



SUSTAINABLE DEVELOPMENT REPORT 2006





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Highlighting results

Walking the talk

In 2006, MOL celebrated its fifteenth anniversary. It was the first corporation in the Central & Eastern European region to show how a formerly state-owned company can, through careful and gradual privatisation, become a successful business quoted on the stock exchange.

MOL is much more than just a business today. It plays a key role in the economic development of our region, not only because it performs indispensable tasks with respect to supply security, but it also creates value for the members of society. It is a company of good choice concentrating – beyond short-term financial objectives – on long-term value creation for all stakeholders, meaning that besides ensuring return on investment, it strives for exemplary operations based on the principles of Sustainable Development (SD), contributing to the safeguarding of social, environmental and economic values as well as to their development.

MOL embraces the opportunity of becoming a real driving force in securing our “common future”, offered by its unique position. Therefore, it pays outstanding attention to product stewardship and innovation, to the promotion of ethical behaviour, and to the

supporting of outstanding initiatives and talents. It aspires to establish and maintain such a cooperation with authorities and governmental bodies that supports them in addressing societal issues and in satisfying social needs.

MOL fuels are of outstanding quality meeting the most stringent EU requirements. We have significantly reduced the lead, sulphur, benzene and aromatic content of our products and have introduced fuels with bio-component content over the years. As a result of significant refinery improvements, two of the most up-to-date refineries in Europe today support us in meeting the challenges facing us.

For us, 2006 was an outstanding year in the strengthening of our sustainability activities. We set up our own Sustainable Development Management System (SDMS) supported by senior management to create an effective foundation upon which to base ongoing efforts and the achievement of future objectives. Our aim now is to adopt and be in harmony with international best practices and requirements, on one hand, and to develop sustainable operations within the company as a long-term objective, on the other.

The SDMS task is based on the principle that SD should be an integral part of MOL’s day-to-day operations, therefore be integrated into prevailing business strategies. In addition, the Board of Directors, representing shareholder interest, identifies the necessity of taking stakeholder needs into account as a fundamental mission of senior executives. As part of this new system, we carry out an annual Company screening to assess current practices based on international benchmarks and best practices.

The SDMS ensures the efficient achievement of our clearly-stated strategic objectives and acts as a powerful stimulus to continuous improvement efforts, as well as to the strengthening of sustainability awareness and greater transparency.

The key achievements listed below underline the fact that we have taken the right strategic approach, and that our SD-related activities and policy of precaution will provide significant returns from now on into the future.

Overview of 2006 performance

- Introduction of SDMS to support the implementation of sustainability principles
- Strengthened market position in the region and increased profitability
- Maintenance of refining flexibility despite the temporary shutdowns of key production units due to a general overhaul

- Continued growth of diesel fuel sales in answer to market demand
- Accomplishment of the technical handover-takeover process of a new benzene-toluene (BT) product pipeline between Tiszaújváros and Százhalombatta
- Extension of our Pakistan portfolio to include Margala and Margala North exploration blocks
- Acquisition of a new exploration block in the West Siberian region and an oil producing field in the Volga-Ural region of Russia
- Establishment of a subsidiary in the Ukraine to facilitate polymer sales
- Formation of a joint-venture with Gazprom to examine possible areas of cooperation
- Continued negotiations on the Nabucco project
- Formation of a consortium to establish the first geothermal power plant in the Central & Eastern European region
- Launch of research programme to develop second generation bio-fuel production
- Development of an HSE (Health, Safety & Environment) Unit decentralisation strategy to increase efficiency and ensure optimal operations
- Successful external verification of carbon-dioxide emissions
- Extension of Safe Workplaces Project
- Implementation of the Workplace Health Promotion Programme (STEP)
- Introduction of New Graduate and Divisional Talent programmes
- Mounting of an Employee Engagement Survey to monitor commitment levels
- Chief sponsor of the Canoe Flatwater Racing World Championships



Letter from the Chairman & CEO and Group CEO

Dear Stakeholders,

We are pleased to present you the MOL Group Sustainable Development Report, verified for the first time by an independent party, which covers our economic, environmental and social performance on a regionally-integrated basis. The structure and content of the Report is based on the recently-issued Global Reporting Initiative “G3 Guidelines” and has been expanded to include several new topics that more accurately reflect our operations, challenges and successes. Accordingly, as of 2007, our Supervisory Board has accepted the task of executing the review of our Reports in future, to provide further credence to them.

2006 was a successful year, not only in financial terms, but also because we took a major step forward in integrating sustainability principles into our everyday operations, reinforcing our long-term strategic objectives and reflecting our continuous efforts to deliver outstanding value to all our stakeholders.

