in its financial statements. If the customer continues to control the transferred item, the asset definition would not be met even if ownership of the asset is transferred to the utility or other recipient entity. This interpretation is not expected to have material effect on the Group's financial statements.

Improvements to IFRSs

In April 2009 the Board issued its first collection of amendments to its standards, primarily to remove inconsistencies and clarify wording. These amendments will be effective from 1 January 2010. The Group has not yet adopted the following amendments but it is anticipated that these changes will have no material effect on the Group's financial statements.

- IFRS 2 Share-based Payment

IFRS 2 excludes from its scope transactions that meet the definition of a business combination under IFRS 3 Business Combinations.

- IFRS 5 Non-current assets Held for Sale and Discontinued Operations

This amendment specifies the disclosures required in connection with non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets unless the particular standard requires a disclosure in respect of non-current assets classified as held for sale or discontinued operations.

- IFRS 8 Operating Segments

This amendment clarifies that a measurement of total assets shall be reported, if such a measurement is reported to the management of the entity.

- IAS 1 Presentation of Financial Statements

The amendment clarifies the classification between current and non-current convertible instruments.

- IAS 7 Statement of Cash Flows

The amendment constitutes that only expenditure that results in asset recognition can be classified as “investing” in the statement of cash flows.

- IAS 17 Leases

The amendment determines that for those land leases for which retrospective information is available, a classification reassessment of unexpired leases based on conditions at inception date should be carried out. Additionally, an entity should retrospectively recognise land leases that are currently finance leases based on their fair values at the inception date of the lease.

- IAS 32 Financial Instruments: Presentation

The amendment is effective for annual periods beginning on or after 1 February 2010 and requires that rights, options and warrants to acquire a fixed number of an entity’s own equity instruments for a fixed price of any currency are equity instruments.

- IAS 36 Impairment of Assets

The amendment determines that the unit of allocation of goodwill when testing for impairment should not be larger than an operating segment as defined in IFRS 8.

- IAS 39 Financial Instruments: Recognition and Measurement

The amendment clarifies when gains or losses on hedging instruments should be reclassified from equity to profit or loss. In addition, forward contracts entered into as part of a business combination are exempt from the scope of IAS 39.

The notes are an integral part of these consolidated financial statements.

2.3 Summary of significant accounting policies

i) Presentation Currency

Based on the economic substance of the underlying events and circumstances the functional currency of the parent company and the presentation currency of the Group have been determined to be the Hungarian Forint (HUF).

ii) Business Combinations

Business combinations are accounted for using the acquisition method. This involves assessing all assets and liabilities assumed for appropriate classification in accordance with the contractual terms and economic conditions and recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value as at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition, only if they qualify as period measurement adjustments and occur within 12 months from the acquisition date. All other subsequent changes in the fair value of contingent consideration are accounted for either in profit or loss or as changes to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the consideration transferred is lower than the fair value of the net assets of the acquiree, the fair valuation, as well as the cost of the business combination is re-assessed. Should the difference remain after such re-assessment, it is then recognised in profit or loss as other income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit (or group of cash generating units) and part of the operation within that unit (or group) is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and un-amortised goodwill is recognized in the income statement.

iii) Investments and Other Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

Purchases and sales of investments are recognized on settlement date which is the date when the asset is delivered to the counterparty.

The Group's financial assets are classified at the time of initial recognition depending on their nature and purpose. Financial assets include cash and short-term deposits, trade receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized as finance income or finance expense in the income statement.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months from the balance sheet date and are not held with the primary purpose of being traded. In this case all payments on such instruments are classified as non-current.

As at 31 December 2009 and 2008, no financial assets have been designated as at fair value through profit and loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and

points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognized as other comprehensive income in the fair valuation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded as other comprehensive income is recognized in the income statement.

After initial recognition available-for-sale financial assets are evaluated on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Group may choose to reclassify these financial assets to loans and receivables or held-to-maturity when this is in accordance with the applicable IFRS.

Fair value

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date without any deduction for transaction costs. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

iv) Classification and Derecognition of Financial Instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments

classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the Group neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognises its retained interest in the asset and a liability for the amounts it may have to pay.

v) Derivative Financial Instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year as financial income or expense.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract,

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and

- a hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current year net profit.

vi) Hedging

For the purpose of hedge accounting, hedges are classified as

- fair value hedges

- cash flow hedges or

- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk that could affect the income statement.

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash-flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the income statement. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized in the income statement.

Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized as other comprehensive income is transferred to the income statement.

vii) Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Impairment losses on a financial asset or group of financial assets are recognised only if there is an objective evidence of impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent

reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from other comprehensive income to the income statement. Impairment losses recognized on equity instruments classified as available for sale are not reversed; increases in their fair value after impairment are recognised directly in other comprehensive income. Impairment losses recognized on debt instruments classified as available for sale are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

viii) Cash and Cash Equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturity less than three months from the date of acquisition and that are subject to an insignificant risk of change in value.

ix) Trade Receivables

Receivables are stated at face value less provision for doubtful amounts. Where the time value of money is material, receivables are carried at amortized cost. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If collection of trade receivables is expected within the normal business cycle which is one year or less, they are classified as current assets. If not, they are presented as non-current assets.

x) Inventories

Inventories, including work-in-progress are valued at the lower of cost and net realisable value, after provision for slow-moving and obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of making the sale. Cost of purchased goods, including crude oil and purchased gas inventory, is determined primarily on the basis of weighted average cost. The acquisition cost of own produced inventory consists of direct materials, direct wages and the appropriate portion of production overhead expenses including royalty. Unrealisable inventory is fully written off.

xi) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost (or the carrying value of the assets determined as of 1 October 1991) less accumulated depreciation, depletion and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated decommissioning and site restoration costs are capitalized upon initial recognition or, if decision on decommissioning is made subsequently, at the time of the decision. Changes in estimates thereof adjust the carrying amount of assets. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead costs (except form periodic maintenance costs), are normally charged to income in the period in which the costs are incurred. Periodic maintenance costs are capitalized as a separate component of the related assets.

Construction in progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant asset is available for use.

The policy for accounting for exploration and development costs of oil and gas reserves is described in xv) below.

xii) Intangible Assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method. The amortisation period and the amortisation method are reviewed annually at each financial year-end. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash generating unit level.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage can not be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

The policy for accounting for exploration and development costs of oil and gas reserves is described in xv) below.

xiii) Depreciation, Depletion and Amortisation

Depreciation of each component of an intangible asset and property, plant and equipment is computed on a straight-line basis over their respective useful lives. Usual periods of useful lives for different types of property, plant and equipment are as follows:

Software	3 – 5 years
Buildings	10 – 50 years
Refineries and chemicals manufacturing plants	4 – 20 years
Gas and oil storage and transmission equipment	7 – 50 years
Petrol service stations	5 – 30 years
Telecommunication and automatisation equipment	3 – 10 years

Depletion and depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system using the unit of production method, based on proved and developed commercially recoverable reserves. Recoverable reserves are reviewed on an annual basis. Transport systems used by several fields and other assets are calculated on the basis of the expected useful life, using the straight-line method. Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance costs are depreciated until the next similar maintenance takes place.

The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment, and, if necessary, changes are accounted for in the current period.

xiv) Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated net future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit.

The Group assesses at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognised. The reversal is limited so that the

carrying amount of the asset neither exceeds its recoverable amount, nor is higher than its carrying amount net of depreciation, had no impairment loss been recognised in prior years.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

Intangible assets with indefinite useful lives are monitored for impairment indicators throughout the year and are tested for impairment at least annually as of 31 December either individually or at the cash generating unit level, as appropriate.

xv) Oil and natural gas exploration and development expenditures

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

Licence and property acquisition costs

Exploration and property acquisition costs are capitalized as intangible assets and amortized on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon determination of economically recoverable reserves (‘proved reserves’ or ‘commercial reserves’), amortization ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets. When development is approved internally, the relevant expenditure is transferred to property, plant and equipment, among land and buildings.

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment.

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within property, plant and equipment.

xvi) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net in the income statement when the liabilities are derecognized as well as through the amortisation process, except to the extent they are capitalized as borrowing costs.

xvii) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provision to be reimbursed; the reimbursement is recognised as a separate asset but only when the reimbursement is actually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of the provisions increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as interest expense.

Provision for Redundancy

The employees of the Group are eligible, immediately upon termination, for redundancy payment pursuant to the Hungarian law and the terms of the Collective Agreement between MOL and its employees. The amount of such a liability is recorded as a provision in the consolidated balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provision for Environmental Expenditures

Environmental expenditures that relate to current or future economic benefits are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Provision for Decommissioning

The Group records a provision upon initial recognition for the present value of the estimated future cost of abandonment of oil and gas production facilities following the termination of production. The estimate is based upon current legislative requirements, technology and price levels. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the facility or item of plant. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Provision for Retirement Benefits

The Group operates three long term defined employee benefit programmes. None of these schemes requires contribution to be made to separately administered funds. The cost of providing benefits under those plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

xviii) Greenhouse gas emissions

The Group receives free emission rights in Hungary and Slovakia as a result of the European Emission Trading Schemes. The rights are received on an annual basis and in return the Group is required to remit rights equal to its actual emissions. The Group has adopted a net liability approach to the emission rights granted. A provision is only recognized when actual emissions exceed the emission rights granted and still held. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value.

xix) Share-based payment transactions

Certain employees (including directors and managers) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by applying generally accepted option pricing models (usually by the binomial model). In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the parent company (‘market conditions’).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date to fair value with changes therein recognized in the income statement.

xx) Leases

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfilment of the arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and is recorded accordingly.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Initial direct costs incurred in negotiating a finance lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the lease income. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

xxi) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant

relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

xxii) Reserves

Reserves shown in the consolidated financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the company-only statutory earnings of MOL Plc.

Translation reserves

The translation reserve represents translation differences arising on consolidation of financial statements of foreign entities. Exchange differences arising on a monetary item that, in substance, forms part of the company's net investment in a foreign entity are classified as other comprehensive income in the consolidated financial statements until the disposal of the net investment. Upon disposal of the corresponding assets, the cumulative revaluation or translation reserves are recognized as income or expenses in the same period in which the gain or loss on disposal is recognized.

Fair valuation reserves

The fair valuation reserve includes the cumulative net change in the fair value of effective cash flow hedges and available for sale financial instruments.

Equity component of debt and difference in buy-back prices

Equity component of compound debt instruments includes the residual amount of the proceeds from the issuance of the instrument above its liability component, which is determined as the present value of future cash payments associated with the instrument. The equity component of compound debt instruments is recognized when the Group becomes party to the instrument (see also iv).

xxiii) Treasury Shares

The nominal value of treasury shares held is deducted from registered share capital. Any difference between the nominal value and the acquisition price of treasury shares is recorded directly to share premium.

xxiv) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

xxv) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed.

Interest is recognized on a time-proportionate basis that reflects the effective yield on the related asset. Dividends due are recognized when the shareholder's right to receive payment is established. Changes in the fair value of derivatives not qualifying for hedge accounting are reflected in income in the period the change occurs.

xxvi) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

xxvii) Income Taxes

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are never taxable or deductible or are taxable or deductible in other years. The Group's current income tax is calculating using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and tax losses when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

At each balance sheet date, the Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognises a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including an adjustment to the opening balance of reserves resulting from a change in accounting policy that is applied retrospectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

xxviii) Foreign Currency Transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the consolidated income statement in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences on trade receivables and payables are included in operating profit, while foreign exchange differences on borrowings are recorded as financial income or expense.

Financial statements of foreign entities are translated at year-end exchange rates with respect to the balance sheet and at the weighted average exchange rates for the year with respect to the income statement. All resulting translation differences are included in the translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation shall be recognized in the income statement. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In case of a partial disposal of a subsidiary without any loss of control in the foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other disposals such as associates or jointly controlled entities not involving a change of accounting basis, the proportionate share of accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

xxix) Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxx) Segmental Disclosure

For management purposes the Group is organised into four major operating business units: Exploration and Production, Refining and Marketing, Gas and Power and Petrochemicals. The business units are the basis upon which the Group reports its segment information to the management who is responsible for allocating business resources and assessing performance of the operating segments.

xxxi) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless they are acquired in a business combination. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.4 Significant accounting judgments and estimates

Critical judgments in applying the accounting policies

In the process of applying the accounting policies, which are described in note 2.3 above, management has made certain judgments that have significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however, the most significant judgments relate to the following:

<u>Scope of environmental and field abandonment provision</u>

Regulations, especially environmental legislation does not exactly specify the extent of remediation work required or the technology to be applied. Furthermore, since INA Group has became part of MOL in the current year only, the extent to which such remediation requirements are identified is also limited. Management uses its previous experience and its own interpretation of the respective legislation to determine the scope of environmental and field abandonment provisions. The amount of environmental provision is HUF 69,563 million and HUF 39,702 million, while field abandonment provision amounts to HUF 188,348 million and HUF 97,312 million as of 31 December 2009 and 2008, respectively (see Note 20).

Application of Successful Efforts method of accounting for exploration expenditures

Management uses judgment when capitalized exploration expenditures are reviewed to determine capability and continuing intent of further development. Carrying amount of capitalized exploration expenditures is HUF 272,473 million and HUF 51,344 million as of 31 December 2009 and 2008, respectively (see Note 4).

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. These are detailed in the respective notes, however, the most significant estimates relate to the following:

Calculation the fair values of financial instruments

Fair valuation of financial instruments (especially the conversion option embedded in the perpetual exchangeable capital securities issued by a special purpose entity, Magnolia Finance Ltd, see Note 17) is performed by reference to quoted market prices or, in absence thereof reflects the market's or the management's estimate of the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates, and in case of the conversion option and MOL's call option on the 7% shareholding owned by CEZ, volatility of MOL share prices and dividend yield. Considering the worldwide financial crisis since 2008 and the consequent hectic changes on the markets of financial instruments, such fair value measurements contain an increased uncertainty. The management expects this uncertainty to be decreasing during the forthcoming reporting period. In case of the conversion option embedded in MOL's perpetual exchangeable capital securities, the market of the underlying convertible instrument has become inactive between October, 2008 and September, 2009, together with a significant decline in the market price of MOL shares and of the convertible instrument. Therefore the fair value of the conversion option has decreased to nil as of 31 December 2008. For 2009, the valuation of this option was performed with reference to prices on the market of convertible instruments. Further details of financial instruments are described in Note 34.

Quantification and timing of environmental and field abandonment liabilities

Management estimates the future cash outflow associated with environmental and decommissioning liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash flows reflects managements' current assessment of priorities, technical capabilities and urgency of such obligations. Both the amounts and the timing of these future expenditures are reviewed annually, together with expectations on the rates used to discount these cash flows. Long-term real discount rates are expected to be 1.9% (2008: 2.0%). Consequently, the carrying

amount of these obligations (in case of environmental liabilities HUF 69,563 million and HUF 39,702 million, in case of field abandonment provision HUF 188,348 million and HUF 97,312 million as of 31 December 2009 and 2008, respectively, see Note 20) is exposed to uncertainty.

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products. While such cash flows for each non-current asset or investment reflects the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the general economic recession experienced worldwide and also in the Central-Eastern European region where the Group operates. Discount rates were derived from the USD-based weighted average cost of capital for the Group (2009: 8%, 2008: 6.7%) Increase in the rate reflects the increased risk factors due to the worldwide recession. In each case these rates are adjusted for segment-, country- and project-specific risks, as applicable. Impairment recorded in the consolidated income statement amounts to HUF 13,066 million and HUF 8,325 million in 2009 and 2008, respectively. These charges include an impairment loss of HUF 4,656 million on goodwill in 2009, HUF 1,612 million (2008: HUF 6,816 million) on other intangible assets and HUF 9,059 million (2008: HUF 5,643 million) and a reversal of impairment of HUF 2,261 million (2008: HUF 4,120 million) on property, plant and equipment. Carrying amount of goodwill is HUF 70,126 million and HUF 71,760 million as of 31 December 2009 and 2008, respectively (see Note 4).

Availability of taxable income against which deferred tax assets can be recognized

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized deferred tax assets at 31 December 2009 was HUF 36,855 million (see Note 30).

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Provision for retirement benefit is HUF 14,416 million and HUF 8,878 million at 31 December 2009 and 2008, respectively (see Note 20).

Outcome of certain litigations

MOL Group entities are parties to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses estimations when the most likely outcome of these actions is assessed and provision is recognized on a consistent basis. See Note 20 and 35.

3 Segmental information

2009	Exploration and Production HUF million	Refining and Marketing HUF million	Gas & Power HUF million	Petro-chemicals HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	**Total HUF million**
Net Revenue							
Sales to external customers	**273,124**	**2,396,450**	**236,166**	**289,128**	**31,168**	**-**	**3,226,036**
Inter-segment sales	188,075	324,389	277,590	99,152	133,510	(1,022,716)	**-**
Total revenue	**461,199**	**2,720,839**	**513,756**	**388,280**	**164,678**	**(1,022,716)**	**3,226,036**
Results							
Profit/(loss) from operations	**126,631**	**15,371**	**61,902**	**(15,219)**	**54,386**	**5,500**	**248,571**
Net finance costs							**58,784**
Income from associates					(1,664)		**(1,664)**
Profit before tax							**188,123**
Income tax expense/(benefit)							**80,131**
Profit for the year							**104,650**

2008	Exploration and Production HUF million	Refining and Marketing HUF million	Gas & Power HUF million	Petro-chemicals HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	**Total HUF million**
Net Revenue							
Sales to external customers	237,306	2,768,530	145,726	366,090	17,349	-	**3,535,001**
Inter-segment sales	191,474	377,104	53,398	104,367	131,354	(857,697)	**-**
Total revenue	**428,780**	**3,145,634**	**199,124**	**470,457**	**148,703**	**(857,697)**	**3,535,001**
Results							
Profit/(loss) from operations	191,018	72,450	38,661	(7,589)	(37,697)	(57,619)	**199,224**
Net finance costs							**16,076**
Income from associates	-	-	-	-	(25,190)	-	**(25,190)**
Profit before tax							**157,958**
Income tax expense/(benefit)							**16,734**
Profit for the year							**141,224**

2009 Assets and liabilities	Exploration and Production HUF million	Refining and Marketing HUF million	Gas and Power HUF million	Petro-chemicals HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	**Total HUF million**
Property, plant and equipment, net	1,014,097	952,614	357,778	183,080	101,328	(67,244)	**2,541,653**
Intangible assets, net	297,990	93,764	5,980	4,766	23,086	(249)	**425,337**
Inventories	24,321	281,867	2,567	12,017	12,031	(4,793)	**328,010**
Trade receivables, net	56,672	329,571	50,591	58,906	41,429	(126,501)	**410,668**

Investments in associates					59,830		**59,830**
Not allocated assets							**463,901**
Total assets							**4,229,399**
Trade payables	57,302	331,508	54,669	49,232	47,589	(128,022)	**412,278**
Not allocated liabilities							**1,944,026**
Total liabilities							**2,356,304**
2009 Other segment information							
Capital expenditure:	107,732	102,229	61,100	16,681	7,244	-	**294,986**
Property, plant and equipment	89,631	101,318	59,389	16,452	4,367	-	**271,157**
Intangible assets	18,101	911	1,711	229	2,877	-	**23,829**
Depreciation and amortization	79,410	93,597	15,691	18,308	15,227	(3,116)	**219,117**
From this: impairment losses and reversal of impairment recognized	3,837	7,543	687	(18)	1,017	-	**13,066**

2008 Assets and liabilities	Exploration and Production HUF million	Refining and Marketing HUF million	Gas and Power HUF million	Petro-chemicals HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	**Total HUF million**
Property, plant and equipment, net	166,775	749,834	304,323	182,856	80,236	(66,825)	**1,417,199**
Intangible assets, net	74,981	86,536	5,312	5,928	18,645	-	**191,402**
Inventories	10,682	186,831	2,461	13,018	17,951	(8,162)	**222,781**
Trade receivables, net	46,572	228,293	25,743	49,776	26,816	(49,716)	**327,484**
Investments in associates					338,984	-	**338,984**
Not allocated assets							**418,563**
Total assets							**2,916,413**
Trade payables	17,477	193, 244	39,574	24,554	49,494	(50,367)	**273,936**
Not allocated liabilities							**1,411,037**
Total liabilities							**1,685,013**
2008 Other segment information							
Capital expenditure:	62,057	118,433	129,846	10,236	10,859	-	**331,431**
Property, plant and equipment	34,118	116,737	128,767	8,847	7,210	-	**295,679**
Intangible assets	27,939	1,696	1,079	1,389	3,649	-	**35,752**
Depreciation and amortization	36,920	74,912	11,503	19,681	11,072	(2,180)	**151,908**
From this: impairment losses and reversal of impairment recognized	5,816	1,471	470	177	477	(86)	**8,325**

The operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. Exploration and Production transfers crude oil, condensates and LPG to Refining and Marketing and natural gas to the Gas and Power segment. Refining and Marketing transfers chemical feedstock, propylene and isobutane to Petrochemicals and Petrochemicals transfers various by-products to Refining and Marketing. The subsidiaries of Corporate segment provide maintenance, insurance and other services to the business segments. The internal transfer prices used are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

4 Intangible assets

	Rights	Software	Exploration costs	Goodwill	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January, 2008					
Gross book value	37,798	58,526	52,517	68,128	216,969
Accumulated amortization and impairment	(6,583)	(37,926)	(3,270)	-	(47,779)
Net book value	**31,215**	**20,600**	**49,247**	**68,128**	**169,190**
Year ended 31 December, 2008					
- additions	12,260	7,866	15,894	-	36,020
- acquisition of subsidiary	3,714	51	1	1,033	4,799
- amortization for the year	(4,810)	(5,323)	(62)	-	(10,195)
- impairment	-	(35)	(6,781)	-	(6,816)
- disposals	(1)	(66)	-	-	(67)
- exchange adjustment	2,063	562	(1,818)	2,599	3,406
- transfers	1,413	(1,211)	(5,137)	-	(4,935)
Closing net book value	45,854	22,444	51,344	71,760	191,402
At 31 December, 2008					
Gross book value	57,997	65,436	60,240	71,760	255,433
Accumulated amortization and impairment	(12,143)	(42,992)	(8,896)	-	(64,031)
Net book value	**45,854**	**22,444**	**51,344**	**71,760**	**191,402**
Year ended 31 December, 2009					
- additions	2,581	3,510	17,738	-	23,829
- acquisition of subsidiary	14,175	6,863	208,886	3,655	233,579
- amortization for the year	(7,641)	(5,582)	(76)	-	(13,299)
- impairment	(203)	(627)	(782)	(4,656)	(6,268)
- disposals	(33)	(45)	-	-	(78)
- exchange adjustment	231	45	(3,360)	1,583	(1,501)
- transfers and other movements	2,803	(1,637)	(1,277)	(2,216)	(2,327)
Closing net book value	57,767	24,971	272,473	70,126	425,337
At 31 December, 2009					
Gross book value	77,861	73,012	282,262	74,744	507,879
Accumulated amortization and impairment	(20,094)	(48,041)	(9,789)	(4,618)	(82,542)
Net book value	**57,767**	**24,971**	**272,473**	**70,126**	**425,337**

Transfers from exploration costs represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment (see Note 2.3 *xv.*). Impairment in 2009 related primarily to exploration activities qualified unsuccessful in Hungary.

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

			2009			**2008**
	Net book value before impairment HUF million	Impairment HUF million	**Net book value HUF million**	Net book value before impairment HUF million	Impairment HUF million	**Net book value HUF million**
Refining and Marketing	*70,502*	*4,618*	***65,884***	*71,190*	-	***71,190***
- Roth Group	6,455	-	**6,455**	6,311	-	**6,311**
- MOL Romania	4,198	-	**4,198**	4,341	-	**4,341**
- IES Group	44,128	4,618	**39,510**	43,124	-	**43,124**
- Tifon	14,705	-	**14,705**	14,213	-	**14,213**
- Energopetrol	-	-	**-**	2,216	-	**2,216**
- I&C Energo	1,016	-	**1,016**	985	-	**985**
Petrochemicals	*570*	-	***570***	*570*	-	***570***
- TVK	477	-	**477**	477	-	**477**
- TVK Polska	93	-	**93**	93	-	**93**
Exploration and Production	*3,672*		***3,672***	-	-	**-**
- DrillTrans	3,672		**3,672**	-	-	**-**
Total goodwill	**74,744**	**4,618**	**70,126**	**71,760**	**-**	**71,760**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable value of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and gross margins during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Gross margins are based on past practices and expectations of future changes in the market.

Roth Group

At 31 December 2009 goodwill of HUF 6,455 million was allocated to the wholesale activities of Roth Group operating mainly on the Austrian wholesale market, forming a separate cash generating unit within Refining and Marketing business segment. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the following years based on an estimated growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant Austrian markets. The rates used to discount the forecast cash flows reflecting risks specific to the Refining and Marketing segment vary between 7% and 9% in the years considered.

For the wholesale activities of Roth Group, there are reasonably possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount for the wholesale activity of Roth Group exceeds its carrying amount by HUF 476 million. The implications of the key assumptions on the recoverable amount are discussed below:

- Gross margins – Management has considered the possibility of lower than budgeted gross margins, which can occur in case the inability of Roth Group to pass higher direct costs to customers. An additional 4.5% decrease of gross margins would reduce Roth Group's value in use to its carrying value.
- Discount rate assumptions – Management assessed discount rates based on the current and expected risk-free interest rate and the risks specific to the current activities of the unit. An increase of approximately 1.1 percentage points in this rate would give a value in use equal to the carrying amount of Roth Group's wholesale activities.

MOL Romania

At 31 December 2009 goodwill of HUF 4,198 million was allocated to the Romanian retail network of the Group. For goodwill allocation purposes, the Romanian filling stations' network as a whole (being a group of cash generating unit) is considered. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the whole network and extrapolates cash flows for the average residual useful life of the filling stations assuming no growth rate in gross margin, reflecting a competitive position. The rates used to discount the forecast cash flows reflecting risks specific to retail activities vary between 12% and 14% in the years considered.

With regard to the assessment of value in use of the Romanian retail network, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

IES Group

At 31 December 2009 goodwill of HUF 39,510 million was allocated to the Italian refining and wholesale activities of the Group after recognising an impairment of HUF 4,618 million in 2009. For goodwill allocation purposes, the Mantova refinery and its wholesale activity (being a single cash generating unit) is considered. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the average residual useful life of the refining assets assuming no increase in the refinery capacity, however, considering the quality improvement of refined products in the sales margins reflecting the in-progress refinery upgrade project. Crack spreads and wholesale margins used in the forecast represent management's assumptions applicable for MOL Group and for the specific Italian wholesale market, respectively. Rates used to discount the forecast cash flows reflecting risks specific to refining and wholesale activities vary between 9% and 11% in the years considered.

The notes are an integral part of these consolidated financial statements.

Tifon

At 31 December 2009 goodwill of HUF 14,705 million was allocated to the retail network of Tifon. For goodwill allocation purposes, the Croatian filling stations' network as a whole (being a group of cash generating unit) is considered. Tifon prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the average residual useful life of the filling stations based on an estimated growth rate of 3%. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 10% and 12% in the years considered.

With regard to the assessment of value in use of the Croatian retail network, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Energopetrol

At 30 June 2009 goodwill of HUF 2,536 million was allocated to the retail network of Energopetrol. For goodwill allocation purposes, the network of 64 filling stations in Bosnia-Herzegovina as a whole (being a group of cash generating unit) is considered. Upon gaining full control over this joint venture in 2009 via the acquisition of INA, MOL's joint venture partner in Energopetrol, the net assets of the joint venture has been derecognized and the related goodwill has been subsumed into the accounting for the acquisition of INA Group. For the business combination accounted for as the second step of this acquisition see Note 7.

Exploration expenditures

In addition to the capitalized exploration expenditures shown above, a further HUF 5,790 million and HUF 11,105 million exploration expenses were incurred in 2009 and 2008, respectively. Consistent with the successful effort method of accounting they were charged to various operating cost captions of the consolidated income statement as incurred.

Intangible assets with indefinite useful life

In addition to goodwill, MOL Group has acquired the INA brand which has an indefinite useful life. The Group assessed the brand to have indefinite useful life since practically the entire population in Croatia knows it and is perceived as a market leader with an extensive network of filling station. The Group does not intend to terminate this brand in the foreseeable future. The carrying amount of the INA brand was HUF 12,776 million as of 31 December 2009. Since the value of the brand has been determined in the purchase price allocation process completed at the end of the year, no impairment should be recorded on this item.

5 Property, plant and equipment, net

	Land and buildings HUF million	Machinery and equipment HUF million	Other machinery and equipment HUF million	Construction in progress HUF million	Total HUF million
At 1 January, 2008					
Gross book value	1,027,053	1,101,684	76,247	105,783	2,310,767
Accumulated depreciation and impairment	(422,040)	(651,411)	(56,906)	(156)	(1,130,513)
Net book value	**605,013**	**450,273**	**19,341**	**105,627**	**1,180,254**
Year ended 31 December, 2008					
- additions and capitalizations	85,063	77,464	6,344	295,612	464,483
- depreciation for the year	(50,298)	(76,573)	(6,503)	-	(133,374)
- impairment	(3,912)	(921)	23	(833)	(5,643)
- reversal of impairment	3,990	94	-	36	4,120
- acquisition of subsidiary	822	417	42	2	1,283
- disposals	(1,171)	(184)	(36)	(15)	(1,406)
- exchange adjustment	22,961	28,682	156	2,993	54,792
- transfer and capitalizations	2,281	3,959	986	(154,536)	(147,310)
Closing net book value	664,749	483,211	20,353	248,886	1,417,199
At 31 December, 2008					
Gross book value	1,143,889	1,239,796	82,890	249,237	2,715,812
Accumulated depreciation and impairment	(479,140)	(756,585)	(62,537)	(351)	(1,298,613)
Net book value	**664,749**	**483,211**	**20,353**	**248,886**	**1,417,199**
Year ended 31 December, 2009					
- additions and capitalizations	229,298	128,640	5,273	274,391	637,602
- depreciation for the year	(98,148)	(86,245)	(8,359)	-	(192,752)
- impairment	(3,157)	(4,402)	(1,164)	(336)	(9,059)
- reversal of impairment	1,601	281	319	60	2,261
- acquisition of subsidiary	676,736	82,920	18,883	273,895	1,052,434
- disposals	(1,468)	(132)	(74)	(19)	(1,693)
- exchange adjustment	(3,411)	7,156	(167)	(3,251)	327
- transfer and capitalizations	(518)	4,136	(56)	(368,228)	(364,666)
Closing net book value	1,465,682	**615,565**	35,008	425,398	2,541,653
At 31 December, 2009					
Gross book value	2,046,791	1,459,843	104,666	425,584	4,036,884
Accumulated depreciation and impairment	(581,109)	(844,278)	(69,658)	(186)	(1,495,231)
Net book value	**1,465,682**	**615,565**	**35,008**	**425,398**	**2,541,653**

When capital projects are completed the carrying value is transferred out of construction in progress and treated as an addition in the respective asset category.

The notes are an integral part of these consolidated financial statements.

Changes in estimates

In 2009 based on the requirements of IAS 16 the Group has performed an annual revision of useful lives of property, plant and equipment and intangibles, resulting in an increase of HUF 431 million (2008: HUF 354 million) in the consolidated profits, net of deferred tax.

Impairment, net of reversal

Impairment expense of HUF 2,688 million and reversal of impairment losses of HUF 825 million were recorded with respect to the revision of field abandonment provision of maturing and suspended oil and gas producing fields in 2009 and 2008, respectively. Impairment expense of HUF 612 million and reversal of impairment losses of HUF 162 million were recorded with respect to filling stations and retail sites in 2009 and 2008, respectively. In 2009, HUF 1,444 million was recognised as impairment expense related to expired catalysts and closure of certain facilities at Danube refinery. In 2008, impairment expense of HUF 859 million was incurred in connection with the closure of certain facilities of the Tiszaújváros petrochemical plant and the Slovnaft refinery. Additional impairment expenses of HUF 464 million and of HUF 397 million were recorded for certain gas transmission assets of FGSZ Földgázszállító Zrt. in 2009 and 2008, respectively. Other individually non-material impairment losses of HUF 1,589 million and HUF 1,434 million have been recognized in 2009 and 2008, respectively, net of reversal of impairment.

Leased assets

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

	2009 HUF million	2008 HUF million
Cost	8,213	6,185
Accumulated depreciation	(2,394)	(1,504)
Net book value	**5,819**	**4,681**

Borrowing Costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of certain assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 5,305 million and HUF 11,132 million in 2009 and 2008, respectively. In 2009 and 2008 the applicable capitalisation rates (including the impact of foreign exchange differences) were 2.4% and 7.8%, respectively.

Pledged Assets

Assets with an aggregate net book value of HUF 95,151 million have been pledged at the Group of which HUF 12,026 million as collateral for loans utilized by TVK-Erőmű Kft. and Tisza WTP Kft. as of 31 December 2009, HUF 3,360 million at Slovnaft a.s., HUF 1,512 million at Rossi Biofuel Zrt. and HUF 78,253 million at IES S.p.A. and HUF 1,204 million at INA d.d. Value of pledged assets was HUF 103,439 million as of 31 December 2008.

6 Subsidiaries and jointly controlled entities

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2009	Ownership 2008
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	47%	c)
Subsidiaries in discontinued operations				
Prirodni plin d.o.o.	Croatia	Natural gas trading	47%	c)
Exploration and Production				
Adriagas S.r.l.	Italy	Pipeline project company	47%	c)
BHM OIL-Invest Ltd	Cyprus	Exploration investment management	100%	100%
Surgut Trading Ltd	Russia	Trade of crude oil	50%	50%
BMN Investment Ltd	Cyprus / India	Exploration and production activity	100%	e)
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	47%	c)
CorteCros d.o.o.	Croatia	Production of anticorrosion products	28%	c)
Crosco B.V.	Netherlands	Oilfield services	47%	c)
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	47%	c)
Crosco International d.o.o. (Slovenia)	Slovenia	Oilfield services	47%	c)
Crosco International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	47%	c)
Crosco International Ltd.	United Kingdom	Oilfield services	47%	c)
Crosco S.A. DE C.V	Mexico	Maintaining services	47%	c)
Drill-Trans Zrt.	Hungary	Road cargo transport	47%	c)
Mobilgas Zrt.	Hungary	Road cargo transport	47%	c)
Drill-Car Kft.	Hungary	Car selling	47%	c)
Geotechnika International LLC	United Arab Emirates	Oilfield services, drilling wells	23%	c)
Mideast Integrated Drilling & Well Services Company LLC	Oman	Integrated drilling and completion services	23%	c)
Rotary Zrt.	Hungary	Oilfield services	47%	c)
Rotary Pumping Services Kft.	Hungary	Oilfield services	47%	c)
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	47%	c)
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
GES Kft.	Hungary	Geophysical surveying and data processing	100%	100%
Geophysical Services Middle-East LLC	Oman	Geophysical surveying and data processing	70%	70%
Greentrade Ltd	Cyprus	Exploration investment management	100%	100%
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd	United Kingdom	Exploration and production activity	47%	c)
Kalegran Ltd	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
Lamorak Enterprises Ltd (former MOL Tunisia Oil and Gas Ltd.)	Cyprus / Tunisia	Exploration and production activity	100%	100%
MOL Caspian Oil and Gas Ltd	Cyprus / Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd (joint venture)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil Group Ltd (joint venture)	Kazakhstan	Exploration and production activity	28%	28%
MOL Central Asia Oil and Gas Co. B.V. (former MOL Syria Oil and Gas Co. B.V.)	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%
MOL CIS Oil and Gas Ltd.	Cyprus	Exploration investment management	100%	100%
ZMB Ltd (joint venture)	Russia	Exploration and production activity	50%	50%
MOL Pakistan Oil and Gas Co. B.V.	Netherlands / Pakistan	Exploration and production activity	100%	100%
MOL Yemen Oil and Gas (Cyprus) Ltd	Cyprus / Yemen	Exploration and production activity	100%	100%
Platounko Investments Ltd	Cyprus	Exploration financing	100%	e)
Pronodar Ltd	Cyprus / Cameroon	Exploration and production activity	100%	100%
Pyrogol Ltd	Cyprus	Exploration and production activity	100%	100%
RUSI Services Ltd	Cyprus	Exploration financing	100%	100%
SHM Seven Investments Ltd (former MOL Greece Oil and Gas Ltd)	Cyprus	Exploration investment management	100%	100%
MOL Western Siberia LLC (former NWOG-MOL Ltd)	Russia	Exploration and production activity	100%	100%
UBA Services Ltd	Cyprus / Russia	Exploration investment management	100%	100%
USI Ltd	Cyprus	Exploration investment management	100%	100%
BaiTex LLC	Russia	Exploration and production activity	100%	100%

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2009	Ownership 2008
Natural Gas & Energy				
CM European Power International B.V. (joint venture)	Netherlands	Power plant investment management	50%	50%
CM European Power International s.r.o. (joint venture)	Slovakia	Power plant investment management	50%	50%
CM European Power Slovakia s.r.o.	Slovakia	Operation of thermo-power plant	50%, d)	98%
CM European Power Hungary Kft. (former Dunai Gőzfejlesztő Kft.) (joint venture)	Hungary	Steam and hot water supply, electricity production	50%	100%
FGSZ Földgázszállító Zrt. (former MOL Földgázszállító Zrt.)	Hungary	Natural gas transmission	100%	100%
NETS Study Company	Hungary	Natural gas transmission project company	100%	b)
MMBF Földgáztároló Zrt.	Hungary	Strategic natural gas storage	72%	72%
MOL Energiakereskedő Zrt. (former MOL Energiakereskedő Kft.) (associated company from 31.12.2009)	Hungary	Natural gas trading	a)	100%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting energetical products	100%	100%
Refining and Marketing				
Crobenz d.d.	Croatia	Trading of oil products	47%	c)
Energopetrol d.d.	Bosnia-Herzegovina	Retail trade	49%	34%
FPC Ltd.	United Kingdom	Trading of oil products	47%	c)
Holdina (Cyprus) Ltd	Cyprus	Intermediate holding company	47%	c)
Holdina (Guernsey) Ltd	United Kingdom	Trading of oil products	47%	c)
Holdina (Ireland) Ltd	Ireland	Trading of oil products	47%	c)
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	47%	c)
IES SpA	Italy	Refinery and marketing of oil products	100%	100%
Enersol S.c.r.l. (under liquidation)	Italy	Marketing of oil products	81%	81%
Greengas S.r.l.	Italy	Hydrogen plant operation	49%, d)	49%, d)
Nelsa S.r.l.	Italy	Marketing of oil products	74%	74%
Panta Distribuzione S.r.l.	Italy	Marketing of oil products	100%	100%
Recon S.r.l. (merged into IES)	Italy	Marketing of oil products	-	100%
INA d.o.o.	Serbia	Trading of oil products	47%	c)
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	47%	c)
INA BL d.o.o.	Bosnia and Herzegovina	Trading of oil products	47%	c)
INA Crna Gora d.o.o	Montenegro	Trading of oil products	47%	c)
INA Hungary Kft.	Hungary	Trading of oil products	47%	c)
INA Kosovo d.o.o	Kosovo	Trading of oil products	47%	c)
INA-Osijek – Petrol d.d.	Croatia	Trading of oil products	36%	c)
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	47%	c)
Interina d.o.o. Skopje (in bankruptcy)	Macedonia	Trading of oil products	47%	c)
Inter Ina Ltd	United Kingdom	Trading of oil products	47%	c)
Inter Ina (Guernsey) Ltd	United Kingdom	Trading of oil products	47%	c)
Intermol d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
Maziva Zagreb d.o.o.	Croatia	Lubricants production and trading	47%	c)
MK Mineralkontor GmbH	Germany	Trade of oil products	100%	100%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
MOL Tankstellen GmbH	Austria	Retail trade	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Slovenija d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
Petrol d.d.	Croatia	Trading of oil products	39%	c)
Polybit d.o.o. (joint venture)	Croatia	Production and trading	24%	c)
Proplin, d.o.o.	Croatia	Production and LPG trading	47%	c)
Rossi Biofuel Zrt. (joint venture)	Hungary	Biofuel component production	25%	25%

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2009	Ownership 2008
Roth Heizöle GmbH	Austria	Trading of oil products	100%	75%
Alpenkohle Mineralölhandels GmbH	Austria	Trading of oil products	100%	75%
Egon von Lenz GmbH	Austria	Trading of oil products	100%	75%
Heizöl Blitz Stadler GmbH	Austria	Trading of oil products	100%	75%
Rumpold Energie & Brennstoffhandels GmbH	Austria	Trading of oil products	100%	75%
Slovnaft a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	98%	98%
Apollo Oil Rohstoffhandels GmbH	Austria	Trading of crude oil	66%	66%
Apollo Rafinéria s.r.o.	Slovakia	Wholesale and retail trade	98%	98%
Meroco a.s. (joint venture)	Slovakia	Production of bio-diesel component (FAME)	25%	25%
MOL Slovensko spol s.r.o.	Slovakia	Wholesale and retail trade	98%	98%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	98%	98%
Slovnaft Trans a.s.	Slovakia	Transportation services	98%	98%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	98%	98%
Slovnaft VÚRUP a.s.	Slovakia	Research & development	98%	98%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail	100%	100%
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
Petrochemicals				
Slovnaft Petrochemicals s.r.o.	Slovakia	Petrochemical production and trading	98%	98%
TVK Plc.	Hungary	Petrochemical production and trading	95%	95%
Tisza-WTP Kft.	Hungary	Feed water and raw water supply	0%, d)	0%, d)
TVK-Erőmű Kft.	Hungary	Power plant	25%, d)	25%, d)
TVK France S.a.r.l. (former TVK-MOL-Chem S.a.r.l.)	France	Wholesale and retail trade	95%	95%
TVK Inter-Chemol GmbH	Germany	Wholesale and retail trade	95%	95%
TVK Italia Srl.	Italy	Wholesale and retail trade	95%	95%
TVK Polska Sp.Zoo.	Poland	Wholesale and retail trade	95%	95%
TVK UK Ltd	England	Wholesale and retail trade	95%	95%
TVK Ukrajna tov.	Ukraine	Wholesale and retail trade	95%	95%
Corporate and other				
Balatongáz Kft. (under liquidation)	Hungary	Gas-utility development and management	77%	77%
EMS Management Services Ltd	Cyprus	Management services	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Hungary	Fire service, ambulance service	82%	82%
Hermész Kft.	Hungary	Consultancy	100%	100%
Hostin d.o.o.	Croatia	Tourism	47%	c)
I&C Energo a.s.	Czech Republic	Power plant engineering	99%	99%
ITR d.o.o.	Croatia	Car rental	47%	c)
Magnolia Finance Ltd	Jersey	Financial services	0%, d)	0%, d)
MOL Reinsurance Ltd	Cyprus	Captive insurance	100%	100%
MOL-RUSS Ooo.	Russia	Management services	100%	100%
Petrolszolg Kft.	Hungary	Maintenance services	100%	100%
Sinaco d.o.o.	Croatia	Security	47%	c)
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance	98%	98%
STSI integrirani tehnički servisi d.o.o.	Croatia	Maintenance services	47%	c)
TVK Ingatlankezelő Kft.	Hungary	Real estate management	95%	95%

a) Partially disposed of in 2009
b) Established in 2009
c) Consolidated in 2009
d) Consolidated as required by SIC-12 Consolidation - Special Purpose Entities
e) Dormant company in 2008

7 Business combinations

Acquisitions in 2009

INA Group

On 16 October 2008 MOL has increased its ownership in INA to 47.16% via a successful voluntary public offer, for a purchase price of HRK 2,800 per share (equal to HUF 227,262 million for the 22.16% shareholding offered). INA was consolidated using the equity method as of 31 December 2008. Until obtaining control (see below), INA Group contributed a loss of HUF 3,539 million to the profit for the Group in 2009, recorded as income from associates.

As a result of the successful voluntary public offer for INA shares MOL has become the largest shareholder of INA in October, 2008. The parties have agreed to amend the Shareholders' Agreement to reflect the new ownership structure of INA in the corporate governance of the company. After closing the transaction, MOL gained control over the operations of INA. The major changes of the Shareholders' Agreement were as follows:

- MOL delegates five out of the nine members in the Supervisory Board and has controlling influence over the Management Board.
- The Government retains certain veto rights ensuring the national security of energy supply and some decisions with respect to strategic assets of INA.

Upon obtaining the Croatian competition office approval, the shareholders' meeting has been called on 10 June 2009 to elect the new Supervisory Board of INA. The shareholder's meeting was deemed to be the date when control is passed to MOL, therefore the business combination has been accounted for as of that date (using 30 June 2009 as valuation date).

The purchase price allocation for the assets acquired liabilities assumed have not yet been fully completed. Provisional fair values of assets acquired and liabilities assumed as of 30 June 2009 were as follows:

	Provisional fair values HUF million
Intangible assets	229,739
Property, plant and equipment	1,046,930
Investments	2,227
Available-for-sale investments	11,403
Deferred tax assets	17,882
Other non-current assets	36,184
Inventories	111,357
Trade receivables	122,884
Other current assets	32,258
Prepaid taxes	3,108
Cash and cash equivalents	16,592
Assets classified as held for sale	23,397
Long-term debt, net of current portion	(202,532)
Provisions and contingent liabilities	(133,860)
Deferred tax liabilities	(95,671)
Other non-current liabilities	(4,868)
Trade and other payables	(249,583)
Current tax payable	(488)
Short-term debt	(89,646)
Current portion of long-term debt	(4,361)
Liabilities classified as held for sale	(15,275)
Provisional fair value of net assets of INA Group	**857,677**
Fair value of net assets of Energopetrol acquired with INA	221
Non-controlling interest in INA (52.8%)	453,240
Non-controlling interest in Energopetrol (51.0%)	112
Excess of provisional fair value of net assets over consideration recorded as other income (see Note 25)	47,671
Total consideration	**356,875**

The Group has elected to measure the non-controlling interest in INA Group on its proportionate share of the fair value of net assets acquired.

Intangible assets acquired include the INA brand, valued on the basis of relief from royalty method, and also the proved undeveloped and probable reserves of INA Group's onshore and off-shore oil and gas activities. Proved developed reserves are recorded as property, plant and equipment. Fair value of these reserves have been determined based on market forecasts and expectations, actual operating costs and a discount rate calculated using industry-specific peer groups. Long-term crude oil price have been forecasted at 75 USD / barrel, adjusted by inflation, while discount rate has been set to 10.4%, adjusted by country-specific risks.

Inventories have been valued on prevailing market prices. The Group has also recorded a HUF 27,557 million contingent liability on certain environmental obligations at the Croatian refineries, depots and retail sites with high and medium risk profiles, where the extent of the pollution and the nature of remediation work cannot be estimated with sufficient reliability. The Group has assessed these liabilities on the basis of its similar operations at other locations.

Via acquiring INA, the Group has also acquired full control over Energopetrol, its former joint venture with INA (owning 33.5% of its shares directly and another 33.5% via INA Group). Upon fully consolidating Energopetrol, the Group has identified a contingent liability of HUF 3,946 million relating to certain present obligations from employee claims.

From the date of acquisition, INA Group has contributed HUF 437,189 million of net sales revenue and HUF 22,000 million loss for the net income of the Group. If the combination had taken place at the beginning of the year, the revenue from continuing operations would have been HUF 804,809 million, while the contribution to the profit for the Group would have been the same, since INA Group has been consolidated using the equity method from the beginning of the year.

Since the public offer for INA's shares in 2008 and the amendment of the Shareholders' Agreement in 2009 have been a single acquisition step, the Group has accounted for the purchase consideration as follows:

	HUF million
Fair value of previously held interest in INA (25%, consolidated using the equity method prior to June 30, 2009)	133,334
Cash consideration paid for 22.16% of the shares of INA in the public offering in October, 2008, adjusted with profit contributed by INA since that date	218,443
Fair value of previously held interest in Energopetrol	5,098
Total consideration	**356,875**

To determine the fair value of MOL's previously held 25% interest in INA Group as of 30 June 2009, prevailing quoted market prices of INA shares were used. Re-measurement and recycling of exchange and fair valuation differences previously recorded in other comprehensive income resulted in a gain of HUF 22,462 million, recorded as other income. In addition, HUF 463 million was recorded as other income representing fair value difference of previously held interest in Energopetrol and recycling of exchange differences previously recorded in other comprehensive income.

Drill Trans Group

Crosco d.o.o., a subsidiary of INA acquired 100% share of Drill Trans Group as at 25 August 2009.

Determination of the fair value of assets and liabilities have not yet been fully completed in 2009. The provisional fair values of assets acquired and liabilities assumed of Drill Trans Group as of 31 August 2009 were as follows:

	Provisional Fair values HUF million
Intangible assets	185
Property, plant and equipment	1,108
Inventories	111
Trade receivables	2,031
Other current assets	517
Cash and cash equivalents	148
Long-term debt	(369)
Trade and other payables	(2,437)
Short-term debt	(1,145)
Provisional fair value of net assets of Drill Trans Group	**149**
Provisional goodwill arising on acquisition	3,655
Total consideration	**3,804**

Acquisitions in 2008

I&C Energo a.s.

MOL and CEZ have entered into a share purchase agreement with respect to I&C Energo a.s. The Company is the leading engineering and supplier organisation providing services in particular in the field of instrumentation and control systems, information systems for industry and electric systems including provision of system integration and engineering support in the Czech Republic. The Company is also engaged in design of electric power producing buildings, design for low- and high-voltage electricity grids, consulting in power production and quality control areas, implementing power consumption audits, etc.

Determination of the fair value of assets and liabilities has been fully completed in 2009 which did not result in any material changes. The carrying and fair values of the assets and liabilities of I&C Energo as of 30 June 2008 were as follows:

	Fair values HUF million	Carrying values HUF million
Intangible assets	3,766	51
Property, plant and equipment	880	880
Available-for-sale investments	49	49
Inventories	288	288
Trade receivables	3,770	3,770
Other current assets	3,390	3,390
Cash and cash equivalents	882	882
Long-term debt, net of current portion	(49)	(49)
Provisions	(54)	(54)
Deferred tax liabilities	(731)	(26)
Other non-current liabilities	(31)	(31)
Trade and other payables	(5,525)	(5,525)
Fair value of net assets	**6,635**	
Goodwill arising on acquisition	1,033	
Total consideration	**7,668**	

Fair values exceeding carrying amounts of intangible assets represent the estimated value of internally developed software, order backlog and customer relationship acquired. Goodwill acquired on the business combination represents the excellent technological knowledge base in the field of power generation and transmission which will enable the Group to accelerate building up power business and provide with internal engineering know how capabilities.

Consideration relating to the acquisition consisted of the following:

	HUF million
Cash consideration (including transaction costs)	7,668
Total consideration	**7,668**

The net cash outflow in respect of the acquisition consisted of the following:

	HUF million
Net cash acquired with the project	882
Cash paid	(7,668)
Net cash outflow	**(6,786)**

If the combination had taken place at the beginning of the year, the impact of the acquisition on the net income and revenues of the Group in 2008 would have been HUF 763 million and HUF 9,285 million, respectively.

The notes are an integral part of these consolidated financial statements.

8 Disposals

Gas business sales

The sale of 100% stake in MOL Földgázellátó Zrt. (wholesale, marketing and trading, "WMT") and MOL Földgáztároló Zrt. ("Storage") to E.ON Ruhrgas International AG (ERI) was closed on 31 March 2006. In case of WMT the final purchase price was further subject to the risk allocation mechanism set up in the share purchase agreement in 2006. Based on this mechanism, in case WMT has operating losses during the period from 30 June 2006 to 31 December 2009 (calculated for semi-annual periods) MOL is required to reimburse a portion of the loss to E.ON, while in case of operating profit MOL is entitled to a portion thereof. The amount of subsequent settlements was capped at HUF 25 billion for the whole period. This aggregate amount has been accrued at the time the results of the gas business sale have been recorded in 2006. Since the parties agreed to terminate the risk-sharing mechanism in the second quarter of 2009, the accrual has been released and a HUF 3,156 million receivable has been recognized (and subsequently paid by E.ON) as a final settlement.

In 2009 and 2008 HUF 28,156 million and HUF 6,400 million subsequent purchase price adjustments paid by ERI were recognized as other income (see Note 25).

MOL Energiakereskedő Zrt.

MOL Energiakereskedő Kft. (MET), the natural gas trading subsidiary of the Group was transformed to a company limited by shares as of October 31, 2009. Subsequently, MOL agreed to sell 50% of its share in the entity to Normeston Trading Ltd as of December 18, 2009. Since MOL has not retained control over the operations of MET, its remaining shareholding in the company has been recorded as an investment in associate at a fair value of HUF 14 million, determined on the basis of estimated risk-adjusted future net cash flows.

Carrying amount of disposed assets and liabilities of MOL Energiakereskedő Zrt. as of 31 December 2009 and analysis of net cash outflow on sales of the subsidiary is the following:

	HUF million
Intangible assets	46
Investments	19
Inventories	2,177
Trade receivables	18,231
Other current assets	633
Cash and cash equivalents	5,149
Total assets	**26,255**
Other non current liabilities	(28)
Trade and other payables	(23,697)
Total liabilities	**(23,725)**
Net assets sold	**2,530**
Sale price	25
Fair value of non-controlling interest retained	14
Loss on disposal	**(2,491)**

The analysis of net cash outflow on sale of MOL Energiakereskedő Zrt.:

Net cash disposed of during the sale	(5,149)
Cash consideration	25
Net cash outflow	**(5,124)**

9 Joint ventures

Joint ventures in 2008

CEGE Central European Geothermal Energy Production Ltd.

MOL signed on July 30, 2008 the Articles of Association with Enex ehf. (Iceland) and Green Rock Energy International Pty. Ltd. (Australia) for the establishment of CEGE Central European Geothermal Energy Production Private Company Limited by Shares. The aim of the new company is exploration, production and sales of geothermal energy, the construction of geothermal power plants and technologies for directly supplying thermal heat. The three founders had an equal one third share in the HUF 6 million share capital of CEGE. In January, 2009 MOL and Green Rock Energy increased their interest to 50% by acquiring the shares owned by Enex.

CM European Power International B.V.

MOL and CEZ have finished the incorporation of their joint venture in line with their agreement signed on 20 December 2007. CM European Power International B.V. was the first entity of MOL-CEZ Joint Operation, established in 2008, in which each party has 50% equity interest, equal voting rights and similar split of operational decision making. The Slovakia and Hungary-based subsidiaries owned directly by this joint venture operate the boiler park at the Danube Refinery and the thermo-power plant at the Bratislava refinery. Planned construction of CCGTs (combined cycle gas turbine power plant) at the refineries of the MOL Group in Bratislava (Slovakia) and Százhalombatta (Hungary) is in preparatory phase.

The Group's share of the assets, liabilities, revenue and expenses of the joint ventures

The Group's share of the assets, liabilities, revenue and expenses of ZMB and all the other joint ventures (see Note 6), which are included in the consolidated financial statements, are as follows at 31 December 2009 and 2008 and for the years then ended:

	2009			2008		
	ZMB HUF million	Other HUF million	Total HUF million	ZMB HUF million	Other HUF million	Total HUF million
Current assets	3,694	3,155	6,849	18,934	3,354	22,288
Non-current assets	17,212	7,449	24,661	17,313	6,911	24,224
	20,906	10,604	31,510	36,247	10,265	46,512
Current liabilities	2,824	3,194	6,018	2,682	5,154	7,836
Non-current liabilities	1,098	2,311	3,409	1,099	1,521	2,620
	3,922	5,505	9,427	3,781	6,675	10,456
Net assets	**16,984**	**5,099**	**22,083**	**32,466**	**3,590**	**36,056**
Net sales	42,598	13,638	56,236	74,710	13,438	88,148
Cost of sales	(9,214)	(12,248)	(21,462)	(12,286)	(13,103)	(25,389)
Other expenses	(28,488)	(961)	(29,449)	(51,716)	(251)	(51,967)
Financial (expense) / income, net	8	(105)	(97)	1,083	(119)	964
Profit before income tax	4,904	324	5,228	11,791	(35)	11,756
Income tax expense	(2,060)	(89)	(2,149)	(3,553)	(19)	(3,572)
Net profit / (loss)	**2,844**	**235**	**3,079**	**8,238**	**(54)**	**8,184**

10 Investments in associated companies

Company name	Country	Range of activity	Ownership 2009	Ownership 2008	Net book value of investment 2009 HUF million	Net book value of investment 2008 HUF million
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	-	54,737	-
INA Group	Croatia	Integrated oil and gas company	a)	47%	a)	334,035
Mazzola & Bignardi S.r.l.	Italy	Hydrogen production	50%	50%	1,583	1,473
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40%	40%	1,182	915
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	815	1,025
Batec S.r.l.	Italy	Bitumen production	50%	50%	679	651
Other associated companies					834	885
Total					**59,830**	**338,984**

a) Fully consolidated from June 30, 2009

Pearl Petroleum Company Limited

On 15 May 2009 MOL signed an agreement to acquire 10% stake in Pearl Petroleum Company Limited (Pearl) from Crescent Petroleum and Dana Gas PJSC. Pearl holds all of the companies' legal rights in Khor Mor and Chemchemal gas-condensate fields in the Kurdistan Region of Iraq. In exchange for a 10% ownership package of Pearl MOL paid 6,322,232 "A" series MOL shares, representing 6% of its current registered capital and as a result Crescent Petroleum and Dana Gas each became 3% shareholders in MOL. Since the agreement between the shareholders grant MOL a significant influence on Pearl's operations, the company is treated as an associated company and is consolidated accordingly.

The provisional fair values of MOL's share in the assets and liabilities of Pearl as of 15 May 2009 were as follows:

	Provisional fair values HUF million
Intangible assets	59,883
Property, plant and equipment	12,931
Inventories	284
Trade receivables	789
Other current assets	55
Cash and cash equivalents	138
Trade and other payables	(1,504)
Shareholders' loan	(12,184)
Provisional fair value of net assets	**60,392**
Consideration transferred for equity	60,392
Shareholders' loan acquired from sellers	12,184

Consideration transferred (shares at fair value)	**72,576**

MOL used 6,322,232 “A” series MOL shares from its treasury stock in exchange for the acquisition, the fair value of which has been determined on the basis of quoted share prices observed at that time.

The Group’s interest (10%) as of 31 December 2009 in Pearl was as follows:

	2009 HUF million
Share of the associate’s balance sheet:	
Non-current assets	66,183
Current assets	2,941
Non-current liabilities	(12,941)
Current liabilities	(1,446)
Net assets	**54,737**
Share of the associate’s income statement:	
Operating Profit	1,249
Net income attributable to equity-holders	1,249
Carrying amount of the investment	**54,737**

The financial data representing the Group’s interest in Pearl above has been prepared in accordance with IFRS, using accounting policies which conform to those used by the Group for like transactions and events in similar circumstances.

INA Group

INA Group has been fully consolidated in 2009 upon gaining control over its operations as of 10 June 2009 (see Note 7). INA Group's first half year contribution to the profit for the Group was a loss of HUF 3,539 million and recorded as income from associates.

The Group's interest (47.16%) as of 31 December 2008 in INA Group was as follows:

	2008 HUF million
Share of the associate's balance sheet:	
Non-current assets	458,260
Current assets	122,783
Non-current liabilities	(104,742)
Current liabilities	(142,266)
Net assets	**334,035**
Share of the associate's income statement:	
Total operating revenue	281,674
Net income attributable to equity-holders	(25,459)
Carrying amount of the investment	**334,035**

The financial data representing the Group's interest in INA Group above has been prepared in accordance with IFRS, using accounting policies which conform to those used by the Group for like transactions and events in similar circumstances.

Based on the 31 December 2008 share price quotations, the fair value of the Group's 47.16% investment in the company was HUF 194,620 million.

11 Available-for-sale investments

	Net book value of investment 2009 HUF million	Net book value of investment 2008 HUF million
Quoted - Jadranski Naftovod d.d.	12,473	-
Other ordinary shares – unquoted	6,141	842
Total	**18,614**	**842**

MOL Group's investment in Jadranski Naftovod d.d. (JANAF), operator of Adria pipeline represents 12% of JANAF's outstanding shares. The value of the equity share in JANAF was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2009. Investments in other unquoted equity instruments of certain non-core entities are carried at cost less accumulated impairment losses, since determination of fair value is not practicable at this stage. The significant increase in the net book value of unquoted instruments is due to the investments acquired with INA Group.

12 Other non-current assets

	2009 HUF million	2008 HUF million
Loans given	20,707	2,781
Prepaid mining royalty	10,707	13,247
Advance payments for assets under construction	9,249	3,660
Net receivable from currency risk hedging derivatives (see Note 33 and 34)	4,139	1,973
Long-term receivables from operating agreements	1,398	1,086
Advance payments for intangible assets	914	-
Debt securities	210	-
Zero-coupon treasury notes held to maturity	185	502
Prepaid fees of long-term rental agreements	3	-
Total	**47,512**	**23,249**

Loans given primarily contains the HUF 12,941 million shareholder loan acquired with respect to Pearl Petroleum Company (see Note 10), the purpose of which is to finance the field exploration and development activities of the associate. The loan has a market-based interest rate of LIBOR + 2%. Mining royalty of HUF 20,000 million in 2005 was prepaid for fixing the level of mining royalty payable in the future and for the extension of exploration rights at certain Hungarian upstream concessions. The prepayment is amortized to the income statement beginning from January 2006 based on the expected production level of the fields until 2020. Amortization in 2009 and 2008 was HUF 2,540 million and HUF 2,207 million, respectively, and is expected to maintain a similar pattern in the forthcoming years.

The notes are an integral part of these consolidated financial statements.

13 Inventories

	2009 At cost HUF million	2009 Lower of cost or net realisable value HUF million	2008 At cost HUF million	2008 Lower of cost or net realisable value HUF million
Work in progress and finished goods	198,791	194,688	152,715	138,194
Other raw materials	67,689	57,620	35,559	34,749
Purchased crude oil	52,917	51,565	41,959	30,674
Other goods for resale	23,972	23,781	18,758	18,538
Purchased natural gas	250	356	626	626
Total	**343,619**	**328,010**	**249,617**	**222,781**

In 2009, HUF 6,615 million reversal of imparment, in 2008, an impairment loss of HUF 30,005 million was recorded.

It is required by law to maintain a certain level of obligatory stocks of crude oil and oil products by IES, the Italian subsidiary. The value of these stocks represents an amount of HUF 28,223 million and HUF 20,049 million at 31 December 2009 and 2008.

Due to the national legislation, Slovnaft Polska, a Polish subsidiary is required to maintain a certain level of obligatory stocks of crude oil and oil products. This level is determined from the volumes imported during the preceding calendar year and was an equivalent of HUF 16,803 million and HUF 16,431 million at 31 December 2009 and 2008, respectively.

INA d.d., the Croatian subsidiary of MOL is obliged by the national government to maintain a defined level of compulsory stocks of crude oil and oil products. The value of these stocks represents an amount of HUF 5,685 million at 31 December 2009.

14 Trade receivables, net

	2009 HUF million	2008 HUF million
Trade receivables	439,447	347,900
Provision for doubtful receivables	(28,779)	(20,416)
Total	**410,668**	**327,484**

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

Movements in the provision for doubtful receivables were as follows:

	2009 HUF million	2008 HUF million
At 1 January	20,416	15,598
Additions	14,436	6,507
Reversal	(3,644)	(1,046)
Amounts written off	(1,264)	(344)
Currency differences	(1,165)	(299)
At 31 December	**28,779**	**20,416**

As at 31 December 2009 and 2008 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2009 HUF million	2008 HUF million
Neither past due nor impaired	335,159	289,105
Past due but not impaired	75,509	38,379
Within 90 days	45,282	24,427
91 - 180 days	11,169	2,285
Over 180 days	19,058	11,667
Total	**410,668**	**327,484**

15 Other current assets

	2009 HUF million	2008 HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	65,780	41,387
Security deposits	9,786	1,977
Prepaid expenses and accrued income	9,354	8,449
Advances paid	6,469	6,154
Receivables from joint venture partners	4,522	3,841
Fair value of the option on MOL shares transferred to CEZ (see Note 17 and Note 34)	3,989	-
Loans receivable	1,921	365
Receivables from currency risk hedging derivatives (see Note 34)	1,097	-
Interest receivable	1,088	185
Fair value of share swap (see Note 17 and Note 34)	496	-
Net receivables from commodity price transactions (see Note 34)	146	-
Receivables from foreign exchange forward transactions (see Note 33 and Note 34)	65	118
Purchase price adjustment of WMT (see Note 8)	-	6,400
Reimbursement of penalty (see Note 25)	-	4,629
Receivables from foreign exchange forward transactions designated as cash-flow hedge (see Note 33 and Note 34)	-	545
Receivables from currency exchange options (see Note 33 and Note 34)	-	328
Other	11,922	7,000
Total	**116,635**	**81,378**

Analysis of loans receivable

	2009 HUF million	2008 HUF million
Loans receivable	4,963	708
Provision for doubtful receivables	(3,042)	(343)
Total	**1,921**	**365**

Movements in the provision for doubtful loans receivable were as follows:

	2009 HUF million	2008 HUF million
At 1 January	343	3,660
Additions	-	-
Reversal	(20)	(241)
Amounts written off	-	-
Reclassification between short-term and long-term	2,712	(3,076)
Acquisition / (sale) of subsidiaries	7	-
Currency differences	-	-
At 31 December	**3,042**	**343**

16 Cash and cash equivalents

	2009 HUF millions	2008 HUF million
Cash at bank – HUF	37,054	22,524
Cash at bank – EUR	33,548	25,000
Cash at bank – USD	8,724	3,641
Cash at bank – CZK	1,731	2,912
Cash at bank – PLN	1,951	635
Cash at bank - HRK	1,649	312
Cash at bank – RUB	592	6,187
Cash at bank – SKK	-	5,303
Cash at bank – other currencies	5,479	2,168
Short-term bank deposits – EUR	71,865	109,976
Short-term bank deposits – CZK	6,098	3,052
Short-term bank deposits – PLN	5,279	178
Short-term bank deposits – USD	2,345	30,535
Short-term bank deposits - RUB	1,860	-
Short-term bank deposits – SKK	-	7,002
Short-term bank deposits – HUF	255	259
Cash on hand – HUF	947	1,089
Cash on hand – other currencies	3,325	1,079
Cash equivalents	1,892	222
Total	**184,594**	**222,074**

In case of cash at bank (current accounts) and short term bank deposits in different currencies the usual ranges of interest rates were the following:

	2009	2008
Current accounts		
EUR	0.54%	1.1% - 4.3%
USD	0.05%	0.0% - 6.7%
HUF	5.12% - 10.58%	6.8% - 11.4%
SKK	-	1.2% - 4.9%
Short-term bank deposits		
EUR	0.01% - 6.7%	1.2% - 6.5%
USD	0.01% - 3.0%	0.01% - 8.1%
HUF	5.75% - 11.15%	7.1% - 11.8%
SKK	-	1.2% - 4.8%

17 Share capital

As of 31 December 2009, the issued share capital was HUF 104,519 million, consisting of 104,518,484 series “A”, one series “B” and 578 series “C” shares. As of 31 December 2008, the issued share capital is HUF 104,519 million, consisting of 104,518,484 series “A”, one series “B” and 578 series “C” shares. Outstanding share capital as of 31 December 2009 and 2008 is HUF 79,202 million and HUF 72,812 million, respectively.

Ordinary shares of the series “A” have a par value of HUF 1,000 and ordinary shares of the series “C” have a par value of HUF 1,001. Every “A” class share with a par value of HUF 1,000 each (i.e. one thousand forint) entitles the holder thereof to have one vote and every “C” class share with a par value of 1,001 each (i.e. one thousand one forint) entitles the holder to have one and one thousandth vote, with the following exceptions. Based on the Articles of Association, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of the Hungarian State, the Hungarian State Holding Company (MNV Zrt., formerly ÁPV Zrt.), 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.

Series “B” share is a voting preference share with a par value of HUF 1,000 that entitles the holder thereof to preferential rights as specified in the present Articles of Association. The "B" series share is owned by MNV Zrt., exercising ownership rights on behalf of the Hungarian State. The “B” series share entitles its holder to one vote in accordance with its nominal value. The supporting vote of the holder of “B” series of share is required to adopt decisions in the following matters pursuant to Article 12.4. of the Articles of Association: decision on amending the articles regarding the data of B series share, the definition of voting rights and shareholder group, list of issues requiring supermajority at the general meeting as well as Article 12.4. itself.

Based on the authorization granted in the Articles of Association the Board of Directors is entitled to increase the share capital until April 23, 2014 in one or more instalments by not more than HUF 30,000,000,000 (i.e. Thirty billion forints) in any form and method provided by the Company Act.

Share capital changes

Based on the authorization granted in the Articles of Association the Board of Directors was entitled to conditionally increase the share capital until 1 September 2008 by not more than 2% of the share capital, i.e. HUF 2,164,548,000 through the private issuance of convertible bonds convertible into series (or to the supplement of these series) of registered ordinary “A” shares for the purpose of the implementation of the Company's long term incentive scheme. On the basis of the aforementioned authorizations until 31 December 2008 shares with a par value of HUF 1,775,442,000 were issued. As per the decision of the Annual General Meeting held on 23 April 2008, 5,483,775 shares from the treasury stock have been cancelled on 16 October 2008.

Treasury share transactions

Capital structure optimization program

Understanding shareholders’ expectation for a solution for capital structure optimization, based on the authorisation of the Annual General Meeting held on 26th April 2007, the Group decided to restart a share buy back program in June 2007. As part of this program, MOL signed an agreement to lend 19,690,362 shares held in treasury to OTP Bank Plc. and to a subsidiary of the state-owned Hungarian Development Bank Zrt. (MFB Invest Zrt.). The Company mandated ING Bank Ltd. and OTP Bank Plc., as investment service providers to purchase "A" series treasury shares on the stock exchange.

On the next AGM in April 2008 the Board of Directors received authorization for cancelling treasury shares in a 5% capital decrease and launching further share buybacks, depending on investment possibilities. Furthermore, the Board of Directors intends to maintain the flexibility to use treasury shares as an acquisition currency.

Within the framework of the capital structure optimization program, 1,142,677 shares were repurchased from the market in 2008 and 11,729,729 formerly lent shares were transferred back to MOL being the source of the 7,677,285 shares sold to CEZ (see below) and the 5,483,775 share cancellation; the capital decrease has been registered on 16 October 2008.

Both the remaining repurchased shares and the shares lent to third parties are continuing to be recorded as treasury shares for accounting purposes as required by IAS 32 – Financial Instruments – Presentation.

Option agreements with BNP Paribas and ING Bank

On 14 March 2008 MOL, BNP Paribas SA (“BNP”) and ING Bank N.V. (”ING”) signed an agreement whereby MOL has appointed ING to exercise its call option on 1,404,217 “A” series MOL ordinary shares held by BNP, pursuant to which ING purchased these shares from BNP. Following completion of the transaction, MOL received an American call option on 1,404,217 “A” series MOL shares from ING, and ING received a European put option on the same number of MOL shares from MOL. The maturity for both options is 1 year and the exercise price is USD 107.91 per share.

On 19 March 2009 the European put option was cash-settled, with conditions specified in the agreement. In parallel MOL and ING signed a share purchase and share option agreement on 5,220,000 “A” series MOL shares. As a result of the transaction MOL received an American call option and ING received a European put option on the same number of MOL shares from MOL. The maturity for both options is 1 year and the exercise price is EUR 30.98 per share.

On 17 July, 2009 MOL exercised its American call option on 7,552,874 “A” series MOL shares held by BNP Paribas at a strike price of USD 33.42 per share.

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

Strategic Alliance with CEZ

On 20 December 2007 CEZ and MOL signed an agreement to create a joint venture (see Note 9). To strengthen the strategic alliance, CEZ purchased 7,677,285 pieces of “A” series MOL shares (7% stake) at HUF 30,000 which was financially closed and settled on 23 January 2008. MOL also purchased an American call option for the shares with a strike price of HUF 20,000 per share which can be exercised within 3 years. The transaction became unconditional upon approval by the relevant competition offices on 18 June 2008. The call option has been recorded as a derivative financial asset, initially measured at its fair value at that time (HUF 39,340 million), determined by applying the binomial valuation model. Spot market price (HUF 21,290 per share), implied volatility (31.88%) and an expected dividend yield of 3.6% have been used as input to the model. As a consequence of the recent crisis on financial markets and the sharp decline in the stock exchanges worldwide, the fair value of the option has decreased to nil as of 31 December 2008, with a corresponding financial loss recognized in the income statement. During 2009, the recovery of stock exchanges increased the fair value of the derivative. In addition, the terms of the call option has been renegotiated by the parties, extending it to 2014. The fair value of the option as of 31 December 2009 was HUF 3,989 million (see Note 15), determined by applying the binomial valuation model. Spot market price (HUF 17,247 per share), implied volatility (51.4%) and an expected dividend yield of 1.9% have been used as input to the model.

Share swap agreement with OTP

After the lending of 5,010,501 pieces of MOL shares to OTP has been terminated on 16 April 2009, MOL and OTP entered into a share – exchange and a share swap agreement. Under the agreements MOL transferred 5,010,501 “A” series MOL ordinary shares to OTP in return for 24,000,000 pieces OTP ordinary shares. The expiration of the share-swap agreements is on 11 July 2012 until that time each party can initiate a cash or physical settlement of the deal. Fair value of the share swap agreement amounted HUF 496 million as at 31 December 2009 which has been recorded as derivative financial asset (see Note 15 and 34).

Issuance of exchangeable capital securities

On 13 March 2006, MOL signed a share purchase agreement to sell 6,007,479 Series “A” Ordinary Shares of MOL held in treasury to Magnolia Finance Limited (“Magnolia”), incorporated in Jersey, which thereby acquired 5.58% influence in MOL.

Magnolia issued EUR 610 million of perpetual exchangeable capital securities (the “Capital Securities”), exchangeable into the Series “A” Ordinary Shares of MOL between March 20, 2011 and March 12, 2016 (“Exchange Period”), to international

financial investors outside the United States, Canada, Jersey, Japan, Hungary and Poland. Capital Securities were sold at nominal value and with a fixed coupon payment of 4.00% per annum for the first ten years, based on an exchange rate of HUF 26,670 per share.

MOL, concurrently with the sale of ordinary shares, entered into a swap agreement with Magnolia that gave MOL a call option to buy back all or some of the Series “A” Ordinary Shares of MOL, in certain limited circumstances at a volume - weighted average price during a certain period before exercising the option right, and in case the Capital Securities holders did not or partially exercised their conversion right, upon expiration of the Exchange Period and quarterly afterwards for the Series “A” ordinary shares which have not been exchanged yet. In case Magnolia redeems the Capital Securities after 2016 and the market price of ordinary MOL shares is below EUR 101.54 per share, MOL will pay the difference.

MOL does not have any direct or indirect equity interest in or control rights over Magnolia, but consolidates Magnolia for IFRS purposes in line with the requirements of SIC 12 – Consolidation: Special Purpose Entities.

The issuance of Capital Securities by Magnolia resulted in an increase of equity attributable to non-controlling interest of HUF 121,164 million, net of transaction costs. Holders of the capital securities of Magnolia received a total coupon payment of HUF 6,874 million and HUF 6,143 million in 2009 and 2008, respectively. The dividend for MOL shares held by Magnolia was also settled, the amount of which was HUF 5,306 million in 2008. Both of these have been recorded directly against equity attributable to non-controlling interest.

The conversion option of the holders of Capital Securities has been recorded as Other non-current liability (see Note 21), the fair valuation of which is recognized in income statement. The fair value of the conversion option is determined on the basis of the fair value of the Capital Securities, using investment valuation methods (market values), and depends principally on the following factors:

- Quoted MOL share prices denominated in HUF
- HUF/EUR exchange rate
- Implied volatility of MOL share prices (calculated on EUR basis)
- Investor’s dividend expectations on MOL shares
- EUR-based interest rate
- Subordinated credit spread

The fair value of this derivative financial liability upon inception has been HUF 37,453 million. Since the market of the Capital Securities was deemed to be inactive between October 2008 and September 2009, and also the market price of the Capital Securities and the underlying MOL shares has decreased significantly, the fair value of the conversion option was nil as of 31 December 2008. During 2009 the valuation has been performed with reference to prices observed on the convertible market. The fair value of the conversion option as of 31 December 2009 was HUF 19,698 million (see Note 21 and Note 34).

The fair valuation impact of the option was HUF 19,698 million loss and HUF 64,550 million gain in 2009 and 2008, respectively, recorded as financial income and expense in the accompanying consolidated income statement.

Changes in the number of ordinary, treasury and authorized shares

Series "A" and "B" shares	Number of shares issued	Number of treasury shares	Shares under repurchase obligation	Number of shares outstanding	Authorised number of shares
31 December 2007	109,674,924	(9,070,019)	(34,654,932)	65,949,973	126,655,013
Treasury shares sold to CEZ	-	7,677,285	-	7,677,285	-
Treasury shares call back from MFB Invest Zrt.	-	(9,959,729)	9,959,729	-	-
Treasury shares call back from OTP Bank Plc.	-	(1,770,000)	1,770,000	-	-
Treasury shares cancellation	(5,483,775)	5,483,775	-	-	-
Conversion of convertible bonds to "A" series shares	327,336	-	-	327,336	-
Share purchase from stock exchange	-	(1,142,677)	-	(1,142,677)	-
31 December 2008	104,518,485	(8,781,365)	(22,925,203)	72,811,917	120,811,879
Settlement of the option agreement with ING Bank N.V.	-	(1,404,217)	1,404,217	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
Lending of shares to MFB Invest Zrt.	-	4,965,582	(4,965,582)	-	-
Treasury shares call back from OTP Bank Plc.	-	(5,010,501)	5,010,501	-	-
Share-exchange and share swap agreement with OTP Bank Plc.	-	5,010,501	(5,010,501)	-	-
Treasury shares call back from OTP Bank Plc.	-	(1,605,560)	1,605,560	-	-
Treasury shares call back from MFB Invest Zrt.	-	(4,665,582)	4,665,582	-	-
Treasury shares transferred as consideration for 10% ownership in Pearl	-	6,271,142	-	6,271,142	-
Exercise of call options on MOL shares held by BNP Paribas	-	(7,552,874)	7,552,874	-	-
Share sale on Budapest Stock Exchange	-	67,047	-	67,047	-
Share transfer to Dana Gas and Crescent Petroleum to finance the 2009 work program of Pearl	-	51,090	-	51,090	-
31 December 2009	104,518,485	(7,434,737)	(17,882,552)	79,201,196	134,519,063

There were no movements in the number of issued ordinary shares of series "C". All of the 578 shares are held as treasury stock.

18 Dividends

The shareholders at the Annual General Meeting in April 2009 approved to pay no dividend in respect of 2008. The total amount of reserves legally available for distribution based on the statutory company only financial statements of MOL Plc. is HUF 1,161,926 million and HUF 917,810 million as of 31 December 2009 and 2008, respectively.

19 Long-term debt

	Weighted average interest rate 2009 %	Weighted average interest rate 2008 %	Maturity	2009 HUF million	2008 HUF million
Unsecured bank loans in USD	1.05	3.51	2010 - 2013	250,574	271,771
Unsecured bank loans in EUR	1.49	4.70	2010 - 2017	224,384	319,106
Unsecured bonds in EUR	3.80	3.96	2015	204,109	199,409
Unsecured bank loans in USD	1.02	-	2013	189,471	-
Secured bank loans in HUF	8.73	-	2012	20,000	-
Secured bank loans in EUR	3.08	5.97	2010 – 2019	33,648	31,034
Financial lease payable	4.05	5.53	2010 - 2026	4,396	3,464
Other	1.50	0.54	2010 - 2019	6,106	5,748
Total				**932,688**	**830,532**
Current portion of long-term debt				103,577	101,797
Total long-term debt, net of current portion				**829,111**	**728,735**

	2009 HUF million	2008 HUF million
Maturity one to five years	623,822	526,736
Maturity over five years	205,289	201,999
Total	**829,111**	**728,735**

Unsecured bank loans

Main elements of unsecured bank loans at MOL Plc. are the EUR 1.5 billion multi-currency revolving credit facility, maturing in October 2010, and also the EUR 700 million and EUR 825 million syndicated multi-currency revolving loan facilities maturing in May, 2012 and in July 2013. Besides, INA has USD 1 billion syndicated multi-currency revolving loan facility, maturing partially in 2012 and partially in 2013. For financing of the strategic and commercial gas storage project MOL signed on 17 June 2009 an 8 year loan agreement with EBRD (European Bank for Reconstruction and Development) as well.

Unsecured bonds in EUR

The EUR 750 million fixed rate bond was issued by MOL Plc. in 2005. The notes are due on 5th October 2015, pay an annual coupon of 3.875% and are in the denomination of EUR 50,000 each. The notes are listed on the Luxembourg Stock Exchange.

Secured bank loans in EUR

Secured loans were obtained for specific capital expenditure projects and are secured by the assets financed from the loan.

Financial lease payable

The Group has finance leases or other agreements containing a financial lease element for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Minimum lease payments and present values of payments as of 31 December 2009 and 2008, respectively are as follows:

	2009 Minimum lease payments HUF million	2009 Present value of payments HUF million	2008 Minimum lease payments HUF million	2008 Present value of payments HUF million
Maturity not later than 1 year	824	703	644	639
Maturity two to five years	2,861	2,203	2,076	1,674
Maturity over five years	2,092	1,490	1,865	1,151
Total minimum lease payments	**5,777**		**4,585**	
Less amounts representing financial charges	(1,381)		(1,121)	
Present values of financial lease liabilities	**4,396**	**4,396**	**3,464**	**3,464**

20 Provisions for liabilities and charges

	Environ-mental HUF million	Redundancy HUF million	Long term employee retirement benefits HUF million	Field operation suspension HUF million	Legal claims HUF million	Other HUF million	Total HUF million
Balance as of 31 December 2007	**41,457**	**3,972**	**7,134**	**82,705**	**1,055**	**2,963**	**139,286**
Acquisition / (sale) of subsidiaries	39	-	-	-	5	57	101
Additions and revision of previous estimates	(805)	27	1,972	10,469	119	(107)	11,675
Unwinding of the discount	1,479	22	543	4,324	11	-	6,379
Currency differences	1,832	(13)	298	(114)	7	67	2,077
Provision used during the year	(4,300)	(352)	(1,069)	(72)	(114)	(632)	(6,539)
Balance as of 31 December 2008	**39,702**	**3,656**	**8,878**	**97,312**	**1,083**	**2,348**	**152,979**
Acquisition / (sale) of subsidiaries	28,869	213	5,177	84,192	15,398	18,881	152,730
Additions and revision of previous estimates	1,136	444	1,376	(2,354)	2,745	17,151	20,498
Unwinding of the discount	1,858	8	418	10,349	-	-	12,633
Currency differences	224	108	(86)	(859)	(297)	433	(477)
Provision used during the year	(2,226)	(1,099)	(1,347)	(292)	(768)	(17,073)	(22,805)
Balance as of 31 December 2009	**69,563**	**3,330**	**14,416**	**188,348**	**18,161**	**21,740**	**315,558**
Current portion 2008	2,910	478	1,002	461	440	1,145	6,436
Non-current portion 2008	36,792	3,178	7,876	96,851	643	1,203	146,543
Current portion 2009	4,913	354	1,906	293	7,422	17,977	32,865
Non-current portion 2009	64,650	2,976	12,510	188,055	10,739	3,763	282,693

Environmental Provision

As of 31 December 2009 provision of HUF 69,563 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL's internal environmental audit team. In 2006, an independent environmental auditor firm has reviewed MOL's internal assessment policies and control processes and validated those. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates. The amount reported as at 31 December 2009 also includes a contingent liability of HUF 27,626 million recognized upon acquiring INA Group, representing its present environmental obligations (see Note 35).

Provision for Redundancy

As part of the continuing efficiency improvement project initiated in 2005, MOL Plc., Slovnaft a.s. and other Group members decided to further optimize workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognized a provision for the net present value of future redundancy

payments and related tax and contribution. The closing balance of provision for redundancy is HUF 3,330 million and HUF 3,656 million as of 31 December 2009 and 2008, respectively.

Provision for Field Operation Suspension Liabilities

As of 31 December 2009 provision of HUF 188,348 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 12% of these costs are expected to be incurred between 2010 and 2014 and the remaining 88% between 2015 and 2041. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are performed as a combination of hiring external resources (until 2015) and by establishing such functions within the Group (from 2013 until 2041). Based on the judgment of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalized as a component of the underlying fields.

Provision for Long-term Employee Retirement Benefits

As of 31 December 2009 the Group has recognized a provision of HUF 14,416 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from group entities. These entities operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service, while TVK and Slovnaft provide a maximum of 2 and 8 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds, therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the Group. Principal actuarial assumptions reflect an approximately 2% difference between the discount rate and the future salary increase.

	2009 HUF million	2008 HUF million
Present value of total defined benefit obligation at the beginning of the year	**9,379**	**9,076**
Past service cost not yet recognized at the beginning of the year	501	1,942
Balance as of the beginning of the year	**8,878**	**7,134**
Acquisitions / (disposals)	5,177	-
Past service cost	224	141
Current service cost	1,499	1,400
Interest costs	418	543
Provision used during the year	(1,347)	(1,069)
Revision	100	390
Net actuarial (gain)/loss	(447)	41
Exchange adjustment	(86)	298
Balance as at year end	**14,416**	**8,878**
Past service cost not yet recognized at year end	1,541	501
Present value of total defined benefit obligation at year end	15,957	9,379

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

	2009 HUF million	2008 HUF million
Current service cost	1,499	1,400
Provision used during the year	(1,347)	(1,069)
Revision	100	390
Net actuarial (gain)/loss	(447)	41
Past service cost	224	141
Net benefit expense (See Note 26)	**29**	**903**

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

	2009	2008
Discount rate in %	3.0 – 5.0	3.0 - 6.0
Average wage increase in %	1.0 – 3.0	1.0 - 4.0
Mortality index (male)	0.06 – 3.45	0.06 - 2.82

The notes are an integral part of these consolidated financial statements.

Mortality index (female)	0.02 – 1.50	0.02 - 1.15

Legal and Other Provisions

Legal and other provisions include provision for emission quotas and for cost of unutilised holiday and for other minor future payment obligations. As of 2009 MOL Group has been granted 6,372,038 emission quotas by the Hungarian, Slovak and Italian authorities. The total use of emission quotas amounted to 5,858,367 in 2009. In 2009 MOL Group sold a major part of the quotas granted free of charge on the market and concurrently recognised a provision of HUF 12,719 million for the shortage of emission quotas.

21 Other non-current liabilities

	2009 HUF million	2008 HUF million
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd (see Note 17)	19,698	-
Deferred income	6,113	6,350
Government grants received	5,136	5,303
Liabilities to Government of Croatia for sold apartments	2,993	-
Long term advances	2,006	-
Payable from currency risk hedging derivatives (see Note 34)	362	-
Other	2,437	379
Total	**38,745**	**12,032**

The long-term payable to the government relates to obligation arising on the sale of housing units to employees under the government program of Croatia. According to the local law regulating housing sales, 65% of the proceeds from the sale of apartments to employees were payable to the state at such time as the proceeds were collected by INA. According to the Croatian law, INA has no liability to remit the funds unless and until they are collected from the employee.

22 Trade and other payables

	2009 HUF million	2008 HUF million
Trade payables	412,278	273,936
Taxes, contributions payable (excluding corporate tax)	170,937	101,542
Transferred “A” shares with put and call options attached (see Note 17 and Note 34)	43,417	74,963
Fee payable for strategic inventory storage	21,525	4,257
Amounts due to employees	19,703	14,208
Accrued expenses	11,083	9,066
Custom fees payable	10,433	9,180
Advances from customers	8,555	6,051
Liability from collected import difference fee	7,489	-
Discount payable to customers	4,500	3,365
Accrual due to E.ON price revision	4,309	-
Liabilities to joint venture partners	3,885	7,875
Penalty payable to the Antimonopoly Office of the Slovak Republic	2,705	2,637
Bank interest payable	2,493	4,053
Purchase price difference payable on Tifon and IC Energo acquisitions	1,500	1,743
Strategic capacity booking fee	1,047	-
Accrued consideration of WMT (see Note 8)	-	25,005
Paraffin penalty payable	-	6,275
Net liabilities from commodity price transactions (see Note 34)	-	172
Liabilities from foreign exchange forward transactions (see Note 34)	-	170
Other	19,456	4,914
Total	**745,315**	**549,412**

Trade payables are non-interest bearing and are normally settled on 30-day terms. Contributions payable mainly include mining royalty, contributions to social security, value added tax and custom duties.

23 Short-term debt

	2009 HUF million	2008 HUF million
Secured bank loans in EUR	97,043	18,872
Secured bank loans in USD	47,394	-
Secured bank loans in HRK	3,550	-
Secured bank loans in HUF	1,672	-
Unsecured bank loans in HRK	7,450	-
Unsecured bank loans in USD	5,886	21,356
Unsecured bank loans in PLN	5,758	5,952
Unsecured bank loans in EUR	9,698	34,688
Other	6	50
Total	**178,457**	**80,918**

24 Net sales revenues

Sales by geographical area

	2009 HUF million	2008 HUF million
Hungary	1,139,292	1,323,708
Italy	369,625	471,563
Croatia	300,711	98,508
Austria	254,555	326,737
Slovakia	221,512	320,000
Czech Republic	195,588	239,148
Romania	137,925	162,283
Poland	119,431	147,806
Germany	88,228	123,316
Switzerland	63,566	10,654
United Kingdom	59,739	48,804
Bosnia-Herzegovina	48,189	31,425
Serbia	47,409	41,356
Slovenia	37,727	42,902
Russia	22,714	42,050
Rest of Europe	53,332	76,436
Rest of Central-Eastern Europe	2,064	641
Rest of the World	64,429	27,664
Total	**3,226,036**	**3,535,001**

The Group had no single major customer the revenue from which would exceed 10% of the total net sales revenues in the years ended 31 December 2009 and 2008.

Sales by product types	2009 HUF million	2008 HUF million
Sales of oil products	1,989,818	2,264,519
Sales of petrochemicals	460,359	639,691
Sales of natural gas	395,412	287,630
Rendering of services	210,535	149,357
Sales of crude oil	88,163	123,920
Retail shop sales	81,749	69,884
Total	**3,226,036**	**3,535,001**

25 Other operating income

	2009 HUF million	2008 HUF million
Excess of fair value of INA's and Energopetrol's net assets over consideration (see Note 7)	47,671	-
Net gain on sales of subsidiaries	25,665	6,781
Gain on the fair valuation of the previous investment in INA and Energopetrol (see Note 7)	22,925	-
Gain on sales of intangibles, property, plant and equipment	20,212	2,700
Exchange gains of trade receivables and payables	6,510	-
Penalties received	3,707	1,430
Grants and subsidies received	466	404
Discounts received	373	154
Repayment of the unfounded penalty by the Slovak Ministry of Finance	-	4,629
Other	10,895	3,653
Total	**138,424**	**19,751**

HUF 28,156 million and HUF 6,400 million from gain on sales of subsidiaries in 2009 and 2008 reflects the subsequent settlement from E.ON Ruhrgas International AG in connection with the gas business sales; from the amount payable by E.ON with respect to 2007 (HUF 44,268 million), HUF 16,577 million from the settlement for 2007 has been received in cash in the third quarter of 2007, while the remaining part was paid in early 2008 (see Note 7 and Note 15). The Group also recorded HUF 4,629 million income for the repayment from the Slovak Ministry of Finance of the unfounded penalty paid by Slovnaft in 2005.

26 Personnel expenses

	2009 HUF million	2008 HUF million
Wages and salaries	124,797	91,461
Social security	53,659	29,298
Other personnel expenses	20,382	18,923
Pension costs and post-employment benefits (see Note 20)	29	903
Expense of share-based payments (See Note 39)	1,960	(840)
Total	**200,827**	**139,745**

27 Other operating expenses

	2009 HUF million	2008 HUF million
Mining royalties	98,230	138,276
Rental costs	30,996	18,102
Taxes and contributions	28,049	36,911
Contribution to strategic inventory storage	17,065	15,435
Other services	15,527	8,655
Provision for doubtful receivables	12,601	6,213
Emission of greenhouse gases over quota allocated free of charge	12,514	-
Insurance	7,434	4,076
Consultancy fees	6,871	7,635
Late payment penalties	6,472	586
Advertising expenses	6,353	6,872
Bank charges	4,878	3,376
Cleaning costs	4,517	3,948
Site security costs	3,582	3,143
Outsourced bookkeeping services	3,380	3,207
Provision for legal and other claims	2,192	244
Environmental protection expenses, net	1,973	(36)
Environmental provision made during the year	1,136	(805)
Environmental levy	720	614
Damages	197	275
Provision for field abandonment	(211)	(1,056)
Exchange loss of trade receivables and payables	-	13,301
Paraffin penalty	-	5,763
Other	5,740	5,234
Total	**270,216**	**279,969**

The notes are an integral part of these consolidated financial statements.

28 Financial (income) / expense

	2009 HUF million	2008 HUF million
Interest received	10,534	19,230
Foreign exchange gain on borrowings	4,679	-
Fair valuation gain on conversion option (see Note 17)	-	64,550
Net gain on sales of investments	-	77
Dividends received	430	718
Other financial income, net	745	30,167
Total financial income	**16,388**	**114,742**
Interest on borrowings	23,290	37,841
Fair valuation loss on conversion option (see Note 17)	19,698	-
Interest on provisions	12,633	6,379
Fair valuation loss on derivative transactions, net	7,798	35,293
Foreign exchange loss on borrowings	-	49,259
Other financial expenses	11,753	2,046
Total financial expenses	**75,172**	**130,818**
Total financial expense, net	**58,784**	**16,076**

Other financial income primarily reflects exchange gains incurred on cash and cash equivalents, including bank deposits denominated mainly in EUR. Fair valuation losses on derivative transactions in 2009 contain HUF 3,745 million loss on the fair valuation of the call option held by the Group on the MOL shares representing 7% of its share capital owned by CEZ (see Note 17).

29 Components of other comprehensive income

	2009 HUF million	2008 HUF million
Exchange differences on translating foreign operations		
Gains / (losses) arising during the year	387	57,002
Reclassification adjustments for gains and losses included in the income statement	115	-
	502	57,002
Available-for-sale financial assets, net of deferred tax		
Gains / (losses) arising during the year	5,003	(7)
Reclassification adjustments for gains and losses included in the income statement	-	-
	5,003	(7)
Cash-flow hedges, net of deferred tax		
Gains / (losses) arising during the year	1,775	(2,856)
Reclassification adjustments for gains and losses included in the income statement	(437)	-
	1,338	(2,856)
Share of other comprehensive income for associates		
Gains / (losses) arising during the year	8,016	(2,487)
Reclassification adjustments for gains and losses included in the income statement	(17,399)	-
	(9,383)	(2,487)

30 Income taxes

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2009 and 2008 include the following components:

	2009 HUF million	2008 HUF million
Current corporate income taxes	52,182	53,324
Local trade tax and innovation fee	12,089	13,871
Deferred corporate income taxes	15,860	(50,461)
Total income tax expense/(benefit)	**80,131**	**16,734**

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group. The applicable corporate income tax rate on the taxable income of the companies of the Group operating in Hungary was 16% both in 2009 and 2008. In addition, a solidarity surplus tax of 4% has been introduced by the Hungarian government from 1 September 2006 and a further, temporary surplus tax of 8% applicable for 2009 and 2010. Corporate tax rate will increase to 19% from 1 January 2010, and simultaneously the solidarity tax will be cancelled. Slovakian, Italian and Croatian tax rates were 19%, 36.9% and 20%, respectively, in both years. Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

There is no dividend withholding tax in Hungary on dividends paid to foreign tax resident legal entities. As regards dividend paid to private individuals, a 10% personal income tax liability arises, also withheld at source.

Income tax recognised in other comprehensive income

	2009 HUF million	2008 HUF million
Deferred tax recognised in other comprehensive income:		
Revaluations of available-for-sale financial assets	(730)	1,064
Revaluations of financial instruments treated as cash flow hedges	(391)	823
	(1,121)	1, 887
Reclassifications from equity to profit or loss:		
Relating to available-for-sale financial assets	(595)	-
Relating to cash flow hedges	109	-
	(486)	-
Total income tax recognised in other comprehensive income	(1,607)	1,887

The deferred tax balances as of 31 December 2009 and 2008 in the consolidated balance sheet consist of the following items:

	Balance sheet		Recognized in income statement	
	2009 HUF million	2008 HUF million	2009 HUF million	2008 HUF million
Breakdown of net deferred tax assets				
Unrealized gains on intra-group transfers	27,154	30,566	(3,412)	6,880
Provisions	9,651	5,884	3,348	(142)
Depreciation, depletion and amortization	(14,439)	(10,103)	(4,046)	(4,336)
Differences in accounting for domestic oil and gas exploration and development	(5,937)	(4,938)	(999)	(1,067)
Capitalization of certain borrowing costs	(3,235)	(3,178)	(57)	(1,655)
Embedded derivatives	(786)	(395)	-	-
Foreign exchange differences	1,262	(536)	1,798	281
Valuation of financial instruments	(730)	(509)	(236)	32
Capitalized periodic maintenance costs	(1,111)	(978)	(133)	(472)
Statutory tax losses carried forward	14,419	33,090	(18,702)	32,931
Receivables write off	10,066	7,505	4,186	3,717
Other	541	(185)	49	(725)
Deferred tax assets	**36,855**	**56,223**		
Breakdown of net deferred tax liabilities				
Fair valuation of assets on acquisitions	(136,638)	(42,741)	2,843	1,728
Depreciation, depletion and amortization	(23,553)	(26,730)	(1,306)	951
Provisions	10,842	8,172	417	344
Statutory losses carried forward	13,645	3,184	3,359	2,168
Elimination of inter-company transactions	(124)	151	(284)	229
Receivables write off	685	417	60	383
Capitalization of borrowing costs	(447)	(316)	(134)	(310)
Foreign exchange differences	(33)	(580)	340	(556)
Inventory valuation difference	3,629	2,081	247	9,294
Valuation of financial instruments	1,174	-	(462)	-
Other	(2,416)	156	(2,736)	786
Deferred tax liabilities	**(133,236)**	**(56,206)**		
Net deferred tax asset / (liability)	**(96,381)**	**17**		
Deferred tax (expense) / income			**(15,860)**	**50,461**

The notes are an integral part of these consolidated financial statements.

Analysis of movements in net deferred tax assets and liabilities during the year

	2009 HUF million	2008 HUF million
Net deferred tax asset / (liability) at 1 January	**17**	**(47,209)**
Recognized in income statement	(15,860)	50,461
Recognized directly in fair valuation reserve	(1,121)	823
Acquisition of subsidiaries (see Note 7)	(79,096)	(731)
Exchange difference	(321)	(3,327)
Net deferred tax asset / (liability) at 31 December	**(96,381)**	**17**

The unrealized gains on intra-group transfers contain primarily the results of the gas unbundling. Due to the fact that this gain increased the tax base of the assets, but has been eliminated in the consolidation, the increase in the future depreciation gives rise to a deferred tax asset.

Significant tax losses arose in 2008 at MOL Plc. as a result of the tax-deductible book value of shares cancelled in the capital decrease and the tax-deductible loss on fair valuation of certain options attached to shares held by third parties (see Note 17). These transactions are treated differently for IFRS and tax purposes so do not affect profit before tax presented in these financial statements. Such tax losses have not yet been fully used by the parent company. Additional tax losses arose at INA in 2009 and at MMBF Zrt., IES S.p.a., TVK Plc. and some of TVK's subsidiaries in 2008. Tax losses are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Since the Group estimates that these companies will have taxable profits available in the future to offset with these tax losses, a deferred tax asset of HUF 28,064 million and HUF 36,274 million has been recognized as of 31 December 2009 and 2008, respectively.

No deferred tax assets have been recognized in respect of such losses elsewhere in the Group as they may not be used to offset taxable profits and they have arisen in subsidiaries that have been loss-making for some time. The amount of such tax losses was HUF 5,548 million and HUF 21,748 million as of 31 December 2009 and 2008, respectively.

From the unused tax losses at the end of the period, HUF 87,682 million has no expiry, while HUF 61,927 million can be utilized between 2010 and 2014.

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

	2009 HUF million	2008 HUF million
Profit before tax per consolidated income statement	188,123	157,958
Tax at the applicable tax rate (16%)	30,100	25,273
Solidarity surplus tax and local trade tax	33,907	12,450
Differences not expected to reverse	15,259	(26,319)
Effect of different tax rates	(2,691)	(8,473)
Losses of subsidiaries not recognized as an asset	6,720	6,459
Adjustment to the period of realization	-.	-
Non-taxable income	(2,212)	4,342
Revaluation of deferred tax assets and liabilities	(4,213)	(2,010)
Impact of changes in Hungarian tax legislation	4,854	5,661
Tax effect of discontinued operation	(535)	-
Other	(1,058)	(649)
Total income tax expense / (benefit) at the effective income tax rate of 43% (2008: 11%)	**80,131**	**16,734**

Differences not expected to reverse primarily include the tax impact of gains on treasury share transactions (see Note 17) which have been realized under Hungarian accounting standards and included in current year tax base. Under IFRS, however these have not and will never be recognized in the consolidated income statement.

31 Discontinued operations and disposal groups

Discontinuing operations

The Government of the Republic of Croatia and the Hungarian oil company MOL signed a Master Agreement on Natural Gas Business (a framework agreement regulating some basic issues regarding the future of the natural gas market and the supply of natural gas in Croatia) on 30 January 2009. Based on the contract the government or an entity wholly owned and designated by the government for this purpose will take over the gas trading activity of INA.

Through the implementation of the Master Agreement on Natural Gas Business, gas business was separated from INA and subsidiary Prirodni plin d.o.o. Zagreb was established at 1 July 2009. Pursuant to its business strategy, INA maintained only onshore and offshore exploration and production activities in the Republic of Croatia.

Since the gas trading activity represents a major line of business, the Group presents related results as losses from discontinued operations. In the comparative period, INA Group has been consolidated using the equity method, therefore the discontinued gas trading operation was not separately reported.

	2009 HUF million
Net revenue	73,591
Release of provision made for onerous contract	14,852
Total operating income	**88,443**
Raw materials and consumables used	87,070
Personnel expenses	111
Depreciation, depletion, amortization and impairment	-
Other operating expenses	3,045
Total operating expenses	**90,226**
Operating profit	**(1,783)**
Finance expense, net	**1,559**
Profit/ (loss) before tax from a discontinued operation	**(3,342)**
Tax income:	
Income tax expense	-
Related to measurement to fair value less costs to sell	-
Profit/ (loss) for the year from a discontinued operation	**(3,342)**

	2009 HUF million
Assets	
Inventories	19,614
Trade receivables, net	11,352
Other current assets	3,736
Cash and cash equivalent	1,598
Total current assets	**36,300**
Assets classified as held for sale	**36,300**
Liabilities	
Provisions	21
Other non-current liabilities	11
Trade and other payables	9,083
Short-term debt	7
Liability directly associated with assets classified as held for sale	**9,122**
Net assets directly associated with disposal group	**27,178**

Net cash flows incurred due to discontinued operation:

	2009 HUF million
Operating cash flow	(17,996)
Investing cash flow	-
Net cash (outflow)/ inflow	(17,996)

	2009 HUF
Earnings per share	
Basic, from discontinued operation	(39)
Diluted, from discontinued operation	(39)

The notes are an integral part of these consolidated financial statements.

Disposal Groups

Considering the requirements of the conditional approval of the Anti-Monopoly Office of Croatia on the Amendment to the Shareholders' Agreement signed by and between MOL and the Government of Croatia retail activities of Crobenz d.d. a 100% subsidiary of INA d.d. should be sold. The sale obligation refers to the sale of the part of Crobenz's retail network consisting of fourteen fuel stations and other resources that guarantee the sustainable market operation to the respective entrepreneur.
MOL and INA have 9 months for the compliance with the above decision dated 9 June 2009 and cannot repurchase the Company within the following 5 years.
The assets and liabilities associated with the retail activities of Crobenz are classified as held for sale.

	2009 HUF million
Assets	
Intangible assets	66
Property, plant and equipment, net	769
Total non-current assets	**835**
Inventories	234
Trade receivables, net	193
Other current assets	25
Total current assets	**452**
Assets classified as held for sale	**1,287**
Liabilities	
Long-term debt net of current portion	688
Provisions	38
Deferred tax liabilities	(646)
Trade and other payables	181
Current portion of long-term debt	138
Liability directly associated with assets classified as held for sale	**399**
Net assets directly associated with disposal group	**888**

Reconciliation of assets and liabilities classified as held for sale

	2009 HUF million
Assets associated with discontinuing operations	36,300
Assets associated with disposal groups	1,287
Total assets classified as held for sale	**37,587**

	2009 HUF million
Liabilities associated with discontinuing operations	9,122
Liabilities associated with disposal groups	399
Total liabilities classified as held for sale	**9,521**

32 Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares) by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated considering the dilutive effect of the convertible bonds and the potentially dilutive effect of the conversion option embedded in the Perpetual Exchangeable Capital Securities in the number of outstanding shares and by excluding the fair valuation difference of the conversion option from the net income attributable to equity holders of the parent. As the convertible bond program has been finished in 2008 and the fair valuation difference of the conversion option had an anti-dilutive effect in 2009, the diluted EPS is equal with the basic EPS.

	Income (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Basic Earnings Per Share 2008	141,418	88,181,688	1,604
Diluted Earnings Per Share 2008	76,979	94,448,532	815
Basic Earnings Per Share 2009	115,796	85,324,368	1,357
Diluted Earnings Per Share 2009	115,796	85,324,368	1,357

	2009 HUF million	2008 HUF million
Net profit attributable to ordinary shareholders for basic earnings per share	115,796	141,418
Fair value of conversion option	-	(64,550)
Interest on convertible bonds	-	111
Net profit attributable to ordinary shareholders for diluted earnings per share	115,796	76,979

	2009	2008
Weighted average number of ordinary shares for basic earnings per share	85,324,368	88,181,688
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	6,007,479
Effect of dilution – Weighted average number of convertible bonds	-	259,365
Adjusted weighted average number of ordinary shares for diluted earnings per share	85,324,368	94,448,532

33 Financial risk management objectives and policies

As financial risk management is a centralized function in MOL Group, it is possible to integrate and measure all risks at group level in a model using Monte Carlo simulation. A monthly Financial Risk Report is submitted to the senior management.

As a general approach, risk management considers the business as a well-balanced integrated portfolio and does not hedge particular elements of its commodity exposure. Therefore, MOL actively manages its commodity exposures for the following purposes only:

- Corporate Level Objectives – maintenance of financial ratios, protection against large cash transaction exposures etc. ,

- Business Unit Objectives – To reduce the exposure of a Business Unit's Cash-Flow to market price fluctuations in case of changes from the normal course of business (ex: planned refinery shutdowns)

MOL follows two different strategies based on the level of Net Gearing. In the two scenarios, Risk Management focuses on the followings:

- In a High Gearing situation, the prime objective of risk management is to reduce the probability of breaching debt covenants, where a breach would seriously impair the company's ability to fund its operations.

- In Low Gearing status, the focus of risk management shall be directed more toward guarding of shareholder value by maintaining discipline in CAPEX spending, ensuring risk-aware project selection.

In line with MOL's risk management policy, no speculative transactions are allowed. Any derivative transaction the company may enter is under ISDA (International Swaps and Derivatives Association) agreements.

Key Exposures

Group Risk Management identifies and measures the key risk drivers and quantifies their impact on the group's performance. MOL uses a bottom-up model for monitoring the key exposures. According to the model, the diesel crack spread, the dated Brent price and gasoline crack spread have the biggest contribution to the cash-flow volatility. The cash-flow volatility implied by the FX rates, the key refined and petrochemical products are also significant. On the whole, the top 10 risk drivers explain cca 80% of the total cash-flow volatility.

Commodity Price Risk Management

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

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

In 2009 MOL concluded short term commodity swap transactions for inventory hedging purposes. These transactions are initiated to reduce exposure to potential price movements during the refinery maintenance periods. As of 31 December 2009 and 2008 the fair value of open commodity derivative transactions were a net receivable of HUF 146 million and a net liability of HUF 172 million (see Note 15 and 22), respectively.

Foreign Currency Risk Management

The Group's oil business constitutes a long USD cash flow exposure, while its petrochemical business adds a long EUR cash flow position. At group level, the Group has a net long USD, long EUR and short HUF, short RUB, short HRK , short RON operating cash flow position.

When MOL is in high gearing status, the Group follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect the net operating cash flow position of the Group.

The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 December 2009 and 2008, there were no open cross currency transactions.

The Group has two long-term international gas transit agreements (expiring in 2017 and 2019) under which consideration is calculated in SDR. The contractual provisions prescribing price calculation in SDR have been identified as a SDR/USD swap, being an embedded derivative under IAS 39, as the Group considers USD price setting to be closely related to the host contract. This derivative has been separated from the host contract and designated as a cash flow hedge to the host gas transit contract. The fair value of the embedded SDR derivative is a net receivable of HUF 4,139 million (HUF 3,353 million net of deferred tax) as of 31 December 2009 (see Note 12). The corresponding figure as of 31 December 2008 was HUF 1,973 million net receivable (HUF 1,578 million net of deferred tax). The decrease in the fair value of this instrument has been debited to equity. The hedge had no ineffective part in 2009 and 2008.

The Group classifies its forward exchange contracts and currency exchange options either as fair value hedges, in case of debts, as cash-flow hedges in case a designated hedging relationship exist or as stand-alone derivatives and carries them at fair value.

During 2008 MOL Energiakereskedő Kft. entered into foreign exchange forward transactions in order to minimize foreign exchange exposure in its gas purchase contracts. Forward exchange contracts were designated as cash-flow hedges relating to the purchase of minimum quantities negotiated in the underlying contracts. As of 31 December 2008 the notional amount of open forward exchange contracts was USD 24.7 million, which expired in 2009. The related asset was HUF 663 million (see Note 15) from which HUF 545 million was recorded directly in equity being the fair value of the cash-flow hedge. The remaining HUF 118 million was recorded as financial income being the fair value of the standalone derivative relating to the volume purchased in excess of minimum quantities.

As of 31 December 2009 and 2008 the fair value of open foreign exchange forward transactions was a net of receivable of HUF 65 million (see Note 15) and a net liability of HUF 170 million (see Note 22), respectively.

As of 31 December 2008 the fair value of open currency exchange options was an asset of HUF 328 million (see Note 15).

Interest rate risk management

As an energy company, MOL has limited interest rate exposure. The ratio of fix/floating interest debt is determined by the Board of Directors on the basis of the suggestion of Group Risk Management from time to time, based on international best practice.

As result of the successful 750M EUR Bond transaction, the fixed portion of the total debt increased substantially. The level of interest that was fixed with the Eurobond issuance has been the lowest since the transaction. As of 31 December 2009 and 2008, 17.7% and 20.2% of the Group's debt was at fixed rates respectively.

The Group may use interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings.

As of 31 December 2009 and 2008, there was no open interest rate swap transaction.

Sensitivity analysis for key exposures

In line with the international benchmark, Group Risk Management prepares sensitivity analysis. According to the Financial Risk Management Model, the key sensitivities are the following:

Effect on profit from operations	2009 HUF billion (excluding INA)	2008 HUF billion
Brent crude oil price (change by +/- 5 USD/bbl; with fixed crack spreads and petrochemical margin)		
Refining and Marketing	+ / - 2.0	- / + 0.0
Exploration and Production	+ 3.8 / - 4.2	+ / - 6.1
Petrochemical	- / + 3.5	- / + 3.9
Crack spread (change by +/- 10 USD/t)		
Refining and Marketing	+ / - 33.2	+ / - 24.7
Exploration and Production	+ 0.7 / - 0.8	n/a
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Petrochemical	+ / - 3.1	+ / - 2.8
Exchange rates (change by +/- 10 HUF/USD; with fixed crack spreads)		
Refining and Marketing	+ / - 11.6	+ / - 21.5
Exploration and Production	+ 5.9 / -6.1	+ / - 9.3
Petrochemical	- / + 9.6	- / + 14.8
Exchange rates (change by +/- 10 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Refining and Marketing	+ / - 2.6	+ / - 1.2
Petrochemical	+ / - 11.4	+ / - 13.3
Retail	+ / - 0.5	n/a

Other Exposures

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present significant credit risk. Group procedures ensure that sales are made to customers with appropriate credit history and do not exceed an acceptable credit exposure limit.

Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to cover the liquidity risk in accordance with its financing strategy. The amount of undrawn major credit facilities as of 31 December 2009 consists of the following:

	HUF million
Long - term loan facilities available (general corporate purpose loan facilities)	414,410
Short - term facilities available	169,886
Total loan facilities available	**584,296**

The notes are an integral part of these consolidated financial statements.

The main pillars of MOL Group's long-term funds are as follows, the EUR 1.5 billion, EUR 825 million and EUR 700 million syndicated multi-currency revolving loan facility, and the EUR 750 million Eurobond raised by MOL Plc. and USD 1 billion syndicated multi-currency revolving loan facility taken by INA.

Taking into account the financial market situation MOL started its refinancing process of the EUR 2.1 billion syndicated multi-currency revolving loan facility maturing in 2010. In November 2009, MOL signed a EUR 450 million forward start revolving facility agreement, which was increased to EUR 525 million in December. The facility will be available for the Group from 1 October 2010.

The tenor of the Forward Start Loan is 18 months which can be extended by 6 months upon to MOL's request. As part of this transaction EUR 600 million was cancelled out of the EUR 2.1 billion facility agreement, because it was largely undrawn.

As the diversification of funding is a high priority for MOL, it initiated negotiations with alternative lenders about raising further funding.

On 17 June 2009 MOL signed an 8 year, EUR 200 million loan agreement with EBRD (European Bank for Reconstruction and Development) to finance the strategic and commercial gas storage project.

Furthermore in December, 2009, a 3 year , HUF 30 billion bilateral loan was raised by FGSZ Zrt. for general corporate purposes.

The existing bank facilities ensure both sufficient level of liquidity and financial flexibility for the Group.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments.

31 December 2009	On demand HUF million	Less than 1 month HUF million	1 to 12 months HUF million	1 to 5 years HUF million	Over 5 years HUF million	**Total HUF million**
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	43	781	2,861	2,092	**5,777**
Floating rate long-term bank loans	-	67,844	44,311	616,416	23,620	**752,191**
Floating-rate other long-term loans	-	-	77	3	-	**80**
Floating-rate short-term bank loans	-	1,283	81,034	-	-	**82,317**
Floating-rate other short-term loans	-	-	27,930	-	-	**27,930**
Fixed rate bonds	-	-	7,871	31,485	211,001	**250,357**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	8	206	5,219	5,171	**10,604**
Transferred "A" shares with put and call options attached	-	-	43,805	-	-	**43,805**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	71,318	250,399	174,582	-	-	**426,299**
Total	**71,318**	**319,577**	**380,597**	**655,984**	**241,884**	**1,669,360**

The notes are an integral part of these consolidated financial statements.

31 December 2008	On demand HUF million	Less than 1 month HUF million	1 to 12 months HUF million	1 to 5 years HUF million	Over 5 years HUF million	**Total HUF million**
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	40	613	2,086	1,846	**4,585**
Floating rate long-term bank loans	2,091	84,849	7,182	589,525	7,357	**691,004**
Floating-rate other long-term loans	-	2	88	90	-	**180**
Floating-rate short-term bank loans	175	323	66,123	-	-	**66,621**
Floating-rate other short-term loans	44	-	17,088	-	-	**17,132**
Fixed rate bonds	-	-	7,695	30,781	213,975	**252,451**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	435	1,308	3,598	**5,341**
Transferred “A” shares with put and call options attached	-	-	75,908	-	-	**75,908**
Trade and other payables (excluding Transferred “A” shares with put and call options attached and taxes and contributions)	1,613	191,076	158,429	-	-	**351,118**
Total	**3,923**	**276,290**	**333,561**	**623,790**	**226,776**	**1,464,340**

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2009 and 31 December 2008.

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

	2009 HUF million	2008 HUF million
Long-term debt, net of current portion	829,111	728,735
Current portion of long-term debt	103,577	101,797
Short-term debt	178,457	80,918
Less: Cash and cash equivalents	184,594	222,074
Net debt	**926,551**	**689,376**
Equity attributable to equity holders of the parent	1,314,490	1,112,981
Non-controlling interest	558,605	118,419
Total equity	**1,873,095**	**1,231,400**
Capital and net debt	**2,799,646**	**1,920,776**
Gearing ratio (%)	*33.1*	*35.9*

34 Financial instruments

Financial instruments in the balance sheet include investments, other non-current assets, trade receivables, other current assets, cash and cash equivalents, short-term and long-term debt, other long-term liabilities, trade and other payables. Derivatives are presented as other non-current assets, other non-current liabilities, other current assets and trade and other payables. Fair value of fixed rate bond which is carried at amortized cost is based on market prices.

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

	Carrying amount		Fair value	
	2009 HUF million	2008 HUF million	2009 HUF million	2008 HUF million
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	4,139	1,973	4,139	1,973
Available-for-sale investments (see Note 11)	18,614	842	18,614	842
Loans given (see Note 12 and 15)	22,628	3,146	22,628	3,146
Trade receivables (see Note 14)	410,668	327,484	410,668	327,484
Receivables from foreign exchange forward transactions designated as cash-flow hedge (see Note 15)	-	545	-	545
Receivables from currency exchange options (see Note 15)	-	328	-	328
Receivables from foreign exchange forward transactions (see Note 15)	65	118	65	118
Receivables from currency risk hedging derivatives (see Note 15)	1,097	-	1,097	-
Net receivables from commodity price transactions (see Note 15)	146	-	146	-
Fair value of the option on MOL shares transferred to CEZ (see Note 15)	3,989	-	3,989	-
Fair value of share swap (see Note 15)	496	-	496	-
Other current assets (excluding derivatives, Loans given and prepaid and recoverable taxes, see Note 15)	33,355	36,658	33,355	36,658
Cash and cash equivalents (see Note 16)	184,594	222,074	184,594	222,074
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under financial leases	4,396	3,464	4,396	3,464
Floating rate long-term bank loans	719,342	621,911	719,342	621,911
Floating rate other long-term loans	300	130	300	130
Floating rate short-term bank loans	178,451	80,868	178,451	80,868
Floating-rate other short-term loans	6	44	6	44
Fixed rate bonds	204,109	199,409	165,937	118,106
Non-interest bearing long-term liabilities	4,541	5,341	4,541	5,341
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	19,698	-	19,698	-
Transferred “A” shares with put and call options attached (see Note 17 and 22)	43,417	74,963	43,417	74,963
Payable from currency risk hedging derivatives (see Note 21)	362	-	362	-
Net liabilities from commodity price transactions (see Note 22)	-	172	-	172
Liabilities from foreign exchange forward transactions (see Note 22)	-	170	-	170
Trade and other payables (excluding derivatives, Transferred “A” shares with put and call options attached and taxes and contributions, see Note 22)	496,299	350,216	496,299	350,216

The notes are an integral part of these consolidated financial statements.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets and liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets and liabilities measured by the Group at fair value as at 31 December 2009 are categorised as follows:

	31 Dec 2009 HUF million	Level 1 HUF million	Level 2 HUF million	Level 3 HUF million
Financial assets				
Available for sale investment in JANAF d.d. (see Note 11)	12,473	12,473	-	-
Net receivable from currency risk hedging derivatives (see Note 12)	4,139	-	4,139	-
Receivables from currency risk hedging derivatives (see Note 15)	1,097	-	1,097	-
Net receivables from commodity price transactions (see Note 15)	146	-	146	-
Receivables from foreign exchange forward transactions (see Note 15)	65	-	65	-
Fair value of the option on MOL shares transferred to CEZ (see Note 15 and 17)	3,989	-	-	3,989
Fair value of share swap (see Note 15)	496	-	496	-
Financial liabilities				
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	19,698	-	19,698	-
Payable from currency risk hedging derivatives (see Note 21)	362	-	362	-

	31 Dec 2008 HUF million	Level 1 HUF million	Level 2 HUF million	Level 3 HUF million
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	1,973	-	1,973	-
Receivables from foreign exchange forward transactions designated as cash-flow hedge (see Note 15)	545	-	-	545
Receivables from currency exchange options (see Note 15)	328	-	328	-
Receivables from foreign exchange forward transactions (see Note 15)	118	-	118	-
Financial liabilities				
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17)	-	-	-	-
Net liabilities from commodity price transactions (see Note 22)	172	-	172	-
Liabilities from foreign exchange forward transactions (see Note 22)	170	-	170	-

35 Commitments and contingent liabilities

Guarantees

The total value of guarantees undertaken to parties outside the Group is HUF 38,602 million.

Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2009 is HUF 189.6 billion, of which HUF 66.9 billion relates to capital and contractual commitments of Földgázszállító Zrt. (Gas Transmission), HUF 66.4 billion relates to capital and contractual commitments of INA, HUF 16.3 billion relates to capital and contractual commitments of Energopetrol d.d., HUF 9.7 billion relates to capital and contractual commitments of Slovnaft and HUF 19.1 billion relates to MOL Plc. (the majority of which will arise in 2010-2011).

Gas Purchases Obligation, Take or Pay Contract

The TVK Erőmű Kft. has concluded a long-term gas purchase contract with E.ON Földgáz Trade Zrt. in order to ensure continuous operation of the power plant. As of 31 December 2009, 739 million cubic meters of natural gas (of which 628 mcm under take-or-pay commitment) will be purchased during the period ending 2018 based on this contract.

Operating leases

The operating lease liabilities are as follows:

	2009 HUF million	2008 HUF million
Due not later than 1 year	7,561	3,391
Due two to five years	6,874	5,267
Due over five years	1,566	1,726
Total	16,001	10,384

Out of the outstanding operating lease liabilities as of 31 December 2009 HUF 1,245 million were contracted by Slovnaft, HUF 4,860 million were contracted by INA and HUF 7,655 million were contracted by MOL Plc.

Authority procedures, litigation

The European Commission started an investigation in April 2005, based upon the alleged cartel activity of paraffin producers and traders in Europe. The investigation affected some 10 major paraffin producers and traders throughout Europe. The decision was adopted in October 2008 and stated that the companies harmonized their commercial activities on the European (European Economic Area) paraffin market and participated in a continuous cartel infringement. In case of MOL the amount of fine was set in EUR 23.7 million which was paid by MOL in early 2009.

In relation to the above described EU Commission decision the former paraffin customers may have the right to claim private damages from the paraffin cartel participants, i.e. from MOL, too. Currently a proceeding is going on against the decision of the European Commission before the European Court of Justice; accordingly for the time being and in the current phase MOL is not in the position to make any legal or fiscal estimation about the potential claims, if any.

Surgutneftegas brought four legal proceedings against MOL Plc., two litigations in the Budapest Municipal Court and two judicial reviews in the Municipal Court of Budapest acting as Court of Registration.

In the first claim Surgutneftegas alleges that the Resolution of the Board of Directors which in the absence of the acknowledgement of notice of the Hungarian Energy Office prevented the incorporation of Surgutneftegas into the share register violates the provisions of relevant laws. The first hearing was held on November 11, 2009 where the case was not examined yet by the court on the merits; and the next hearing is set for May 5, 2010.

In the second proceeding Surgutneftegas is seeking primarily for the repeal of all the resolutions of the AGM held on April 23, 2009 and alternatively for the repeal of the resolutions of the same AGM amending the Articles of Association of MOL Plc. The first hearing was held before the Budapest Municipal Court on November 13, 2009, where the case was not examined yet by the court on the merits; and the next hearing is scheduled for May 7, 2010.

Surgutneftegas has initiated a judicial review before the Municipal Court of Budapest, acting as Court of Registration in order to investigate the lawfulness of the resolution of the Board of Directors which in the absence of the acknowledgement of notice of the Hungarian Energy Office refused the incorporation of the Surgutneftegas in the share register. The Municipal Court of Budapest, acting as Court of Registration refused the claim of Surgutneftegas at first instance with its resolution issued on January 26, 2010. Surgutneftegas did not appeal the decision.

In the second judicial review before the same court Surgutneftegas supplemented its motion specified above (investigation of the lawfulness of the resolution of the Board of Directors when refusing the incorporation of the Surgutneftegas in the share register) claiming the Municipal Court of Budapest, acting as Court of Registration to repeal all the resolutions of the annual general meeting held on April 23, 2009. The Municipal Court of Budapest, acting as Court of Registration refused the claim of Surgutneftegas at first instance with its resolution issued on February 2, 2010.

One judicial review has been initiated by OMV against MOL in the Municipal Court of Budapest, acting as Court of Registration. OMV claims that the provisions of the Articles of Association of MOL regarding the “B” shares breach the requirements of Act XXVI of 2007 on golden shares and Act IV of 2006 (Corporate Law), furthermore, OMV states that it is discriminatory to waive certain entities (Magyar Nemzeti Vagyonkezelő Zrt. and its legal successors) from the 10% voting limitation imposed by the Articles of Association. The court of first instance has rejected OMV’s request. OMV has filed an appeal against the decision.

One further legal issue brought by OMV against MOL relates to a claim by OMV that a resolution approved by the AGM of MOL, which resolved to limit the number of recallable members of the Board of Directors to 3 members at any one time, is contradictory to the Hungarian Corporate Act.

On this basis, OMV requested the courts allow MOL’s AGM to take the necessary measures to correct these issues. MOL stated that the 30-day non-extendable time period available for OMV as a shareholder present at the AGM to initiate any procedure against the resolutions of the AGM referred to above had already elapsed, and that OMV had no other legal basis to proceed against these resolutions. The Court of First Instance accepted these arguments and dismissed OMV’s claim. The plaintiff filed an appeal against this judgement. The Court of Second Instance set aside the appealed judgement and referred the case back to the Court of First Instance. The Court of First Instance has held two hearings but has yet to reach a decision. The next hearing before this court is scheduled for June 1, 2010.

The Anti-Monopoly Office of the Slovak Republic, Abuse of Dominance Department stated in a letter dated November 21, 2005 that it was commencing administrative proceedings against Slovnaft in relation to a possible breach of the Protection of Competition Act No. 136/2001 Z.z. Such administrative proceedings are focused on control over Slovnaft ’s price and discount policy with an emphasis on the oil and petrol prices. In decision dated December 22, 2006 the Abuse of Dominance Department of the Anti-Monopoly Office of the Slovak Republic stated that Slovnaft had abused its dominant position in the relevant diesel oil and motor petrol wholesale markets and imposed a fine of SKK 300 million.

In January 2008 Slovnaft a.s. as plaintiff filed an action against the decision of the Anti-Monopoly Office of the Slovak Republic in the Regional Court in Bratislava for review of the lawfulness of the decision of the Council of the Anti-Monopoly Office and the procedure carried out in making that decision. This included the first instance decision of the Anti-Monopoly Office of the Slovak Republic, especially the administrative procedure. On March 20, 2008 the Regional court in Bratislava found for Slovnaft, a.s. and suspended the obligation of Slovnaft a.s. to pay the fine of SKK 300 million until a final and legally binding The notes are an integral part of these consolidated financial statements.

court decision on the merits of the case was provided. As a result, the total sum of the penalty initially imposed on Slovnaft, a.s. was transferred by the Anti-Monopoly Office back to Slovnaft, a.s. on April 8, 2008.

The Regional Court in Bratislava decided the case at its last hearing, held on December 15, 2009, and overruled the first and second instance decisions of the Anti-Monopoly Office. The case has been sent back to the Anti-Monopoly Office for their review. The Regional Court in Bratislava alleged several serious legal breaches during the proceedings held by the Anti-Monopoly Office and stated that the calculation of the imposed penalty was excessive, incorrect and inappropriate relative to the alleged breach of competition law by Slovnaft, a.s . The Anti-Monopoly Office is bound by the decision of the Regional Court in Bratislava and must adopt a new resolution with regards to the level of the imposed penalty in line with the instructions and findings of the Regional Court in Bratislava.

The Russian Court of Arbitration imposed upon Slovnaft, as defendant, a duty to pay Mende-Rossi, a Russian company which claimed that it entered into a contract with Slovnaft in 1993, an amount of USD 15.7 million together with 16% default interest per annum on the amount of USD 9 million from 24 June 1994 until payment. In addition Slovnaft was ordered to pay the costs of the proceedings for an alleged failure to supply crude oil supplies to Mende-Rossi as per a resolution of the company dated April 1996.

Mende-Rossi also applied for the enforcement of the decision of the Russian Court of Arbitration in Austria and Slovakia in 1997 (which was ultimately refused). In addition, Mende-Rossi sought enforcement in the Czech Republic, where proceedings are ongoing. The probability of success in the case cannot be quantified, since it is an extremely complicated matter both factually and legally.

According to the decision of the Municipal Court of Prague adopted on February 24, 2009 the decision of the first instance court – District Court Prague 4 – on September 2005 ordering the enforcement of the Russian Court of Arbitration's decision on Slovnaft´s property is now binding. However, there is a parallel proceeding in the Czech Republic brought by Slovnaft aimed at preventing this enforcement. The District Court Prague 4 of November 22, 2005 held that enforcement of its original decision is on hold whilst a decision is reached regarding Slovnaft's application to prevent the enforcement.

In the Czech Republic, the following court proceedings are still pending:

On October 12, 2005 Slovnaft filed against Ashford (who subsequently purchased the right to claim against Slovnaft from Mende-Rossi a separate petition to stop or terminate the enforcement of the decision of the Russian Court of Arbitration. This claim is yet to progress any further.

On May 29, 2009 Slovnaft also filed an Extraordinary Appeal (Dovolanie) to the Supreme Court of the Czech Republic against the decision adopted by the Municipal Court of Prague on February 24, 2009 ordering enforcement against the property of Slovnaft.

Proceedings concerning the action to nullify an agreement concluded in 2006 between Slovnaft and MOLTRADE Mineralimpex Zrt on transfer of ownership of Slovnaft Česká republika, spol. s r.o. company are pending. The participants in these open court proceedings are Ashford and MOLTRADE Mineralimpex Zrt. No new facts have appeared in this dispute.

None of the litigations described above have any impact on the accompanying consolidated financial statements except as explicitly noted. MOL Group entities are parties to a number of civil actions arising in the ordinary course of business. Currently, no further litigation exists that could have a material adverse affect on the financial condition, assets, results or business of the Group.

The value of litigation where members of the MOL Group act as defendant is HUF 33,506 million for which HUF 18,161 million provision has been made.

MOL Group has also filed suits, totalling HUF 2,945 million.

Environmental liabilities

MOL's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL has established a provision of HUF 69,563 million for the estimated cost as at 31 December 2009 for probable and quantifiable costs of rectifying past environmental damage (see Note 20). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

In addition, some of the Group's premises may be affected by contamination where the cost of rectification is currently not quantifiable or legal requirement to do so is not evident. The main case where such contingent liabilities may exist is the Tiszaújváros site, including both the facilities of TVK and MOL's Tisza refinery, where the Group has identified potentially significant underground water and surface soil contamination. In accordance with the resolutions of the regional environmental authorities combined for TVK and MOL's Tisza Refinery, the Group is required to complete a detailed investigation and submit the results and technical specifications to the authorities. Based on these results the authorities are expected to specify a future environmental risk management plan and to bring a resolution requiring TVK and MOL to jointly perform this plan in order to manage the underground water contamination. The amount of obligation originating from this plan cannot be estimated currently, but it is not expected to exceed HUF 4 billion.

Furthermore, the technology applied in oil and gas exploration and development activities by the Group's Hungarian predecessor before 1976 (being the year when the act on environmental protection and hazardous waste has become effective) may give rise to future remediation of drilling mud produced. This waste material has been treated and disposed of in line with environmental regulations ruling at that time, however, subsequent changes in legal definitions may result in further re-location and remediation requirements. The existence of such obligation, and consequently the potential expenditure associated with it is dependent on the extent, volume and composition of drilling mud left behind at the numerous production sites, which cannot be estimated currently, but is not expected to exceed HUF 3-5 billion.

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries, depots and retail sites which have been acquired in recent business combinations. As at 31 December, 2009, on Group level the aggregate amount of contingent liabilities recorded on the balance sheet as environmental liabilities was HUF 41.3 billion (HUF 13.4 billion at 31 December, 2008).

The notes are an integral part of these consolidated financial statements.

36 Events after the reporting period

On 11 March 2010 MOL exercised its American call option with cash-settlement method under the option agreement signed on 16 March 2009 with ING Bank N.V. ("ING") regarding 5,220,000 MOL Series "A" Ordinary shares. The settlement occured on 16 March 2010 and the strike price was EUR 30.97 per share.

At the same time, MOL and ING signed a share option agreement and as a result of these transactions, ING received a European put option with respect to its 5,220,000 'A' series MOL shares and MOL received an American call option regarding those shares. The maturity for both options is 1 year. The strike price for the call and put options is EUR 75.36 per share.

37 Notes to the consolidated statements of cash-flows

Cash and cash equivalent comprise the following at 31 December

	2009	2008
	HUF million	HUF million
Cash and cash equivalents attributable to continuing operations	184,594	222,074
Cash and cash equivalents attributable to discontinuing operations	1,598	-
Cash and cash equivalents at the end of the year	**186,192**	**222,074**

Analysis of net cash outflow on acquisition of subsidiaries and non-controlling interest

	2009	2008
	HUF million	HUF million
Cash consideration	(6,814)	(13,040)
Cash at bank or on hand acquired	148	882
Net cash outflow on acquisition of subsidiaries and joint ventures	**(6,666)**	**(12,158)**

Issuance of long-term debt

	2009 HUF million	2008 HUF million
Increase in long-term debts	521,009	1,133,043
Non cash-flow element: unrealised exchange gains / (losses)	3,222	(35,818)
Total issuance of long-term debt	**524,231**	**1,097,225**

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38 Related party transactions

Transactions with associated companies in the normal course of business

	2009 HUF million	2008 HUF million
Trade receivables due from related parties	6,299	5,493
Trade payables due to related parties	6,475	6,181
Net sales to related parties	47,491	67,866

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2009 and 2008. All of these transactions were conducted under market prices and conditions. INA Group has been consolidated using the equity method until June 30, 2009, therefore transactions have been included in the balance of net sales above until that date.

Remuneration of the members of the Board of Directors and Supervisory Board

Directors' total remuneration approximated HUF 122 million and HUF 115 million in 2009 and 2008, respectively. In addition, the non-executive directors participate in a long-term incentive scheme details of which are given below. Executive members do not receive any additional remuneration for their participation in the Board in excess of their managerial compensation package. Total remuneration of members of the Supervisory Board approximated HUF 84 million in 2009 and HUF 76 million in 2008.

Non-executive directors are remunerated with the following net amounts in addition to the profit sharing program:

- Non-executive directors 25,000 EUR/year
- Chairman of the Board 31,250 EUR /year

In case the position of the Chairman is not occupied by a non-executive director, it is the non-executive vice Chairman who is entitled for this payment. Directors who are not Hungarian citizens and do not have permanent address in Hungary are

provided with EUR 1,500 on each Board meeting (maximum 15 times) when travelling to Hungary. Directors who are chairmen of the committees are provided with EUR 1,000 per month.

Number of shares held by members of the Board of Directors and Supervisory Board and the management

	2009 Number of shares	2008 Number of shares
Board of Directors	421,490	466,441
Supervisory Board	547	891
Senior Management (except executive Board members)	156,191	218,352
Total	**578,228**	**685,684**

Transactions with the Officers and Management of the Company

Mr. Sándor Csányi, deputy chairman of the Board of Directors is also the Chairman-CEO of OTP Bank Plc. MOL Plc. and some of its subsidiaries have contractual relationship with the members of OTP Group, including having bank accounts and deposits, using credit card and brokerage services and obtaining loan financing. No transactions out of the usual conduct of business have been concluded with OTP in 2009 or 2008. All of these transactions are on an arm's-length basis.

A close family member of Mr. Miklós Kamarás, member of the Board of Directors, has direct control over Roff-Petrol Bt., an operator of four fuel stations, which had HUF 84 million and HUF 78 million income from this service in 2009 and 2008, respectively.

The brother of Mr. János Major - former member of the Supervisory Board - is the managing director of CSÚCS 94 Kft. which provided maintenance services to Petrolszolg Kft. amounting to HUF 20 million during 2008. In 2008 there was rental service provided by MOL Plc. to CSÚCS 94 Kft. amounting to HUF 1 million. There was no transaction in 2009.

Mr. Slavomír Hatina, member of the Supervisory Board has an indirect interest of a Slovakian company Granitol a.s. through Slovintegra a.s. The Group has sold polyethylene to this company in 2009 and 2008 amounted to HUF 3,153 million and HUF 193 million respectively, carried out on usual commercial terms and market prices. Additionally, Mr. Hatina has an indirect interest of a Slovakian company Real–H.M. s.r.o. through BAITEC Group a.s. The Group has sold goods to this company in amount of HUF 2,614 million and HUF 5,170 million carried out on usual commercial terms and market prices during 2009 and 2008, respectively.

Mr. József Molnár, Executive Vice President for Finance and his close family members are the owners of MoNa -Arbor Kft. The close family members are managing directors of the Kft, which provided services Petroszolg Kft. In 2008 the Group has purchased services from the company in an amount of HUF 2.4 million carried out on usual commercial terms and market prices. There was no transaction in 2009.

A close family member of Ms. Tünde Tóth-Zsiga, Group Head of Internal Audit is the majority shareholder of Landimpex Kft, which provided services to MOL Plc. In 2009 the Group has purchased services from the company in an amount of HUF 1.2 million carried out on usual commercial terms and market prices.

The notes are an integral part of these consolidated financial statements.

Mr. Oszkár Világi, a member of the Board of Directors in Slovnaft and Slovnaft's Chief Executive Officer is a partner in legal firm Ruzicka Csekes s.r.o. The company and its predecessor CVD s.r.o provided legal services to the Group in the value of HUF 104 million and HUF 78 million in 2009 and 2008, respectively.

Mr. Pavol Buday, member of the Supervisory Board in Slovnaft is statutory representative of APOLKA s.r.o. that provided services to Slovnaft in the value of HUF 21 million and HUF 34 million in 2009 and 2008, respectively. In 2009 APOLKA s.r.o. has also purchased services from Slovnaft in the value of HUF 13 million carried out on usual commercial terms and market prices.

The spouse of Mr. Bojan Milković, Chief Executive Officer of INA is an executive director of Generalturist, a tourist trade company. During 2009, this company arranged travel services for INA Group in a value of HUF 217 million.

Key management compensation

	2009 HUF million	2008 HUF million
Salaries and other short-term employee benefits	2,097	2,451
Termination benefits	-	-
Post-employment benefits	17	17
Other long-term benefits	-	-
Share-based payments	-	186
Total	**2,114**	**2,654**

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

No loans have been granted to Directors or members of the Supervisory Board.

39 Share-based payment plans

The expense recognized for employee services received during the year is shown in the following table:

	2009 HUF million	2008 HUF million
Expense arising from equity-settled share-based payment transactions	-	133
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	1,960	(973)
Total expense / (reversal of expense) arising from share-based payment transactions	**1,960**	**(840)**

The share-based payments are described below.

The share-based payments serve the management's long term incentive.

MOL's previous convertible bond program has been closed in 2008. The long term incentive program has been revised. The new Complex long term managerial incentive system employs two incentive systems in parallel: profit sharing incentive – based on value added methodology – and the previous option based incentive.

2009 is a transition period of time, when managers could decide between the previous incentive based on option and the new complex incentive system. As of 2010 the long term incentive should be determined for all entitled managers according to the rules of the new system.

Share Option Incentive Schemes for management

The incentive system based on stock options launched in 2006 ensures the interest of the management of the MOL Group in the long-term increase of MOL stock price.

The incentive stock option is a material incentive disbursed in cash, calculated based on call options concerning MOL shares, with annual recurrence, with the following characteristics.

- covers a 5-year period starting annually, where periods split into:
- a 3-year waiting period and a 2-year redemption period in case of managers staying in the previous system for 2009,
- a 2-year waiting period and a 3-year redemption period in case of managers choosing the new system already for 2009, and it is valid for all of the entitled managers from 2010.
- its rate is defined by the quantity of units specified by MOL job category

- the value of the units is set annually (in each year since the initiation of the scheme, 1 unit equals to 100 MOL shares).

According to the new system it is not possible to redeem the share option until the end of the second year (waiting period); the redemption period lasts from 1 January of the 3rd year until 31 December of the 5th year.

The incentive is paid in the redemption period according to the declaration of redemption. The paid amount of the incentive is determined as the product of the defined number and price increase (difference between the redemption price and the initial price) of shares.

Details of the share option rights granted during the year were as follows:

	Number of shares in conversion options 2009 share	Weighted average exercise price 2009 HUF/share	Number of shares in conversion options 2008 share	Weighted average exercise price 2008 HUF/share
Outstanding at the beginning of the year	451,165	22,974	293,984	20,712
Granted during the year	248,573	10,987	178,659	26,432
Forfeited during the year	(39,355)	23,578	(21,478)	20,783
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**660,383**	**18,426**	**451,165**	**22,974**
Exercisable at the end of the year	115,040	20,170	-	-

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. As a consequence of increasing share prices, HUF 1,960 million expenses have been incurred in 2009, recorded as personnel-type expenses with a corresponding increase in Trade and other payables. In 2008 expenses recorded in preceding years with respect to this scheme has been reversed in a value of HUF 973 million.

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

	2009	2008
Weighted average exercise price (HUF / share)	18,426	22,974
Share price as of 31 December 2009 (HUF / share)	17,247	9,898
Expected volatility based on historical data	44.25%	40.59%
Expected dividend yield	1.93%	4.81%
Estimated maturity (years)	2.82	3.12
Risk free interest rate	2.08%	2.23%

The notes are an integral part of these consolidated financial statements.

Profit sharing incentive

The profit sharing incentive relates to long-term, sustainable increase of profitability, based on the value added methodology, thus ensuring that the interest of the participants of the incentive system corresponds with that of shareholders of the Group .

It is a cash-settled annual net bonus calculated on the basis of increase in the value added. (Value added: recognises a profit performance generated on top of the cost of capital invested)

Since the basis of determining one unit of the profit-sharing incentive for any given year is the audited financial statement for that year approved by the Annual General Meeting (MOL Plc.), the incentive should be disbursed subsequent to the Annual General Meeting (MOL Plc.) summoned to close the given year.

No payment is expected with respect to 2009 based on this new incentive system.

Management Discussion and Analysis about the 2009 Business Operation

Highlights of the challenges of 2009 and our responses

In 2009 the oil and petrochemical sectors faced an extremely challenging external environment characterized by weak margins and depressed demand. Thanks to our early answer to the crisis, our well-recognized efficiency leadership and integrated business model we managed to keep our strong financial position.

We were among those companies which reacted immediately following the first signs of the crisis and adjusted our operational activities to cope with the increasingly difficult environment. We implemented a range of cost reduction measures to extend our leadership in efficiency, the benefits of which were reflected in 2009 results.

FY 2009 EBITDA, excluding special items, increased by 11% to HUF 384.9 bn despite the deteriorating diesel crack spreads, petrochemical margins and the 31% lower average hydrocarbon prices. Upstream segment improved by 32%, Gas & Power was extremely strong (up by 54%), more than offsetting weaker Downstream and Petrochemical results.

In 2009, we remained disciplined to our reduced CAPEX plan, and financed it through the operating cash flow, which rose compared to the previous year, proving MOL's strong cash producing ability. Even with the full consolidation of INA, our gearing ratio decreased further at the end of 2009 compared to the end of the previous year, as we managed to preserve our strong balance sheet.

In addition, we created a strong basis for further growth by gaining management control and full consolidation of INA as of 30 June 2009. MOL's Upstream portfolio became more extended, diversified and balanced with practically doubling its SPE 2P reserve base as of the end of 2009 and significantly increasing its production. The operational control over INA since 2009 brought two refineries to MOL's refinery pool, and so total capacity increased to 23.5 mtpa. The five refineries operated under joint supply-chain optimisation on adjacent markets provide outstanding further growth opportunity.

Our main goal for the coming years is to keep our financial stability, improve the efficiency and maximise the value of our existing portfolio. Regarding Upstream business the focus will be on completing high return/early cash generative appraisal and development projects in Syria, CEE, Pakistan, Kurdistan and Russia to increase production levels, contributing significantly to Group-level EBITDA. At the same time, we intend to extend MOL's outstanding efficiency to the whole Upstream portfolio. Finally, we are carrying out extensive and intensifying exploration activity to further increase our reserve base and create the basis for further production growth beyond 2013.

Regarding the Downstream business MOL Group's main goal is to become the premium refinery group in Europe by 2012. The Group is committed to elevate newly consolidated assets to MOL standard with investments targeting product quality and yield improvement. MOL is focusing on joint optimisation of 5 refineries and 2 petrochemical units and is committed to extend its outstanding operational excellence to the whole Group.

Detailed Analysis of 2009 Results

MOL Group's EBITDA from continuing operation, excluding special items, increased by 11% to HUF 384.9 bn in 2009 year-on-year despite the deteriorating diesel crack spreads, petrochemical margins and the 31% lower average hydrocarbon prices. MOL proved its cash production ability during the year, as in spite of this depressed environment MOL could increase its operating cash flow by 18% to HUF 411.2 bn, while its operating cash flow before changes in working capital remained stable at HUF 373.0 bn. In 2009, MOL remained disciplined to its reduced CAPEX plan, which was an early and adequate response to the crisis and managed to preserve its strong balance sheet and stable financial position. The gearing ratio decreased to 33.1% at the end of December 2009 compared to a gearing ratio of 35.9% at the end of December 2008.

MOL Group's operating profit from continuing operation, excluding special items was HUF 170.5 bn in 2009, decreased by 12% y-o-y. The operating profit was significantly decreased by the additional depreciation calculated on the fair value of INA's property, plant and equipment in MOL's financial statement. The bottom line was decreased by a HUF 58.8 bn financial expense and a significant tax expense, therefore net profit for the period, excluding special items, was at HUF 47.2 bn in FY 2009.

Continuing operation

- **Exploration & Production** operating profit, excluding special items, was HUF 134.6 bn in FY 2009. The operating profit, excluding INA amounted to HUF 108.7 bn in FY 2009 representing a 14% erosion vs. FY 2008 excluding the non-recurring profit from the sale of the Szőreg-1 field, as a 31% decrease (in USD-terms) in the average realised hydrocarbon price and lower production volumes more than offset the positive impacts of weakening HUF and lower mining royalties and taxes.
- **Refining & Marketing** operating profit, excluding special items, was HUF 28.0 bn in FY 2009 including INA's operating loss contribution of HUF 19.7 bn for H2 2009. The operating profit, excluding INA, was at HUF 47.7 bn versus HUF 67.8 bn in FY 2008 due to deteriorating external environment, characterized by collapsing diesel crack spreads and narrowed Brent-Ural differential.
- **The Petrochemical** segment operating loss was HUF 15.2 bn in FY 2009 reflecting the deteriorating petchem margins and pressured market demand because of the recession.
- **The Gas and Power** segment's operating profit, excluding special items, increased by 58% to HUF 64.5 bn in FY 2009. FGSZ Natural Gas Transmission Closed Company Limited by Shares was the most important profit contributor (HUF 46.1 bn without asset revaluation), while further gas and power units, including MMBF Ltd., Slovnaft Thermal Power Plant, had growing profit contributions.
- **Net financial expense** of HUF 58.8 bn was recorded in FY 2009 in comparison with a net financial loss of HUF 16.1 bn in FY 2008.
- **Capital expenditure and investments** decreased by HUF 198.2 bn to HUF 380.7 in FY 2009. INA's H2 2009 CAPEX spending was HUF 93.3 bn, while acquisition cost of INA was HUF 227.3 bn in 2008. The acquisition cost of a 10% stake and the work program CAPEX of Pearl paid by treasury shares were HUF 72.6 bn. Without these elements, CAPEX was behind the base figure by HUF 136.8 bn as a result of withheld performances and the investments realized in 2008.

Discontinued operation

- Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and MOL on 30 January 2009 and amended on 16 December 2009, INA exits from the regulated part of the gas value chain. The Gas Storage Company (Podzemno skladište plina d.o.o.) was taken over by a fully state-owned company Plinacro d.o.o. on 30 January 2009, while the Croatian Government agreed to take over the gas trading business till 1 December 2010.
- The gas trading business of INA, which meets the definition of discontinued operation, also contributed a loss of HUF 16.6 bn in H2 2009, from which HUF 14.9 bn has been eliminated in consolidation, since this expected loss had been reflected as a provision in MOL Group's purchase price allocation as of 30 June 2009.

Total operation

- **Net debt position** increased to HUF 926.6 bn, primarily as a consequence of INA's full consolidation, resulting in a 33.1% gearing ratio at the end of December 2009. Excluding the INA full consolidation impact, the net debt of MOL was HUF 672.9 bn at the end of the period.
- **Operating cash-flow** in FY 2009 was HUF 411.2 bn, compared to HUF 347.2 bn in FY 2008. Operating cash flow before movements in working capital decreased by 3% year-on-year.

Key financial data by business segments

NET SALES REVENUES	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[5]	2009 (USD mn)[5]
Exploration and Production	428,780	461,199	2,496	2,280
Refining and Marketing	3,145,634	2,720,839	18,310	13,450
Gas & Power	199,124	513,756	1,159	2,539
Petrochemicals	470,457	388,280	2,738	1,919
Corporate and other	148,703	164,678	866	814
TOTAL NET SALES REVENUES – CONTINUING OPERATION	**4,392,698**	**4,248,752**	**25,569**	**21,002**
Discontinued operation (INA's gas trading business)	-	28,664	-	142
TOTAL NET SALES REVENUES	**4,392,698**	**4,277,416**	**25,569**	**21,144**

NET EXTERNAL SALES REVENUES[1]	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[5]	2009 (USD mn)[5]
Exploration and Production	237,306	273,124	1,381	1,350
Refining and Marketing	2,768,530	2,396,450	16,115	11,846
Gas & Power	145,726	236,166	848	1,168
Petrochemicals	366,090	289,128	2,131	1,429
Corporate and other	17,349	31,168	101	154
TOTAL NET EXTERNAL SALES REVENUES – CONTINUING OPERATION	**3,535,001**	**3,226,036**	**20,576**	**15,947**
Discontinued operation (INA's gas trading business)	-	28,664	-	142
TOTAL NET EXTERNAL SALES REVENUES	**3,535,001**	**3,254,700**	**20,576**	**16,089**

OPERATING PROFIT	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[5]	2009 (USD mn)[5]
Exploration and Production	191,018	126,631	1,112	626
Refining and Marketing	72,450	15,371	422	76
Gas & Power	38,661	61,902	225	306
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(37,697)	54,386	(220)	269
Inter-segment transfers[2]	(57,619)	5,500	(335)	27
TOTAL OPERATING PROFIT – CONTINUING OPERATION	**199,224**	**248,571**	**1,160**	**1,229**
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL OPERATING PROFIT	**199,224**	**246,788**	**1,160**	**1,220**

OPERATING PROFIT EXC. SPEC ITEM [3]	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[5]	2009 (USD mn)[5]
Exploration and Production	125,679	134,644	732	666
Refining and Marketing	67,821	28,047	395	139
Gas & Power	40,226	64,464	234	319
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(38,334)	(44,393)	(224)	(220)
Inter-segment transfers[2]	6,155	2,938	36	14
TOTAL OPERATING PROFIT EXC. SPEC ITEM – CONTINUING OPERATION	**193,958**	**170,481**	**1,129**	**843**
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL OPERATING PROFIT EXC. SPEC ITEM	**193,958**	**168,698**	**1,129**	**834**

EBITDA	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[5]	2009 (USD mn)[5]
Exploration and Production	227,938	206,041	1,327	1,018
Refining and Marketing	147,362	108,968	858	539
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(26,625)	69,613	(155)	344
Inter-segment transfers[2]	(59,799)	2,384	(348)	12
TOTAL EBITDA – CONTINUING OPERATION	**351,132**	**467,688**	**2,044**	**2,312**
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL EBITDA	**351,132**	**465,905**	**2,044**	**2,303**

EBITDA EXC. SPEC ITEM [4]	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[5]	2009 (USD mn)[5]
Exploration and Production	162,599	214,054	947	1,058
Refining and Marketing	142,733	116,988	831	578
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(27,262)	(29,166)	(159)	(144)
Inter-segment transfers[2]	5,540	2,384	32	12
TOTAL EBITDA EXC. SPEC ITEM – CONTINUING OPERATION	**345,866**	**384,942**	**2,013**	**1,903**
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL EBITDA EXC. SPEC ITEM	**345,866**	**383,159**	**2,013**	**1,894**

[1] Net external sales revenues and operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Exploration and Production transfers domestically produced crude oil, condensates and LPG to Refining and Marketing and natural gas to the Gas and Power 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. The gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries engaged in 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. 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 only reported when the related third party sale has taken place. In previous years this unrealised profit effect was not shown separately, but was included in the reported segmental result of the receiving segment. Unrealised profits arise principally in respect of transfers from Exploration & Production to Gas and Power and from Refining & Marketing to Petrochemicals. In 2008 the transfer between Exploration & Production and Gas and Power included the sales of Szőreg-1 gas field with an operating profit of HUF 63.7 bn recognized by Exploration & Production which has been eliminated in consolidation.

[3] Operating profit excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field and the accumulated depreciation thereof (HUF 65.3 bn and HUF (1.6) bn, respectively) realised in 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively), a HUF 54.6 bn one-off non-cash revaluation gain, related to consolidating INA into MOL Group for the first time as required by IFRS 3R and the impairment of IES goodwill recognized in Q4 2009 (HUF 4.7 bn).

[4] EBITDA excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field (HUF 65.3 bn) realised in 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively), a HUF 54.6 bn one-off non-cash revaluation gain, related to consolidating INA into MOL Group for the first time as required by IFRS 3R.

[5] In converting HUF financial data into USD, the following average NBH rates were used: for FY 2008: 171.8 HUF/USD, for FY 2009: 202.3 HUF/USD.

MOL Group excluding INA Group data

OPERATING PROFIT	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[4]	2009 (USD mn)[4]
Exploration and Production	191,018	108,686	1,112	537
Refining and Marketing	72,450	43,061	422	213
Gas & Power	38,661	61,902	225	306
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(37,697)	(13,314)	(220)	(66)
Inter-segment transfers[1]	(57,619)	5,500	(335)	27
TOTAL	**199,224**	**190,616**	**1,160**	**942**

OPERATING PROFIT EXC. SPEC ITEM [2]	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[4]	2009 (USD mn)[4]
Exploration and Production	125,679	108,686	732	537
Refining and Marketing	67,821	47,717	395	236
Gas & Power	40,226	64,464	234	319
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(38,334)	(41,470)	(224)	(205)
Inter-segment transfers[1]	6,155	2,938	36	14
TOTAL	**193,958**	**167,116**	**1,129**	**826**

EBITDA	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[4]	2009 (USD mn)[4]
Exploration and Production	227,938	143,881	1,327	711
Refining and Marketing	147,362	130,949	858	647
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(26,625)	(856)	(155)	(4)
Inter-segment transfers[1]	(57,799)	2,384	(348)	12
TOTAL	**351,132**	**357,040**	**2,044**	**1,765**

EBITDA EXC. SPEC ITEM [3]	2008 (HUF mn)	2009 (HUF mn)	2008 (USD mn)[4]	2009 (USD mn)[4]
Exploration and Production	162,599	143,881	947	711
Refining and Marketing	142,733	130,949	831	647
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(27,262)	(29,012)	(159)	(143)
Inter-segment transfers[1]	5,540	2,384	32	12
TOTAL	**345,866**	**328,884**	**2,013**	**1,626**

[1] This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. 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 only reported when the related third party sale has taken place. In previous years this unrealised profit effect was not shown separately, but was included in the reported segmental result of the receiving segment. Unrealised profits arise principally in respect of transfers from Exploration & Production to Gas and Power and from Refining & Marketing to Petrochemicals. In 2008 the transfer between Exploration & Production and Gas and Power included the sales of Szőreg-1 gas field with an operating profit of HUF 63.7 bn recognized by Exploration & Production which has been eliminated in consolidation.

[2] Operating profit excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field and the accumulated depreciation thereof (HUF 65.3 bn and HUF (1.6) bn, respectively) realised in FY 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), and the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively) the impairment of IES goodwill recognized in Q4 2009 (HUF 4.7 bn).

[3] EBITDA excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field (HUF 65.3 bn) realised in FY 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), and the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively).

[4] In converting HUF financial data into USD, the following average NBH rates were used: for FY 2008: 171.8 HUF/USD, for FY 2009: 202.3 HUF/USD.

Turbulent external environment

A rollercoaster year for the world economy

2009 was a rollercoaster year for the global economy. At the beginning of 2009, the risk of an imminent financial and economic collapse seemed very real. Economic activity, trade and investment were steeply declining, while asset prices were volatile and still on a downward trend. Policymakers worldwide reacted by an extreme loosening of fiscal and monetary policies and many governments de facto guaranteed the financial system. The result was a turnaround in economic activity after the first quarter, and a spectacular recovery in asset prices. Emerging markets led the economic recovery, while (mostly) developed countries burdened with high debt were lagging. Despite the economic upturn, unemployment continued to increase throughout the year in OECD countries, and there is a broad consensus among analysts that the recovery remains fragile as many of the factors behind it are temporary. The extreme monetary loosening has increased inflation risks and may have contributed to incipient new asset price bubbles in some areas, while the unprecedented fiscal deficits raised concerns regarding the long-term sovereign solvency of some economies.

The return of high oil prices

Driven by the improving economic climate and receding fears of a double-dip recession, oil prices nearly doubled throughout 2009 surging from around USD 40/bbl in January to just below USD 80/bbl by the year-end. The price climb was more or less steady and gradual as a combined result of several upward and some strong downward pressures on oil prices. The remarkable discipline of OPEC, the slowly improving global economic outlook from Q2 2009, the uninterrupted oil demand growth in emerging Asia, as well as the return of investors to dollar-denominated commodities created upward pressures on oil prices. On the other hand, the collapse of demand in developed economies and the subsequent surge in inventory levels, as well as the remarkable rise in OPEC's effective spare capacity (exceeding 5 mb/d during most of 2009) acted as a drag on oil prices.

Mixed crack spread environment

The average price of Brent in 2009 was USD 61.7/bbl, 36.6% below the 2008 average level. Ural Med, the most relevant blend in terms of MOL's crude oil purchases, averaged at USD 61.2/bbl, down by 35.4% compared to 2008 (USD 94.8/bbl). Average FOB Rotterdam gasoline and diesel prices declined by 30.8% and 43.6%, respectively. Average USD-denominated crack spreads of FOB Rotterdam gasoline increased by 11.3% to near the 5-year average, while diesel crack spreads dropped by 67.8% in 2009 from the record-high levels of 2008 to well below the historic average. The Brent-Urals spread was historically low and averaged at USD 0.77/bbl in 2009, 74.1% lower than in 2008. The dramatic narrowing of the Brent-Urals spread was the result of the strengthening fuel oil crack spread (due to lower refinery utilization) and of OPEC's production cuts targeting heavy grades similar to Urals. Since Urals result in a higher fuel oil yield, the lower discount on fuel oil led to the decline in the discount of Urals relative to the lighter Brent, while OPEC cuts tightened the supply of comparable heavy grades at the same time.

Local currencies weakened against the USD

The Hungarian Forint (HUF) weakened by about 17.7% against the US Dollar in 2009: the average exchange rate in 2009 was 202.3 HUF/USD against 171.8 HUF/USD in 2008. The HUF also depreciated against the EUR in 2009 by 11.7% (280.6 HUF/EUR in 2009 vs. 251.3 HUF/EUR in 2008). The Croatian Kuna (HRK) weakened slightly by about 1.6% against the EUR (7.3 HRK/EUR in

2009 vs. 7.2 HRK/EUR in 2008) and moderately by 7% against the USD in 2009 (5.3 HRK/USD in 2009 vs. 4.9 HRK/USD in 2008).

Sharp economic contraction in core markets

The annual average inflation rate (annual rate of change in HICP - Harmonised Indices of Consumer Prices) in Hungary dropped to 4.0% in 2009, a 2.0% decrease from 2008. In Slovakia, the average consumer-price inflation dropped to 0.9% in 2009 from the previous year's 3.9%. Annual inflation in Croatia was down to 2.2% in 2009 from the 5.8% level seen in 2008. According to preliminary data of Eurostat, annual real GDP in 2009 contracted by 6.3% in Hungary (against a 0.6% growth in 2008), by 4.7% in Slovakia (compared to a 6.2% increase in 2008) and by 5.8% in Croatia (vs. a 2.4 % rise in 2008). Across the region, demand for motor gasoline decreased marginally by 0.3%, while diesel demand fell slightly by 1.2% in 2009, much less than would have been justified by the magnitude of the economic contraction.

Changes in the regulatory environment

Changes in regulated gas transmission 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 2009. As a result of the tariff change in July 2009, the capacity fee decreased by 10% on exit side, while it increased by 19% on entry side on the whole. As new element in the regulation, the capacity fees were differentiated on entry side. The turnover fee decreased by 28% according to the tariff decree as of 1July 2009, which reflects the change of acknowledged gas price.

Minimal impact from changes of the Mining royalty framework in Hungary

The Mining Act, which regulates the mining royalty regime in Hungary, was again amended in 2008, with changes effective from 23 January, 2009. The modified Mining Act of 2008 and the related by-laws introduced the following key elements in 2009:

- decreased base royalty level on crude and gas produced from fields put into operation after 1998 (but before 2008) to 12% from 30%;
- increased escalation factor of the acknowledged cost in the formula determining royalty rate on gas produced from fields put into operation before 1998.

These modifications have limited impact on mining royalty rate paid by MOL as royalty rate on the production from fields listed in agreement between MOL and the Minister of Economy and Transport remains determined according to regulation effective at the end of 2005. 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 were subject to mining royalty rates regulated by the modified Mining Act of 2008 and the related by-laws. In January, 2009 the European Commission started a formal state aid investigation concerning the agreement between MOL and the Ministry. The aim of the investigation was to ascertain whether the provisions fixing the mining royalty at the level effective at the end of 2005 constituted state aid.

MOL paid 29% of its crude oil and natural gas revenue as mining royalty to the Hungarian State on the crude oil and natural gas produced in Hungary in 2009. In 2009, the average rate of the mining royalty payable on natural gas produced from fields put into

production after 1998 and for crude oil production was 12.2% (excluding volumes from enhanced oil recovery which represented 13% of oil production and which is subject to a zero royalty rate in Hungary). The rate of the mining royalty payable on gas produced from fields put into production before 1998 decrease from 71% to 62% due to decreases in oil and gas prices and the impact of increase in the acknowledged cost on rate in the predetermined formula. In 2009, HUF 44.4 bn was paid to the energy price compensation budget from royalties resulting from production from these fields.

Changes in Russia…

With effect from 1 January, 2009 the threshold of the Mineral Extraction Tax was increased from USD 9 /bbl to USD 15 /bbl. The extraction tax and export duty in Russia is dependent upon the average Urals blend listed prices (Rotterdam and Mediterranean markets) and the Russian Rouble/US Dollar exchange rate and are calculated by the formulas set out in the tax legislation. The tax authorities inform the public of the extraction tax rate through official announcements on a monthly basis. Starting from 3rd of December 2008 due to the volatility of the crude oil price the Russian government implemented monthly monitoring period for export duty (contrary to two month period previously used) based upon the average Urals blend listed prices (Rotterdam and Mediterranean markets). The extraction tax rate as of 31 December 2009 was USD 13.0/bbl; with an annual average extraction tax rate of 16.6%, based upon the annual average Urals blend price in 2009. The export duty rate as of 31 December 2009 was USD 39.4/bbl; with an annual average export duty rate of 40.7%, based upon the annual average Urals blend price in 2009.

Furthermore, the corporate income tax rate has been reduced from 24% to 20% from 1 January, 2009 in Russia.

… in Pakistan…

In Pakistan a new Petroleum Rule has been introduced in 2009. The new regulation will be applicable on the new discoveries, for our existing Development and Production Leases the 1997 Policy is still valid. MOL together with partners considered the effects of conversion and in case of exploration blocks applied for the conversion. Under the new regulation the royalty rate is 12.5% on sales and corporate income tax rate is 40% with an implied windfall levy on oil and condensate sales. Under the 1997 rule the royalty rate is 12.5% on wellhead value and corporate income tax rate is 52.5% with no windfall levy applied.

…and in Croatia

As per regulation in 2009, a royalty of 2.6% (in case of certain fields 5 %) was levied on sales value of hydrocarbons. Mining tax law was modified in 2009 with effect from January 2010. As per the new regulation, the basis of royalty is the market value of produced hydrocarbons. Royalty rate for exploitation fields approved by 31 December 2009 is 3.1% in 2010, which increases by 0.5% per year until 2015, and will be fixed at 10% for ten years thereafter. Production-based fee for exploitation fields to be approved after 31 December 2009 amounts to 10% of market value of produced hydrocarbons. Proceeds from cash fees paid upon produced quantities from onshore fields are allocated between local and regional self-governments and state budget. Fees paid upon offshore production represent revenues of state budget.

Sales, Operating Expenses and Operating Profit

The full consolidation of INA commenced as of 30 June 2009, therefore the items of consolidated statement of operations reflects INA's contribution from 1 July 2009. In the first half of 2009 and in the comparative periods MOL's share (47.2% and 25%, respectively) of the net profit of INA Group was included as income from associates. In H2 2009 INA contributed an operating profit of HUF 3.4 bn to the continuing operations of MOL Group. INA Group reported an operating profit from continuing operation of HUF 10.4 bn from which impairment losses and adjustments for provisions (totaling to HUF 16.8 bn) have been eliminated on consolidation since these are reflected in MOL Group's purchase price allocation as required by IFRS 3R. Subsequent to the preliminary purchase price allocation, the additional depreciation calculated on the fair value of INA's property, plant and equipment and also the turnover of inventories recognized at fair market values upon consolidation (as opposed to the carrying amounts reflected in INA Group's separate financial statements) increased operating expenses in the second half of 2009 by HUF 25.7 bn and HUF 16.0 bn, respectively. These amounts are recorded in various captions of the consolidated statement of operations.

Decrease in net sales revenues

In 2009, Group net sales revenues decreased by 9% to HUF 3,226.0 bn, despite INA's H2 contribution of HUF 346.3 bn, primarily reflecting lower commodity price quotations, resulting in lower average sales prices in USD-terms, which was slightly offset by the change in FX rates.

One-off incomes

Other operating income in FY 2009 includes the excess of the MOL's share of INA Group's net assets over the purchase price (HUF 47.7 bn) as well as a HUF 22.9 bn gain on the re-measurement of MOL's 25% investment in INA and its previously held interest in Energopetrol upon fully consolidating both companies as of 30 June 2009, pursuant to the adoption of IFRS 3R (see in Changes in Accounting Policies and Balance Sheet chapters). Additionally, this caption contains a HUF 25.0 bn reversal of payables which has been accrued originally at the time of MOL's gas business sale and the recognition of a further HUF 3.2 bn receivable with respect to the subsequent settlement from E.ON Ruhrgas International AG, since the parties agreed to terminate the risk-sharing mechanism in Q2 2009. Other operating income in 2008 contains HUF 6.4 bn receivable for subsequent settlement from E.ON in connection with the gas business sale, as well as the repayment by the Slovak Ministry of Finance of HUF 4.6 bn from the unfounded penalty paid by Slovnaft in 2005.

Decrease to cost of raw materials

The cost of raw materials and consumables used decreased by 8%, in accordance with the rate of weakening in sales. In 2009, raw material costs decreased by 16%, primarily as a combined effect of the drop in crude oil import prices (HUF 364.8 bn including the effect of FX rate change) and the lower quantity of import crude oil processed (HUF 103.5 bn) as well as the H2 contribution of INA (HUF 226.8 bn) compared to 2008. The cost of goods sold increased by 21% to HUF 521.0 bn, due to the significantly higher value of natural gas sold by MOL (HUF 69.6 bn) to third parties as well as the contribution of INA (HUF 30.0 bn). The value of material-type services used increased by 11% to HUF 169.7 bn.

Other operating expenses

Other operating expenses decreased by 3% year-on-year to HUF 270.2 bn in 2009, mainly as a combined effect of the lower mining royalty (HUF 40.0 bn) and the decreased value of export duty from the Russian operations (HUF 15.1 bn). Consolidation of INA also increased our other operating expenses by HUF 43.1 bn.

Increase in headcount across the Group

Personnel expenses increased by 44% to HUF 200.8 bn, due to INA's H2 contribution of HUF 53.1 bn and the combined effect of annual salary increases (3.7% at the parent company), the higher expenditures at foreign subsidiaries reflecting the FX rate change compared to prior year and the 10.3% increase in average headcount of the Group mainly due to the acquisition of I&C Energo a.s. at the end of June 2008 (HUF 3.7 bn).

Of the production costs incurred in 2009, excluding INA's contribution (HUF 50.0 bn), HUF 5.9 bn is attributable to the increase in the level of finished goods and work in progress compared to the decrease of HUF 59.6 bn in 2008.

Exploration and Production Overview

MoI remained one of the most profitable Upstream players. Significant impetus is given to further growth by acquisitions in 2009

Gaining operative control of INA and the acquisition of a 10% stake in the Pearl project in the Kurdistan region of Iraq significantly changed MOL's Upstream map in 2009. Following the acquisition of further shares in INA in October 2008, MOL has taken operative control and has been fully consolidating INA in its financial statements since July 2009. INA's full consolidation had remarkable effects on MOL's Upstream portfolio - almost doubling reserve base to 665.1 MMboe as at the end of 2009 and increasing its production by two thirds to 142.5 Mboe/day in the fourth quarter of 2009. The enlarged Upstream portfolio has sizeable production in 7 countries and exploration potential in 15 countries.

At the same time we made further steps to maximize the value of our existing resource base through enhanced and improved recovery of our existing producing fields, through originating new projects in territories neighbouring our legacy assets, via strict cost control and efficient operation.

- Highly competitive production unit cost of 5.2 USD/boe was maintained on Group level.
- Intensive field development activities were continued focusing an early cash generation.
- Our widely known strong exploration track record continued further, as we claimed 11 discoveries out of a total 17 exploration wells (including 4 wells by INA, d.d.) tested in 6 countries. New discoveries have added approximately 8.5 MMboe to our SPE 2P reserve base in Hungary. International discoveries are expected to increase our reserve base in the following years after detailed assessment.
- We established new partnerships both in Hungary with RAG from Austria and abroad with Crescent Petroleum and Dana Gas PJSC.

Outlook: key task is to maximize the value of our existing portfolio

The main objective for the coming years will be to maximise the value of our existing portfolio. The focus will be on completing high return/early cash generative appraisal and development projects in Syria, CEE, Pakistan, Kurdistan and Russia to increase production levels, contributing significantly to Group-level EBITDA, growth. At the

same time, we intend to extend MOL's outstanding efficiency to the whole Upstream portfolio. Finally, we are carrying out extensive and intensifying exploration activity to further increase our reserve base and create the basis for further production growth beyond 2013.

Strong operating profit contribution maintained in 2009

For 2009 E&P segment operating profit from continuing operation, excluding special items was HUF 134.6 bn including INA's contribution of HUF 26.0 bn in H2 2009. In spite of the changes in industrial environment we managed to maintain Upstream operating profit (excluding INA, and the impact of the Szőreg-1 disposal from 2008) close to the record level reached in 2008. Results decreased only by HUF 17.0 bn to HUF 108.7 bn as lower prices and volumes overcompensated the impacts of tight cost control. Production volumes in general declined by 9% due to natural depletion in Hungary and Russia. Realised average hydrocarbon prices decreased by 31% in USD-terms in 2009 (crude oil and condensate prices were lower by 36% in line with Brent changes, while Hungarian gas prices decreased only by 25% as gas price is based upon previous nine-month average of oil products prices). These changes were partly compensated by the weakened HUF by 18% to the USD.
The impact of lower prices and volumes were reflected in Upstream revenues and expenditures.

- Revenues, excluding INA's contribution and HUF 65.3 bn one-off revenue of Szőreg-1 disposal, decreased by HUF 97.8 bn or 23% to HUF 333.5 bn in 2009 compared to 2008.
- Royalties on Hungarian production at MOL Plc. decreased by HUF 39.0 bn year-on-year to HUF 69.1 bn (out of this amount HUF 44.4 bn was paid to the energy price compensation budget). The mining tax and export duty paid in Russia decreased by HUF 27.5 bn to HUF 29.6 bn.

The combined effect of decreasing tax payments as a consequence of lower prices and volumes, and of increased focus on cost management, Upstream expenditures, excluding INA's contribution, decreased by HUF 80.7 bn or 26% to HUF 224.8 bn.

INA's contribution to operating profit, excluding special items (consolidated from 1 July, 2009) was HUF 26.0 bn, including HUF 27.6 bn additional depreciation calculated on the fair value of INA's property, plant and equipment.

INA consolidation increased daily production

The total hydrocarbon production was 108.0 Mboe/day in 2009, including INA's 29.1 Mboe/day contribution in H2 2009 (the full year production of INA amounted to 56.6 Mboe/day in 2009). Excluding INA's contribution, total hydrocarbon production, averaged at around 78,900 boe/day in 2009, representing a 9% decrease year-on-year. Total crude oil production (excluding INA's contribution of 12.4 Mboe/day) declined by 10%, and gas production (excluding INA's contribution of 16.7 Mboe/day) was 7% lower than the level reached in 2008.

In 2009, the average Hungarian hydrocarbon production was 57.5 Mboe/day, compared to 61.7 Mboe/day in 2008. In 2009, Hungarian gas production volumes declined to 36.0 Mboe/day by 8% compared to 2008 as a consequence of natural depletion. Hungarian crude oil production declined by 5% to 21.5 Mboe/day in 2009 compared to 2008.

Decrease at international production (13%) basically comes from oil production in Russia which decreased by 14.2% to 20.1 Mboe/day. This decrease was determined by decrease at ZMB project (24.6%)

due to increased water content as a result of maturity and capex delays. Pakistani production increased to 1.4 Mboe/day by 16% as a consequence of start-up of the operation of Manzalai central gas processing facility at end of October, 2009.

INA's contribution to daily production by consolidating from 1 July, 2009 was 29.1 Mboe/day (the full year production of INA amounted to 56.6 Mboe/day in 2009). INA's production basically comes from Croatia (24.1 Mboe/day), while the contribution of international assets was 5.0 Mboe/day. Croatian production is mainly from onshore production (16.7 Mboe/day), but offshore gas production is considerable (7.4 Mboe/day) also. International production is mainly in Syria (2.3 Mboe/day), but there is oil production in Angola (1.7 Mboe/day) and in Egypt (1.1 Mboe/day) also.

International production was lower compared to 2008…

International hydrocarbon production (excluding INA's contribution of 29.1 Mboe/day) decreased by 13% year-on-year to 21.5 Mboe/day in 2009. Our share of the crude oil production from the ZMB field reached 15.0 Mboe/day in 2009, a 24.6% decrease compared to the previous year. The decrease in ZMB production is the consequence of natural decline due to the maturing stage of the field and the increased water-cut from production wells. In joint efforts with the partnership operator, we modified the CAPEX program, based upon analysis of well-performing horizontal wells spudded in 2008. These modifications optimized production in 2009. 2009 original work program was to maintain productivity of the ZMB field. After examination of Russian Federal Subsurface Management Agency in July 2009 new additional work program was designed additional to utilise the produced associated gas via the installation of gas turbine driven electric generators.

…production from new developments in Russia and Pakistan could only partly offset fall from ZMB

The Baitugan field (in Russia's Volga-Urals area, with a 100% MOL share) produced 3.0 Mboe/day, increased from 2.2 MBoe/day in 2008 as a result of development efforts. The fields in Matjushkinskaya block (a 3,231 km2 block in Tomsk region, Russia with a 100% MOL share) provided an additional 2.0 Mboe/day average production. Production in the Manzalai and Makori fields in the Tal Block in Pakistan (8.42% MOL share) was around 1.4 Mboe/day (net to MOL), increased by 16 % in 2009.

Intensive field developments in Russia and Pakistan

In the ZMB field, two production wells were drilled and new construction area was prepared for drillings of the next year during 2009. Furthermore, reconstruction of electric power substation was finished and put into operation.

In the Baitugan field, field development activity continued in 2009. The processing and interpretation of 3D seismic acquisition – started in 2008 - was finished. 29 new producing wells, 9 water injectors and 10 water producers have been drilled. The extension and reconstruction of the gathering system and the construction of water injection system was continued. The reconstruction, extension and gas utilisation of central processing system was started.

In the Matjushkinskaya block, construction of surface facilities, gas utilisation and related engineering were completed. In 2009, development activity was focused on the Ledovoye field development: 8 production wells, 1 water producer well were deepened and related surface facilities were constructed. The production increase of the block was 49%.

MOL as the operator in Tal Block, Pakistan completed the Manzalai Central Processing Facility (CPF) and commissioned three production wells at end of October, 2009. The production rate on the Manzalai field reached 220 MMscf gas and 4,600 boe condensate per day. This was further increased in January 2010 after connecting further two wells.

Croatian onshore activities

Croatian onshore field development activities by INA in 2009 were focused mainly on workovers of existing production wells on mature fields with the aim of increasing production level and recovery rate. Implementation of EOR project on Ivanić and Žutica fields was continued.

Croatian offshore activities

Due to intensive development activities in 2009, Croatian offshore gas production increased significantly.

2009 development program on the Ivana contract area (operated by INAgip, a joint venture between INA and the Italian ENI with equal share) included well completion and installation of gathering system on Vesna and Irina offshore gas fields; drilling and completion of six new wells on Annamaria A platform and connecting Annamaria A platform to the Northern Adriatic gathering system - resulting in the start-up of production from Annamaria gas field from November 2009.

Development program for 2009 of the Izabela contract area (operated by EdINA, owned by INA with 30% share and the Italian Edison with 70% share) contained installation of two platforms (Izabela South and North), connecting the two platforms, and connecting the South platform by sea-line to Ivana K platform, and drilling activities on Izabela South. In 2010, multiple production wells will be drilled and a summary pipeline will be built to the existing central Ivana A and Ivana K platforms. Production from the field is expected to commence in H1 2010.

INA's international development activities – focusing on Syrian Hayan Block

In the Syrian Hayan Block (INA has 100% paying share) the construction of the Jihar Oil and Gas Gathering Station (with a capacity of 1,000 scm/day of oil and 670,000 scm/day of gas) was finished in late 2009 resulting in remarkable production increase from the field. The development program in 2009 also contained drilling of 4 production wells and workover of 3 wells. In addition to the oil and gas station, the construction of a Gas Treatment Plant (GTP) including an LPG plant has also been going on in 2009 and will be continued in 2010 with an expected completion by 2011.

In Angola, INA has interest in the offshore oil Block 3, in three production license areas: Block 3/05 and 3/91 operated by Sonangol; and Block 3/85 operated by Total. Work program in 2009 included drilling of one production well, commencement of drilling of two further production wells, and maintenance and inspection program. In 2010, the two wells started in 2009 will be completed, a new gas pipeline will be constructed and platform and production maintenance works will be carried out.

In Egypt in East Yidma Block (Sidi Rahman Development Lease; INA operated), Ras Qattara, West Abu Gharadig and North Bahariya concessions (operated by other companies) several development wells were drilled, and 2010 work program also contains drilling of multiple wells.

Unit OPEX decreased

The 2009 annual average unit OPEX (with exclusion of DD&A, without INA) decreased by 0.6 USD/boe to 5.2 USD/boe compared to 2008. Negative effect of lower production output resulted in an increase of 0.4 USD/boe which was overcompensated by favourable exchange rates of weak local currencies compared to USD (decrease of 1.0 USD/boe) and by the strict cost controls implemented in response to the general unfavourable economic environment (decrease of 0.1 USD/boe).

We carried out intensive exploration activity in Hungary and we continued with our international exploration projects. In 2009 main activities carried out in Pakistan, Kurdistan, Kazakhstan, Cameroon and Russia. From July 1, 2009 after full consolidation of INA, the exploration portfolio was extended by activities in Croatia, Syria, Egypt, Angola and Namibia.

Strongest acreage position in Hungary and Croatia. Significant in other countries with exploration successes in the year

As at 31 December 2009, the MOL Group had 32 exploration licenses covering more than 37,215 square kilometres in Hungary keeping his dominant playership in the country. In addition, through its subsidiaries the MOL Group participates in the exploration of numerous international exploration blocks located in 13 countries. The Group also has the right to explore hydrocarbons in nine onshore blocks, covering a total area of approximately 70,174 square kilometres and in three offshore blocks with a total area of 37,840 square kilometres in Croatia.

Continued strong exploration track record

Our strong Group level exploration track record, already observed in the preceding year, continued further in 2009 as we claimed 11 discoveries out of a total 17 exploration wells tested in 6 countries, leading to a solid 65% success rate at the drill-bit. In Pakistan, we drilled 3 exploration wells in 2009, one of them is a commercial discovery. In Kazakhstan and Kurdistan we drilled 1-1 exploration well, both of them resulted in discoveries. INA drilled 3 exploration wells in Egypt, 2 of them resulted in discoveries and in Croatia 1 exploration well was drilled without any discovery.

Our conventional exploration activity in Central Europe reached an outstanding 75% success rate in 2009. In Hungary, out of the 8 exploration wells tested in 2009, 4 wells were classified as gas producers, 2 wells as oil producers adding approximately 8.5 million boe to our SPE 2P reserve base. Two wells were qualified as dry. There were 3 wells in drilling or testing phase in Hungary at the close of this report.

New partnerships in conventional exploration

In order to maximize the skill base and operating focus, as well as to share risks and costs, in 2009 we continued our strategy realization via establishing new partnerships with Ascent Hungary and Rohöl AG (in Lovászi-Petišovci and Paleogen-North exploration projects).

Significant activities in unconventional exploration

From the end of 2007, MOL has developed a multi-element unconventional exploration portfolio by ensuring its presence in all Hungarian unconventional basins. In 2008-2009 an extensive work program was completed in the Makó basin in partnership with ExxonMobil and TXM by drilling 3 and testing 2 exploration wells. The tests were technically successful, but the results have not justified the preliminary expectations yet. On the basis of the results, in February 2010 ExxonMobil and MOL decided to withdraw from the Makó-East project. In Makó-West area, there are no operational activities planned for 2010, decision about further activities is expected later this year.

In the Békés basin MOL drilled one well on its own exploration license in 2009, which has reached the initial targets, proved existing of the unconventional play and the presence of gas. The project will be continued in 2010 after the decision is made on the future steps.
In the Derecske basin MOL has launched an exploration program by drilling two wells, which both proved the presence of hydrocarbons in tight reservoirs and already producing gas from unconventional reservoirs Based on the positive results MOL continues the exploration program (in 2009 preparation and 2010 drilling of 2 wells) in this promising basin without involving another partner.

Promising INA-MOL joint exploration projects at the border

In recent years INA's conventional Croatian onshore exploration activities have focused on evaluation of less risky prospects located near producing areas in the Pannonian basin. Furthermore, the Drava and Mura basins' unconventional gas potential are also being evaluated. 2009 work program included drilling of first exploratory well in the Novi Gradac – Potony license area, and 3D seismic acquisition and well test in the Zalata – Podravska Slatina license area (both in cooperation with MOL) at the Croatian-Hungarian border.

Adriatic offshore exploration

Exploration activity was continued on offshore Ivana Block, Croatia in partnership with ENI in 2009, including drilling of one exploration well (resulting in non-commercial discovery), G&G studies and investigation of thin-layer-type reservoirs (Ivana and Ika fields), to explore further gas potential.

Further exploration success in Pakistan

In Pakistan, a commercial discovery from the Maramzai-1 drilling in the Tal Block was announced on 14 October 2009. The production capacity of the well is 38.3 MMscf gas and 1,434 bbl condensate per day. The well is scheduled to be connected to the Manzalai CPF in Q3 2010. In the same block, the Makori-West-1 exploration well failed to substantiate further upside for that field and was written off.
In the Margala and Margala North exploration blocks (70% MOL share) we finished the 2D seismic campaign to create a basis for drilling.

Confirmed resource presence in Kazakhstan and in Russia

We are the operating shareholder (27.5%) of the Fedorovsky exploration block in Kazakhstan. The Rozhkovsky U-12 drilling was finished in June 2009 and was successfully tested in October-November. During testing, it produced 1,321 boe condensate and 5.4 MMCF gas per day. The appraisal will be continued in 2010 with drilling of another appraisal well and geological interpretation.

In Russia, 2 exploration wells started in 2009. The Kvartovaya-11 well in the Matjushkinskaya Block was completed in 2009. In the Surgut-7 Block the first exploration well (Ayskaya-1) was drilled in 2008, resulting in oil indications from several layers. In 2009 the second exploratory well (Atayskaya-2) was completed, which gave oil from the Jurassic horizon. Further tests are scheduled for 2010.

Progress in our exploration projects in Kurdistan (Northern Iraq); Oman, Cameroon, India and Yemen

In the Kurdistan Region of Iraq MOL is the operator of Block Akri-Bijeel with a working interest of 80% and has a 20% non-operated working interest in Block Shaikan. In the Shaikan Block the Shaikan-1 exploration well has been deepened and successfully tested in 2009. An accelerated appraisal programme will be launched in 2010. In the Akri-Bijeel Block the Bijeel-1 exploration drilling started end of December. The first tests have been successful. The well has produced 3,200 bbl/d oil and 0.9 MMcf/d (~150 boe/d) of gas.

In Oman, (75% MOL share) we performed G&G studies and entered into the second exploration phase in 2009. The work commitment of this phase contains G&G studies and 300 km new 2D seismic acquisition and one optional well. The 2D acquisition will be carried out in 2010.

In Cameroon, MOL has 40% non-operated interest in the Ngosso Block. In 2009 3D seismic acquisition was performed, its processing and interpretation is expected to be completed in 2010.

In India, MOL farmed into Block HF-ONN-2001/1, operated by ONGC. The 35% working interest in the Himalayan Foothills was approved by the Indian Government in July 2009. The block is in the second phase of exploration, and the drilling of an exploratory well (Kasauli-1) is expected to commence in 2010. 2010 work program also contains seismic re-evaluation.

In Yemen Block 48, as the license expired in January 2010, MOL decided to exit the block and started termination of the project.

INA's International exploration activities – focusing on committed programs in 2009

In the Syrian Aphamia Block (INA has 100% share) new 3D seismic acquisition, processing and interpretation of the acquired data was carried out in 2009.

In the Angolan 3/05 concession an appraisal well was drilled in 2009 (with a total depth of 3,431 m). Primary objective zones were perforated and successfully tested. In 2010, in the second extension phase of the exploration license, one exploration well will be drilled.

In Egypt, geological studies were performed and two exploratory wells were drilled in 2009 on the East Yidma Concession. Rizk-1 well proved oil accumulation and was successfully tested, based on which INA declared commercial discovery. The other well did not reach planned depth, but hydrocarbon saturation was identified and tested in two reservoirs.

In the Namibian Zaris Block and the Iranian Moghan-2 Block, reprocessing of 2D seismic data was performed in 2009. Based on the results, INA started to prepare for termination of the Namibian project at the expiry of the license in 2010; while an innovative exploration program has been prepared for Moghan Block.

Significant acquisition in Kurdistan Region of Iraq - Pearl

In May 2009, MOL acquired a 10% stake in Pearl Petroleum Company Limited (Pearl Ltd) from Crescent Petroleum and Dana Gas PJSC. Pearl Ltd was set up to appraise, develop and produce two giant, multi TCF gas-condensate fields (Khor Mor and Chemchemal) in the Kurdistan Region of Iraq. Chemchemal field is in exploration phase, while Khor Mor field is under development and produces and supplies gas to local power plants. Local industrial needs have to be primarily satisfied by the project, but in future, substantial excess quantities are expected to be available for export. The project is equity consolidated, which disallows recognition of hydrocarbon production share in MOL Group production volumes, but reserves as equity reserves still will add to Group reserves in the future.

Stable MOL SEC reserves

According to our reserve review, (excluding INA d.d.'s reserves, but including MMBF Zrt's reserves) in line with SEC guidelines, total gross proved developed and undeveloped reserves of the MOL Group at 31 December, 2009 were 153.3 MMboe, consisting of 12.6

bcm (82.6 MMboe) of natural gas (including condensate and gas liquids) and 9.6 million tonnes (70.7 MMboe) of crude oil.

In Hungary, annual production in 2009 reduced our gross proved reserves by 23.6 MMboe. New Hungarian discoveries and field extensions increased MOL's gross proved reserves by 3.0 MMboe, while the revision of reserves increased the gross proved reserves by 8.0 MMboe.

Internationally, reserve revisions resulted in an increase in gross proved reserves of 18.2 MMboe.

In accordance with SEC guidelines, as at 31 December 2009, MOL's share of gross proved reserves of the ZMB field was 25.0 MMbbls. The Baitugan field had 12.7 MMbbls of proved reserves. Proved reserves of the Matjushkinskaya block were 4.8 MMbbls where revision due to Ledovoye field appraisal added reserves of 2.6 MMbbls in 2009.

The Manzalai and Makori fields in the Tal Block (Pakistan, 8.42% MOL share) had 12.8 MMboe of proved gas and condensate reserves pertaining to our share according to the SEC reserve evaluation as of 31 December, 2009. Revision added 13.0 MMboe in 2009 as Manzalai CPF was constructed and long-term gas sale was secured.

SPE 2P reserves doubled year-on-year due to INA consolidation

In parallel to the reserves presentation of proved reserves under SEC guidelines, MOL publishes P1 and P2 reserves according to SPE guidelines. In the opinion of the Company, SPE guidelines provide a more realistic framework for reserves presentation. MOL's 2009 year-end SPE gross proved reserves are 447.0 MMboe, including 245.3 MMboe of INA d.d.'s reserves and 3.7 MMboe MMBF Zrt's reserves. SPE P1+P2 figures are at 665.1 MMboe (including 325.1 MMboe of INA d.d.'s reserves and 3.7 MMboe MMBF Zrt's reserves), which presents an increase of 132.5 MMboe compared to the previous year mainly due to full consolidation of INA, d.d.

Refining and Marketing Overview

Quick and adequate response to the economic crisis

MOL Group adopted a disciplined and effective approach to cost consciousness thus gave successfully answers to the main challenges of 2009. The company focused on cash generation performance in all activities. While inventory levels and operation unit costs have been lowered, strict control procedures have safeguarded credit performance. As part of the quick and adequate response to the economic crisis, MOL decided to cut its original CAPEX plan for this year, resulting in focused investments and revaluation of projects on MOL Group level. The large scale hydrocrack conversion project in Duna Refinery has been rescheduled to an early revisit in 2010. However the review of the technical scope and timing of the project will be carried out in the light of new synergies in the larger group.

Solid base for organic growth in an enlarged Group…

The operational control over INA since 2009 brought two refineries to MOL's refinery pool, which total capacity increased to 23.5 mtpa. The five refineries operated under joint supply-chain optimisation on adjacent markets provide outstanding further growth opportunity. The high complexity Duna and Bratislava are well-known for their exceptional profitability and outstanding operational excellence and represents our track record of cutting edge asset development. Although the new refineries have lower complexity and efficiency

levels, MOL is committed to improve the efficiency level of the new portfolio elements to its surpassing standard level. The coastal Rijeka refinery provides direct connection to the Mediterranean region and gives the opportunity for the Group to procure and sell crude oil and oil products by cargo, while the landlocked Sisak refinery is located in the vicinity of the main Croatian consumer market.

...by leverage synergies of 5 refineries and 2 petchem units

The extended portfolio also allows MOL to leverage all the development and operational synergies among the refineries and petrochemical units. MOL can optimize its asset developments on a higher level and can exploit the advantages of the joint stocking and scheduling of its units, the feedstock and product transfers among the refineries and harmonized logistics and commercial activity.
In order to implement the maximum exploitation of the operational opportunities and harmonizing the investment decisions a cutting-edge planning tool, Seven Sites Linear Programming Model was introduced in 2009. Extended Group level risk management, intensive knowledge transfer and sharing also have been commenced.

Market driven investment programme continued

With disciplined, more focused CAPEX management MOL Group continued its key asset development programs despite the tight economic environment in 2009. INA Modernization Programme Phase I. targeting compliance with EU motor fuel quality requirements. New units in Sisak Refinery have already come on stream both to produce Euro V motor gasoline and to reduce emission to local environment. New units in Rijeka are in-construction to process Euro V motor fuels in 2010 and to comply with local environmental legislation.
IES Modernization programme continued with adding new hydrotreater capacities to serve local markets with Euro V gasoils.
MOL and Slovnaft refineries completed the planned diesel production revamps and capacities have been lifted to serve long term market dieselisation trends.
Slovnaft heavy-fuel-to-electricity upgrade project gained momentum. The increased capacity of the local power plant will satisfy the electricity and heat demand of the refinery thus providing value creating captive market for all Slovnaft processed heavy residue fuels.

Outlook: become the premium refinery Group, with…

Our vision is to become the premium refinery group in Europe. On the track for this the completion of INA Modernization Programme Phase I. and the continuation of integration will be the key elements of 2010.

…focused developments...

The most important part of the remaining investments of the Phase I. programme is the Mild Hydrocracker unit in Rijeka, with the expected completion by mid-2010. With the completion of these investments Rijeka will be able to produce its full diesel and gasoline products in Euro V quality, while Sisak will produce gasoline solely and diesel partially in line with Euro V quality standards. With the EU standard motor fuel pool, the Group both will be able to serve local markets and harmonise its regional sales activity on more efficient level. Continued focus will be given to the market driven planning of Phase II. to elevate conversion level and competitiveness of the refineries on mid-term.

…and extension of our outstanding operational excellence to Group level

Efficiency improvement actions will be continued at all locations supported by extensive knowledge transfer and harmonized operation across all business segments through the whole value chain. We also keep focus on unit costs of our activities, asset maximization of production, distribution and commercial chains, and will exploit cross-

border synergies available by the organic growth of the previous years.

Extremely tight external environment, but…

The external conditions in 2009 were significantly different from 2008. Diesel crack spread was extremely strong (USD 217/t) in 2008, while it was extremely low (USD 68/t on average) in 2009 which affected the result mostly (middle distillate yield is 45%). Motor gasoline crack spread improved slightly from USD 104/t to USD 116/t, while naphtha increased from USD 25/t to USD 50/t in 2009 vs. 2008. In addition, the Brent-Ural differential narrowed to USD 0.8/bbl in 2009 versus USD 3.0/bbl in 2008.

…Downstream business was still profitable

Despite of the tight and deteriorated external environment the R&M segment operating profit, excluding special items, was HUF 28.0 bn in 2009. Excluding INA's consolidation impact of operating loss of HUF 19.7 bn in H2 2009, the Downstream EBIT amounted to HUF 47.7 bn for 2009, representing a 30% decrease year-on-year. CCS-based operating loss, excluding INA's contribution was HUF 2.4 bn, mainly due to external factors and a 2% volume decline, which was only partly offset by the positive impact of the weaker HUF vs. the USD as well as the internal efficiency improvement (rigorous cost control and efficient customer management system).

INA fuelled the 9% throughput increase

In 2009, we processed 16.6 Mt of crude oil, compared to 15.0 Mt in the previous year, an increase of 11%, supported by the half year contribution of INA production. Refinery throughput grew by 9% year-on-year to 19.7 Mt in 2009 with 2.4 Mt INA contributions.

Lower refinery utilisation due to moderate market demand and Group level optimization

As a result of the optimisation of sales, inventory level with stringent cash flow focus the refinery throughput, excluding INA's 2.4 Mt contribution, decreased by 5% to 17.3 Mt in 2009 compared to 2008. Other feedstock processing, excluding INA, decreased by 4% compared to the previous year mainly due to a decrease of 0.2 Gasoil purchase as a result of optimization. Processing at the Duna and Slovnaft refineries decreased by 5% on uninterrupted Russian crude supply, while the throughput of IES improved by 2%.

Strict inventory control

Closing inventory volumes, excluding INA, decreased by approximately 330 kt during 2009 vs. 2008 as a result of effective cash management.

Regional demand growth was above expectations

Motor fuel demand in the Central-Eastern Europe region declined by about 1%, which is significantly better than expected at the start of the economic crisis. Gasoline demand stagnated, while diesel consumption suffered a minor drop of 1.2% in 2009 year-on-year. There were considerable differences in the demand pictures of individual countries. The largest drop in demand occurred in Slovenia and Slovakia, while demand in Poland even increased.

Sales increase fuelled by acquisition of INA

Despite the recession, group level sales volume, excluding INA's 2.2 Mt contribution, fell by only 2% year-on-year to 15.2 Mt in 2009. The decrease was caused by the lower H1 2009 volumes compared to H1 2008, while H2 2009 sales were stable year-on-year. Even diesel sales, which is the most exposed to recession (transportation) eroded by only 3.3%, while motor gasoline sales slightly decreased by 0.3%, excluding INA's consolidation impact, in H2 2009 year-on-year.

Leading position in our home markets maintained

We were successfully maintaining our market position on the domestic and on the most important and closest export markets. Moreover, with the consolidation of INA we have strengthened our

regional position on all fields of Downstream activity. Our market share in CEE has increased to 19% from 17% with the contribution of INA in H2 2009 to Group sales.

Sales in Hungary: remained stable, increased slightly even during the crisis

Our total Hungarian sales remained stable in 2009. Both gasoline and diesel sales increased by 1.8% and 0.9% respectively, while our other product sales decreased by 5% compared to 2008.

Stable market coverage in Hungary

MOL successfully maintained its favourable market position in Hungary. Diesel refinery coverage increased slightly from 85% to 86% in 2009 as a result of increased sales quantity in international oil companies (IOC) and end-user segments. Refinery coverage of gasoline slightly increased from 84% to 85% in 2009.

Shrinking fuel demand in Slovakia but Slovakian market coverage successfully maintained

Total refined product sales in Slovakia decreased by 12.2%, driven by lower motor fuel sales (down by 10.6%) as a result of fuel tourism to neighbouring countries in 2009 year-on-year.
The diesel market decreased sharply by 12% in Slovakia and motor gasoline consumption by 9% year-on-year. The introduction of the Euro this year and depreciation of the national currencies in the surrounding countries strengthened the fuel tourism to outside of Slovakia.

Slovnaft maintained its strong market share position of gasoline (2008: 67% vs. 2009: 66%) and of diesel (2008: 65% vs. 2009: 66%) during 2009. It successfully benefited from improved commercial policy targetting end-user segments, especially agriculture.

Increased bitumen consumption

The bitumen market increased slightly in Hungary partly due to works of M6 highway. On the other hand the Slovakian market declined. Market share on both Hungarian and Slovakian market declined by 4% and 2% respectively to 73% and 54%. It was the result of stronger competition driven by higher level of bitumen crack spreads this year.

LPG market share: stable in Hungary but lower in Slovakia

Refinery coverage of LPG in Hungary was 77% slightly higher than in 2008 benefiting from MOL's better position in wholesale compared to competitors. Retail market share decreased slightly in Hungary due to declined small bulk consumption in industry, the segment in which MOL has stronger position, as an impact of the crisis.
In Slovakia MOL optimised market share with prices in order to achieve profit maximum; the market share declined slightly from 28% to 26%.

Petchem feedstock volume was down 2.3%

The total transferred volumes to the Petrochemical segment decreased by 58 kt to 2,488 kt in 2009. Of this, naphtha amounted to 1,822 kt and chemical gasoil volumes of 52 kt (1,888 kt and 60 kt, respectively, in 2008). In 2009, our Petrochemical segment supplied 671 kt of by-products to our Refining and Marketing segment for further processing.

Retail

Retail strategy successfully pursued

In 2009, Retail Divison reached its strategic target and operates more than 1600 filling stations across 11 countries in the region, providing a strong captive market for Refining in the refinery supply radius. After successful integration of Tifon, a fuel retail and wholesale company in Croatia and the IES retail network in Italy in the recent years, MOL gained operational control over INA, the leader of Croatian retail fuel market. As a result of the full consolidation of INA and Energopetrol

as of 30 June 2009, the number of filling stations increased by 488 and 42 respectively in 2009. Furthermore, we increased our Austrian network with 19 filling station during the year. In addition to expanding the number of retail filling stations, MOL Group focuses on customer satisfaction and on improving its filling stations in order to increase revenue per site and network efficiency.

New RVI providing success

MOL's 'Retail Visual Identity' (RVI) has been renewed and introduced at newly-built, refurbished, re-branded filling stations. The new design combines the traditional MOL visual elements with a dynamic refreshing image to reflect the company's strategy and to support MOL Group brand awareness. A regional partnership was created between the MOL Group and Marché International to provide a premium gastro offering at motorway locations in 2008. In 2009 4 additional Marché restaurants were opened at newly-built high-way stations in Hungary and from 2009 onwards Marché also operates restaurants in Croatia at Tifon filling stations.

Retail sales up 32%

Aggregate retail sales volumes (incl. LPG and lubricant volumes) increased by 32% to 3.1 Mt in 2009. The main driver of the growth was INA's H2 2009 contribution of 675 kt. Retail fuel sales volumes, excluding INA, increased by 3% to 2,383 kt in 2009 due to the further expansion in Serbia, Austria and in Croatia by Tifon.

Hungarian retail volumes increased despite recession

In Hungary our retail fuel sales volumes increased by 4% year-on-year in 2009 in spite of the economic downturn and the competitive environment. Gasoline sales remained stable, while diesel and LPG sales increased by 7% and 6%, respectively. The retail market was still characterised by strong price competition both in fuel and non-fuel sector. Our retail fuel market share, according to MÁSZ (Hungarian Petroleum Association), increased to 36.5% in 2009 from 35.7% in 2008. The ratio of fleet card sales to our total fuel sales remained stable in 2009 vs. 2008. Our shop sales revenues remained stable in 2009 year-on-year as the increasing sales of tobacco (14%) and pharmacy (5%) products almost offset the decrease in mobile up-loads, lower highway-ticket sales, lower food and non food revenues.

After a decreasing demand in Slovakia sales volumes started to recover in 2009 Q3

In Slovakia, total retail fuel sales volume fell by 8% in 2009 year-on-year, mainly as a result of decreased domestic demand. This was influenced significantly by the strong EUR, which shifted the fuel demand to the neighbouring countries, mainly towards Hungary, Czech Republic and Poland, mostly in H1 2009. Diesel sales showed a 7% decrease year-on-year, while gasoline sales decreased by 10%. LPG sales fell by 3%. Average throughput per site fell by 8% in 2009, as a result of overall decrease in fuel sales. The fuel card sales were affected the most by the unfavourable economic conditions and they fell significantly compared to 2008. Our retail fuel market share was 36.5% in 2009 in Slovakia vs 38.1% in 2008.

Romanian retail volumes decreased by 5% on lower demand

In Romania, total retail fuel sales volume decreased by approximately 5% in 2009 year-on-year, mainly as a result of the lower domestic demand. The fleet card sales volume was the most affected by the economic downturn and fell by over 10% in 2009 year-on-year, which in line with the decrease of the Romanian fleet card market. On the other hand, the ratio of premium fuel sales in the total fuel volume sold increased in 2009 vs. 2008. The shop sales in RON-terms had recorded a slight decrease in 2009. In 2009 MOL Romania market share remained stable at approximately 11%.

Croatia increased by 30% excluding INA

In Croatia, retail sales volumes increased by 679 kt in 2009 year-on-year including INA's contribution of 646 kt in H2 2009. Croatian retail sales volumes, excluding INA, which practically means Tifon's performance increased by 30% to 141 kt in 2009 year-on-year.

By executing our strategy to expand our network, fuel sales in Serbia increased by 40% to 100 million litres in 2009.

On track with the strategy realization: over 1600 petrol stations

The group operated 1,658 filling stations as of 31 December 2009, including 365 in our main market of Hungary, 480 in Croatia, 209 in Slovakia, 224 in Italy, 126 in Romania, 108 in Bosnia and Herzegovina, 66 in Austria, 33 in Serbia, 28 in the Czech Republic, 18 in Slovenia and 1 in Montenegro.

Petrochemicals Overview

Despite of the significant losses we preserved our cash producing ability and we secured stable supply to our polymer customers

The crisis starting from the financial sector in the year 2008 that became fully expanded in the real sector during 2009 produced the worst results of the last two decades in the petrochemical industry. The profitability of polymer products dropped dramatically and consequently Petrochemical Segment's operating profit was in the red. Despite of the significant losses we preserved our cash producing ability and due to our integrated operation we were in position to supply and keep our polymer customers without reducing our polymer capacities.

Focus on cost management and energy efficiency improvement

The external economic environment compels us to maintain austerity in cost management while focussing first of all on the continuous improvement of operating efficiency, maintaining and ensuring secure operations, enhancing the energy efficiency of our systems of process technology in view of the substantial rise of energy prices and on identifying and immediately implementing any remaining opportunities presented by our technological systems besides considering the environmental aspects in full.

European polyolefin demand decreased, however in last quarter it slightly recovered

Regarding the European polyolefin demand, the year of 2009 was characterized by the long lasting effect of financial crisis started in 2008 which had double effect on polyolefin markets. The polymer producers faced not only significant decrease in polymer demand but the indirect impact of the credit limitations of their customers. On yearly basis the European polyolefin demand decreased further compared to 2008, however in Q4 2009, the demand slightly recovered compared to previous quarter and it was higher than in the same period of 2008. The negative impact of recession on demand and sales was most significant in case of automotive and construction segments while the demand in consumer goods and consumer packaging segments showed slight increase in second half of the year. At the end of the year, the demand was supported by the change in price expectations and some converters increased their purchases depending on their financing constraints.

We have amended our sales strategy to exploit our favourable geographic location in CEE

Exploiting our favourable geographic location we have amended our sales strategy, at the field of logistics product development and tight costumer relations, giving bigger focus on the Central- and Eastern European region. Therefore we have closed our sales office in the United Kingdom and Russia. We are able to maintain our market presence in the above-mentioned countries via other sales channel. In order to enhance the selling towards middle- and smaller size

companies we opened two new selling points, besides the already existing two, in 2009.

3% increase in polymer sales volumes despite of the recession

Despite of the recession, the total polymer sales volume increased by 35 kt (3%) in 2009 year-on-year. While the automotive and construction segments suffered the most significant drop in volume (-13% and -15% respectively), boosted sales to agricultural segment increased by 35%, demand in consumer goods and consumer packaging segments showed slight increase. Sales of olefin products decreased by 20% in 2009 vs. 2008.

HUF 15.2 bn operating loss for 2009

The Petrochemical segment reported an operating loss of HUF 15.2 bn for the FY 2009 down by HUF 7.6 bn year-on-year, reflecting the considerable drop in the integrated petrochemical margin, and the higher energy prices. Adopting the challenges, the strict cost control measures and the implementation of efficiency improvement actions were in the focus during the year including stringent working capital management

25% lower integrated petrochemical margin

The integrated petrochemical margin declined significantly by 25% to EUR 304/t in 2009 year-on-year. Both the naphtha prices and the polymer prices increased during 2009 compared to December 2008. However, the average naphtha prices decreased by 32% in USD-terms, and the average polymer price declined by 26-28% in EUR-terms in 2009 year-on-year. The USD strengthened by 5% against the EUR in 2009 compared to the previous year, which had a negative impact on the margin.

Slight decrease in production volumes

The available olefin production capacity was lower as a consequence of the maintenance shut-downs of Olefin-1 plant in TVK. In addition, we needed to decrease the utilization of our olefin production capacity as the ethylene demand of our biggest customer, BorsodChem, dropped by 31% year-on-year. Consequently, not only the sales of ethylene, but the sales of the other olefin products declined as well, decreasing our gross margin in 2009 year-on-year.

Supply contract with Synthos to increase capacity utilisation of our olefin plants in 2010

In order to partially compensate the reduced capacity utilisation of our olefin production, in the 4th quarter of 2009 we concluded a contract with Synthos, one of the largest chemical companies in Poland for the supply of crude C4 fraction during 2010-2012. In this way we are in position to increase the sales of the by-products of the olefin plant and to improve the capacity utilisation of the olefin plants at the same time.

Gas and Power Segment Overview

The operating profit of the Gas and Power segment increased by 60% to HUF 61.9 bn in 2009 year-on-year. FGSZ Natural Gas Transmission Closed Company Limited by Shares was the most important profit contributor (HUF 46.1 bn without asset revaluation), while the significant profit realization of the two determinant subsidiaries MMBF Ltd., Slovnaft Thermal Power Plant also contributed to the favourable result of the segment in 2009.

FGSZ Natural Gas Transmission Ltd.

Main 2009 goals were met: infrastructure development projects on the way

FGSZ Natural Gas Transmission Closed Company Limited by Shares completed the development of the import capacity expansion project

in Q2 2009, thus the gas transmission from the Ukraine can be doubled (up by 30 Mm^3/day) in the future. Furthermore the strategic underground gas storage facility was connected to the main nod of the transmission system. These developments give an opportunity to fulfil future domestic demand and enable us to enjoy a more pro-active role in future natural gas transmission businesses.

The Hungarian section of the 109 km long Szeged-Arad gas pipeline was completed, and it will ensure the transmission between Hungary and Romania by end of Q2, 2010. Initial capacity of the pipeline is 1.75 bcm, to be extended in the future to 4.4 bcm.

FGSZ Natural Gas Transmission Closed Company Limited by Shares and Plinacro, the operator of the Croatian Transmission System, concluded a Joint Development Agreement in March 2009, with the main goal of the completion of the interconnection between the Hungarian and Croatian transmission systems. The design phase of Városföld-Slobodnica gas pipeline was finished. The implementation of the 210 km long inter-connecting pipeline with 6.5 bcm capacity was launched in 2009 September.

FGSZ continued the progress on NETS

FGSZ Natural Gas Transmission Closed Company Limited by Shares stresses the vital importance of regional joint initiatives, such as the NETS project, which, first proposed in December, 2007, is a major initiative aimed at achieving greater interconnectivity between the various national gas TSOs spanning Central and South-East Europe for improved security of supply.

With harmony of the regional coorporation FGSZ Natural Gas Transmission Closed Company Limited by Shares started negotiation with Eustream (Sk) and Geoplin Plinovodi (Slo) to develop new interconnections towards Slovakia and Slovenia in order to improve the security of supply and transmission possibilities in the region.

Independent Transmission system Operator

Due to change in European Union gas market regulation, in 2010 the complete unbundling of natural gas transmission activities shall be implemented from the vertically integrated parent company in Hungary as well, which process has already started in Q4 2009.

Outlook for 2010

The main task for 2010 is to continue the development of the Croatian interconnector and focus on the cost efficient operation to provide stable cash flow the the Group.

Outstanding operating profit contribution

Operating profit for FGSZ Natural Gas Transmission Closed Company Limited by Shares was HUF 40.2 bn in 2009, HUF 9.7 bn (32%) higher year-on-year. Revenues increased as a result of the tariff change impact and the increasing capacity bookings. Additionally, energy costs decreased improving the profit further.

Domestic transmission revenue +12%

Revenue from domestic transmission grew by HUF 7.4 bn (12%) to HUF 66.2 bn in 2009 year-on-year. Capacity fee revenue increased by HUF 7.2 bn due to the positive impact of the tariff change, and the surplus capacity bookings. Despite the decrease of the turnover fee valid as of July 1 2009 the FY 2009 average turnover fee is higher year-on-year, which resulted HUF 0.2 bn revenue growth in 2009 in spite of the decrease of transmitted natural gas volume. Natural gas sales volume decreased by 14%, at the same time the injected volumes into underground storages increased by 68%.

Slightly lower transit revenue despite of 27% lower transmitted volume due to gas crisis

Revenue from transit natural gas transmission was HUF 16,1 bn in 2009, unchanged vs. 2008. Transmitted volume decreased significantly (by 27%) in 2009 year-on-year due to the gas crisis of January. The main reason behind the revenue decrease was the volume shortfall, which was considerably compensated by the weakening HUF against the USD.

Operating cost decreased on lower energy costs

Operating costs were HUF 2.4 bn (5%) lower in 2009 year-on-year, mainly due to the HUF 5.2 bn decrease in energy costs. This decrease is a result of the significant drop in natural gas used for operational purpose (mostly to drive compressors), down 38% year-on-year. Due to volume decline the deviation of the pressure increase fee resulted cost decrease as well. Extraordinary costs have incurred already in 2009 due to the development of future operation in compliance with the EU Directive.

MMBF Ltd.

Strategic and commercial storage

We have started to rebuild our gas storage business through the establishment of MMBF Ltd. (72.5% subsidiary of MOL). MMBF Ltd. was set up to develop the underground gas storage with a strategic mobile capacity of 1.2 bcm and 0.7 bcm commercial capacity through an active reservoir, Szőreg-1.

The development, implemented by MOL Plc, is proceeding according to schedule. Total CAPEX spent, without the acquisition of mining rights (HUF 67.0 bn), was HUF 80.9 bn by the year end, of which HUF 23.9 bn was spent in 2009. The development of strategic storage and filling up 1.2 bcm strategic storage was completed in December 2009. The strategic storage facility, in line with legal provisions, has a daily withdrawal peak capacity of 20 mcm over a period of 45 days for strategic (security) activities. Commercial storage with 700 mcm mobile capacity will be available from Q2 2010 and it will have an additional 5 mcm/day peak capacity.

In addition to storage activity, MMBF Ltd. has sold the oil, condensate and gas production of Szőreg-1 field with profit. Operating profit of MMBF Ltd. was HUF 8.7 bn in 2009. Through the strategic and commercial storage facilities MMBF Ltd. is expected to provide stable EUR-based return and profit contribution from 2010.

Power

JV with CEZ – entry into the electricity market

MOL, together with its strategic partner – CEZ, the Czech Energy Company - will implement three major investments – as the first remarkable projects of this joint venture – in the Duna and Bratislava refineries: two combined cycle gas turbine (CCGT) technologies each with an installed capacity of 830-860 MW which will result in a 58% net electrical efficiency (compared to an average 36% efficiency of gas power plants in Hungary in 2007) and thirdly, the revamp of the existing thermal power plant (TPP) in the Bratislava refinery. The amount of energy produced will be able to create sufficient steam and energy sources for the Duna and Bratislava refineries. It also enables MOL to enter and gain a significant share of the very attractive energy market.

The preparatory works for the two 830 MW CCGT power plants' developments are proceeding according to the agreed schedule. The

revamp of the TPP in Bratislava is in process, the complete Flue Gas Desulfurisation unit work will be implemented by the end of 2011. The capacity increase of the power plant will satisfy the full electricity need of the refinery and also provide more heat.

Thermal Power Plant in Slovnaft Refinery (contributed to CMEPS s.r.o. as of 1 April 2009) achieved an outstanding operating profit of HUF 4.0 bn in 2009 due to cost efficient operation, profit from ancillary services for a customer outside MOL Group and profitability on sold commodities. CMEPS s.r.o. was contributed to MOL-CEZ joint venture as of 30 November 2009. Although CMEPS s.r.o. is 50% owned by MOL Group after the contribution, due to the requirements of IFRS the company and its operating profit will remain fully consolidated in MOL Group.

Corporate and Other Segment Overview

Operating loss (excluding one-off items and INA) increase to a small extent

The Corporate and other segment operating loss, excluding one-off items (a fine of HUF 5.8 bn imposed by the European Commission in association with paraffin trading in 2008, HUF 6.4 bn and HUF 28.2 bn subsequent settlements from E.On in connection with the gas business sale in 2008 and in 2009 and HUF 70.6 bn one-off non-cash revaluation gain related to consolidating INA into MOL Group for the first time) represented a 16% increase, and amounted to HUF 44.4 bn loss in 2009. The loss of segment increased only to a small extent excluding the INA's loss contribution of HUF 2.9 bn in H2 2009.

Financial results

Increase in net financial expense

A net financial expense of HUF 58.8 bn was recorded in 2009 (compared to a net financial loss of HUF 16.1 bn in 2008). Interest payable was HUF 23.3 bn in 2009 (HUF 37.8 bn in 2008) while interest received amounted to HUF 10.5 bn in 2009 (HUF 19.2 bn in 2008). In 2009 a net foreign exchange loss of HUF 3.2 bn was recognised, compared to the loss of HUF 19.8 bn in 2008. The fair valuation difference on the conversion option embedded in the capital security issued in the monetization of treasury shares by Magnolia Finance Ltd. was HUF 19.7 bn increase of liability (compared with a gain of HUF 64.6 bn in 2008). The fair value of the conversion option liability has decreased to nil as at 31 December 2008, since the market of the underlying convertible instrument had temporarily became inactive and also reflected the stressed share prices. The current period valuation reflects the increasing MOL share price and the general revival of the market of convertible instruments. In addition, a loss of HUF 3.7 bn has been incurred on the fair valuation of the call option on MOL shares owned by CEZ.

Loss from associates

INA contributed a loss of HUF 3.5 bn

Loss from associates included INA's H1 2009 contribution of HUF 3.5 bn loss compared to HUF 25.5 bn in 2008 (both figures include MOL's additional 22.2% shareholding since Q4 2008). From 30 June 2009, INA is fully consolidated by MOL Group. Loss from associates also contains MOL's 10% share from the operations of Pearl Petroleum Company (an income of HUF 1.2 bn).

Profit before Taxation

As a result of the above-mentioned items, the Group's profit before taxation in 2009 was HUF 188.1 bn, compared to HUF 158.0 bn in 2008.

Taxation

Income tax expense was higher

Income tax expense increased by HUF 63.4 bn from the comparative period to HUF 80.1 bn in 2009, primarily as a result of the positive statutory tax base of MOL Plc, compared to its tax loss in 2008 and the introduction of an additional 8% surtax on energy suppliers ('Robin Hood tax'). The subsequent impact of MOL share transactions and certain options attached to shares held by third parties is treated differently for IFRS and tax purposes and resulted in a HUF 11.4 bn increase in our tax expense. The current income tax expense was the result of the contribution from MOL Plc. of HUF 46.3 bn (16% corporate income tax, 4% solidarity surplus tax, 8% 'Robin Hood tax' and 2% local trade tax), IES S.r.l of HUF 2.1 bn (36.9% corporate tax rate) and FGSZ Natural Gas Transmission Closed Company Limited by Shares of HUF 3.7 bn.

Cash-flow

Consolidated Cash-flow	2009 (HUF mn)	2008 (HUF mn)
Net cash provided by operating activities	411,170	347,203
of which movements in working capital	67,196	24,898
Net cash used in investing activities	(272,448)	(474,792)
Net cash provided by/(used in) financing activities	(169,713)	209,070
Net increase/(decrease) in cash and cash equivalents	(30,991)	81,481

Operating cash-flow increased by 18%

Operating cash inflow in 2009 was HUF 411.2 bn, compared to HUF 347.2 bn in 2008. Operating cash flow before movements in working capital decreased by 3%. The change in the working capital position increased funds by HUF 67.2 bn, as a result of an increase in trade payables and other payables (of HUF 36.9 bn, and HUF 11.9 bn respectively) and a decrease in inventories, trade receivables and other current assets (of HUF 13.4 bn, HUF 4.8 bn and HUF 0.2 bn respectively). Income taxes paid amounted to HUF 29.0 bn, due to a cash outflow from the income taxes of MOL Plc. and Slovnaft.

Cash used in investing activities decreased by 43%

Net cash used in investing activities was HUF 272.4 bn in 2009, compared to net cash used of HUF 474.8 bn in 2008. The cash outflow of the current period reflects the CAPEX mainly on expansion of the Hungarian import pipeline capacity, the post-closing price adjustment from the sale of MOL Földgázellátó Zrt. to E.ON Ruhrgas International AG., consideration paid by INA for the acquisition of a Hungarian drilling service provider (Drilltrans Kft.), consideration of acquiring the remaining non-controlling interest of Roth Group and effect of partial disposal of MOL Energiakereskedő Zrt. The comparative figure for 2008 contains the combined effect of the CAPEX, consideration paid for 22.16% of INA, the purchase price

adjustment paid for IES, the consideration paid for I&C Energo and the post-closing price adjustment from the sale of MOL Földgázellátó Zrt. to E.ON Ruhrgas International AG.

Net financing cash outflows from repayment loans

Net financing cash outflow was HUF 169.7 bn, primarily as a result of the net repayment of long-term and short-term debt.

Funding overview

The financial position and ability to generate operational of corporates came into the front due to the turbulent financial environment and economic slowdown.

MOL kept its strong financial position in the lean year

MOL's key target for 2009, to keep its strong financial position, was successfully persuaded as a result of MOL's fast and adequate answer on the first signs of the financial crisis. MOL remained disciplined to its reduced CAPEX plan during the year, initiated several cost reduction measures and further increased its well-accepted efficiency.

New credit facilities

MOL Plc. signed a EUR 450 mn forward start revolving facility agreement on 12 November 2009 the amount of which was increased by EUR 75 mn to EUR 525 mn on 29 December 2009. The EUR 525 mn facility will be available for the Company from 1 October 2010. In addition, MOL signed an 8 year, EUR 200 million loan agreement with EBRD (European Bank for Reconstruction and Development) on 17 June 2009 to finance the completion of the strategic and commercial gas storage facility developing from Szőreg-1 reservoir. Furthermore in December, 2009, a 3 year, HUF 30 bn bilateral loan was raised by FGSZ Zrt for general corporate purposes.

Sufficient external funding

MOL Group has sufficient external funding for its operations and investments. The further pillars of the existing funding are the EUR 1.5 bn syndicated multi-currency revolving loan facility signed in October 2007, the EUR 825 mn and the 700 mn syndicated multi-currency revolving loan facility and the EUR 750 mn 10 year Eurobonds issued in September 2005 raised by MOL and USD 1 bn syndicated multi-currency revolving loan facility signed by INA in April 2007. The proceeds of the facilities can be used for general corporate purposes.

51% EUR-denominated debt

MOL Group's total debt increased from HUF 911.5 bn at year-end 2008 to HUF 1,111.1 bn at 31 December 2009, primary as a result of the contribution of INA (HUF 270.7 bn), new draw-down of long term borrowings and the moderate weakening of HUF vs. EUR and USD. The currency composition of total debt was 51.2% EUR, 44.4% USD, 4.4% HUF and other currency as of 31 December 2009. Our net debt amounted to HUF 926.6 bn at the end of 2009. Net debt, excluding INA's full consolidation impact was HUF 672.9 bn at the end of 2009, slightly decreased from HUF 689.4 bn at the end of 2008.

Our gearing ratio decreased

Our gearing ratio (net debt to the sum of net debt and total equity) was 33.1% at 31 December 2009 compared to 35.9% at the end of 2008, which reflects the strong capitalization of MOL Group.

Integrated Risk management

The recent turbulent environment underlined the necessity of an effective and comprehensive risk management

The effect of the world economic crisis has had a substantial influence on MOL's operating environment as well as on its short term financial challenges that foster more scrutiny on covenant management. It is an accentuated aim for Risk Management to deal with these external circumstances in order to support the stable financial position of MOL. Therefore it is a necessity to have an effective and comprehensive risk management as a prerequisite tool of good corporate governance. Besides the turmoil there are several other requirements for a proper risk management at a company, for example IFRS requirements introduced in 2007 on disclosing information on financial risks and their management, rating agency focus on implementations of effective Enterprise Risk Management (ERM) frameworks and the heightened scrutiny on corporate governance practices by investors. MOL's Risk Management carries out its tasks on group-level and integrates the subsidiaries, incl. INA in its processes.

MOL has a multi-pillar approach towards its integrated risk management system:

Enterprise Risk Management

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by **Enterprise Risk Management (ERM).** integrates financial, market and operational risks along with a wide range of strategic risks. The most important role of ERM is not just to provide information on the most decisive risks that MOL faces, but to enable top management and the Board of Directors to make more educated decisions on investments, taking into additional consideration, the risk profile of each project.
The main role of the Financial Risk Management (FRM) as part of the ERM is to handle short-term, market related risks. Commodity price, foreign exchange and interest rate risks are measured by using a complex model based on the Monte Carlo simulation of Value at Risk, which additionally takes into account portfolio effects, and are managed, if necessary, with risk mitigation tools such as swaps, forwards and options.

Insurance Management

The transference of excess operational risk is carried out by **Insurance Management (IM)** through the purchase of insurance, an important risk mitigation tool used to cover the most relevant operational exposures.

Business Continuity Management

Business Continuity Management (BCM) is the process of preparing for unexpected operational events. Proper Business Contingency Plans (BCP), Crisis Management (CM) processes and other risk control programs, such as regular engineering reviews, are crucial for business where operational risk exposure is significant as a result of the chemical and physical processes underlying most of the operations, such as MOL.

The existence of an integrated risk management function enables MOL to exploit the synergies between the above detailed four pillars of risk management.

Capital expenditure program

CAPITAL EXPENDITURES	2008 (HUF mn)	2009 (HUF mn)
Exploration and Production	73,568	186,585
Refining and Marketing*	119,385	107,889
Gas and Power	129,884	62,970
Petrochemicals	10,227	16,681
Corporate and other	245,837	6,613
TOTAL	**578,901**	**380,738**

** Including Refining & Marketing, Retail and Lubricants segments*

Organic CAPEX in line with strict plan

Our Group capital expenditures (CAPEX) decreased by HUF 198.2 bn to HUF 380.7 in FY 2009. INA's H2 2009 CAPEX spending was HUF 93.3 bn, while acquisition cost of INA was HUF 227.3 bn in 2008. The acquisition cost of a 10% stake and the work program CAPEX of Pearl paid by treasury shares were HUF 72.6 bn. Without these elements, CAPEX was behind the base figure by HUF 136.8 bn as a result of withheld performances and the investments realized in 2008.

Exploration & Production CAPEX up due to Pearl project

Upstream CAPEX and investment, excluding INA's contribution of HUF 56.6bn in H2 2009, reached HUF 129.9 bn in 2009. There is significant increase due to acquisition of a 10% stake in Pearl Petroleum Company (license owner of Khor Mor and Chemchemal gas-condensate fields in the Kurdistan Region of Iraq) in May 2009. Treasury shares in HUF 72.6 bn were utilised for settlement of acquisition and partial work program capex of Pearl. MOL dedicated HUF 23.2 bn (equal to 18%) to organic exploration, with an expenditure of HUF 8.1 bn in Hungary for conventional exploration, HUF 2.6 bn in Hungary for unconventional exploration, HUF 3.3 bn in Kurdistan, HUF 3.2 bn in Pakistan, HUF 2.6 bn in Cameroon, and HUF 3.4 bn in other regions. The total development expenditure was HUF 31.7 bn (equal to 24%), of which HUF 10.7 bn was spent in Hungary, while in Russia HUF 18.2 bn was invested with focus on Baitex (HUF 8.5 bn) and Matjushkinskaya (HUF 8.3 bn), and further development in ZMB (HUF 1.3 bn). In Pakistan, our share in the development cost of the Manzalai field was HUF 1.0 bn. Work program capex in Pearl was HUF 1.8 bn. Further HUF 2.5 bn (equal to 1.9%) was spent on upgrading the assets of our seismic and well-logging service subsidiaries in order to provide support for our activities, on maintenance-type projects, and on capitalized financing costs.

Refining & Marketing CAPEX down by 13%

Refining and Marketing CAPEX was HUF 107.9 bn in 2009, down from HUF 119.4 bn in 2008, despite INA's H2 2009 contribution (HUF 34.9 bn). The significant decrease reflects the stringent CAPEX control across the Group. This segment consists of the following businesses:

- **Refining and Wholesale** expenditures were HUF 95.7 bn in 2009 versus HUF 92.6 bn in 2008. INA Group's contribution to the CAPEX was HUF 34.9 bn in H2 2009. In 2009, Slovnaft spent HUF 13.1 bn on investment projects. The CAPEX of Duna Refinery and the subsidiaries of MOL Plc. was HUF 28.5 bn. IES spent HUF 17.1 bn in 2009 on environmental project (Product Quality Development).
- **Retail CAPEX** was HUF 12.0 bn in 2009 including INA performances with HUF 1.2 bn in H2 2009. HUF 3.1 bn was

spent on network development in Hungary, HUF 0.9 bn in Romania, HUF 1.8 bn at MOL Austria, HUF 1.9 bn in Bosnia and HUF 1.3 bn in Serbia. Retail CAPEX was lower than the basis by HUF 14.4 bn in 2009.

- **Lubricant CAPEX** decreased by 50% year-on-year due to the cancelled investments attributable the economic environment.

Gas and Power CAPEX down by HUF 66.9 bn

Total CAPEX of the **Gas and Power segment** was HUF 63.0 bn in 2009, representing a 51.5% decrease year-on-year.

CAPEX of FGSZ Natural Gas Transmission Closed Company Limited by Shares was HUF 31.7 bn in 2009, lower than the basis by HUF 42.1 bn due to the fulfilment of strategically important projects (import capacity expansion: HUF 62.2 bn, Pilisvörösvár – Százhalombatta gas pipeline construction: HUF 2.3 bn) in 2008. Key projects in 2009 were Croatian and Romanian transit with total CAPEX of HUF 24.9 bn. Further HUF 2.3 bn was spent on network development, securing the safe and long-term operation of the domestic system.

MMBF Ltd. spent HUF 23.9 bn on the development of the storage facility in 2009. The company developed the underground gas storage with a strategic mobile capacity of 1.2 bcm and 0.7 bcm commercial capacity.

In the **Power** segment HUF 1.0 bn was spent on preparatory works and technical studies in connection with combined cycle gas turbine power plants (each with 830MW capacity). For TPP modernization and capacity increase (to 160 MW) HUF 4.8 bn was spent.

Petrochemicals segment CAPEX up HUF 6.5 bn

Petrochemical CAPEX increased by 63% to HUF 16.7 bn year-on-year, fuelled mainly by the key projects of Slovnaft (ECO Vision and SPC development), which focused on the efficiency improvement of production on Steam Cracker and improvement of operating reliability.

Corporate & Other segment CAPEX down by 40% excluding acquisitions

Capital expenditures of the **Corporate and Other segment** was HUF 6.6 bn in 2009 versus HUF 245.8 bn in 2008, which contained significant acquisition spending (main projects were INA with HUF 227.3 bn and I&C Energo with HUF 7.6 bn). In 2009 we spent HUF 4.1 bn on the further development of our Group information system and HUF 1.0 bn on property maintenance. INA's H2 2009 contribution was HUF 0.6 bn.

Outlook on strategic horizon

MOL is well positioned to generate superior returns

As a result of our last year's strategy that equipped the Group for the tougher climate, MOL has established a strong position for the upturn period. During 2009, MOL successfully kept its stable financial position and strong balance sheet thanks to our early answer to the crisis, our well-recognised efficiency leadership and integrated business model. In addition, we created a strong basis for further growth by gaining management control and full consolidation of INA as of 30 June 2009.

Main tasks ahead

MOL Group's main goal for the coming years is to keep its financial stability, improve the efficiency and maximise the value of its existing portfolio with enlarged group.

Signs of slow recovery

After a difficult economic environment in late 2008 and well into 2009 given economic woes coupled with a broader financial crisis, signs of a slow recovery are already visible. MOL expects slightly increasing oil prices for the coming years reaching 90 USD/bbl level till 2012. MOL is expecting improving diesel crack spreads and weakening gasoline crack spreads in line with the economic recovery (140 USD/t and 60 USD/t in 2012 respectively) and slightly strengthening HUF versus USD.

EBITDA ambition for 2012: USD 4.1 bn

Based on the above mentioned macro assumptions MOL Group's EBITDA ambition is USD 4.1 bn for 2012 on its existing asset portfolio. MOL is committed to keep its strong financial position and finance fully its CAPEX from the operating cash flow of the Group during the period of 2010-12. MOL Group dedicated USD 6.2 bn total CAPEX for the normal operation for 2010-12. MOL continuously monitors the macro environment and is ready to grab further growth projects depending on its cash flow generation.

Upstream: strong development, intensifying exploration

The main objective for the coming years will be to maximise the value of our existing portfolio, which is a solid basis for further growth with sizeable production in 7 countries and exploration potential in 15 countries. The focus will be on completing high return/early cash generative appraisal and development projects in Syria, CEE, Pakistan, Kurdistan and Russia to increase production levels, contributing significantly to Group-level EBITDA, growth. At the same time, we intend to extend MOL's outstanding efficiency to the whole Upstream portfolio. Finally, we are carrying out extensive and intensifying exploration activity to further increase our reserve base and create the basis for further production growth beyond 2013.

Downstream: become the premium refinery group in Europe by 2012

Regarding the Downstream business MOL Group's main goal is to become the premium refinery group in Europe by 2012. The Group is committed to elevate newly consolidated assets to MOL standard with investments targeting product quality and yield improvement. MOL is focusing on joint optimisation of 5 refineries and 2 petrochemical units and is committed to extend its outstanding operational excellence to the whole group.

Increase efficiency

In addition, we will focus to extend our well-recognised efficiency to the whole group. We target to reach USD 210 mn annual EBITDA improvement from 2012 versus 2009. Larger part is coming from harmonising the operation of 5 refineries and 2 petrochemical units under one integrated supply chain management system. In the Upstream segment decreasing the operating expenditures to the MOL level is the key focus.

STATEMENT OF RESPONSIBILITY

Undersigned, authorized representatives of MOL Hungarian Oil and Gas Public Limited Company (MOL plc.) the issuer of MOL ordinary shares, hereby declare that MOL Plc. takes full responsibility for the announced Annual Report of MOL Group for the year ended on 31 December 2009, which has been prepared to the best of our knowledge in accordance with International Financial Reporting Standards as endorsed by the European Union, and give a true and fair view of the assets, liabilities, financial position, and profit of MOL Plc. and its subsidiaries and presents a fair review of the position, development and performance of MOL Plc. and its subsidiaries together with a description of principal risks and uncertainties.

Budapest, 29 April 2010

György Mosonyi
Group Chief Executive Officer

József Molnár
Executive Vice President
of Finance