Sustainable Development has become a global issue and one of the most important challenges of the 21st century. The concept goes far beyond ethical or marketing issues and has an overall impact on all our activities at individual, corporate and international level. It involves equal consideration of its three pillars - environment, economy and society - at one and the same time, to ensure coming generations enjoy the same opportunities as we do today. The “future”, however, is getting ever closer, when we consider the issues we have to deal with right now, such as climate change, poverty and the depletion of natural resources. This suggests that we all have a fundamental task to fulfil - that of reconsidering our general and everyday behaviour

as we go through life and then deciding to adopt a very different approach. Energy companies face a double challenge in this respect - they have to satisfy today’s growing demand for energy, an element fundamental to the economy, whilst striving to achieve sustainable operations, the very basis of our future survival.

Poor sustainability performance entails higher risk-levels and may lead to company disrepute, regulatory fines or management actions that are not in the interests of shareholders. In contrast, corporate operations with integrated sustainability standards are indicators of improved value-creation which can lead to optimum business decisions and competitive positions. Thus Sustainable Development is not a task per se but a strategic management tool. It is, in fact, a vital factor in achieving our long-term business success and must surely, therefore, be a normal part of our day-to-day business operations.

In 2006, MOL Plc. celebrated its fifteenth anniversary. Since its formation, a number of individual environmental and social programmes have been put in place that go far beyond legal requirements and reflect best practices, relating as they do, for example, to the quality of fuel, community programmes and working conditions. While these programmes constituted an important element in our development process, the challenge of adopting an integrated strategic approach has still remained.

In 2006, MOL Group decided to confront this challenge and thus set up a Sustainable Development Management System, a fundamental precondition for integration. This seeks to monitor and then react to international trends and to establish a soundly-based and appropriate planning and decision-making process. Comparing our performance with international practice, we sincerely believe that we are on the right way towards sustainable operations. However,

to put such a plan into actual operation, it is vitally important to make maximum use of MOL’s professional experience, to assess and integrate all current activities, and to introduce dynamic new measures.

This Report is the result of long cooperation between MOL Group member companies and its Business and Functional Units, fundamental to the success of our efforts, and to our commitment to further development in this field. We should therefore like to take this opportunity of expressing our gratitude to all those who have paved the way to achieving our Sustainable Development performance through their day-to-day work and expertise which led to all the valuable achievements and information mentioned in this Report. We hope that our SD Report provides our stakeholders with the maximum possible insight into our collective performance to date.

Zsolt Hernádi
Chairman & CEO

György Mosonyi
Group CEO



**Integrating the
sustainability
approach**



About us

Who we are

Based on its long-term vision and values, MOL Group conducts its business in line with well defined policies and strategies to ensure efficient operations and financial success. We regulate our processes, establish clear aims, identify resources, ensure clearly-defined delegated tasks and accountability, and manage the company based on the principles of quality and excellence.

MOL, with its Subsidiaries, is a leading integrated oil and gas company in Central & Eastern Europe, employing close to 14,000 people and operating two high complexity refineries. The Group consists of MOL Plc., Slovnaft a.s., TVK Plc. and their consolidated Subsidiaries. The Group owns a network of 772 filling stations in 7 countries across the region. Besides these regional operations, our Exploration & Production Division focuses on CIS countries, the Middle East, Central Asia and North Africa.

MOL Group is market leader in Hungary and Slovakia, in each of its core activities. Our main objective here is to provide superior

levels of shareholder return, fully exploit our market potential by implementing a strategy of dynamic development and expansion, and to achieve further internal efficiency improvements. MOL Group shares are listed on the Budapest, Luxembourg and Warsaw Stock Exchanges; its DRs are traded on the US Pink Sheet and London's International Order Book.

MOL is one of the largest companies in the region in sales revenue terms. Its core activities include the exploration and production of crude oil, natural gas and gas products; the refining, transportation, storage and distribution of crude oil products

in both the retail and wholesale markets; the transmission of natural gas and other gas products; the production and sale of olefins and polyolefins.

The Exploration & Production Division (E&P) contributes to MOL Group cash-flow through the exploration, field development, acquisition and production of existing and new hydrocarbon reserves, at internationally competitive cost-levels.

The Refining & Marketing Division (R&M) is responsible for the purchase and refining of crude oil, and other refinery feedstock, logistics and the wholesale distribution of petroleum products. It aims to increase efficiency and sales by fully exploiting its integrated supply chain management concept, and to provide top quality products by leveraging its excellent asset base and the geographical composition of its markets.

The Retail Services Division (Retail) contributes to the development of retail automotive and other product ranges, and is responsible for sales and service at filling stations. Its key aims are to improve network efficiency, increase customer focus and

loyalty, and selectively expand its branded network across the region.

MOL Group Lubricants Division (Lubes) is market leader in Hungary and Slovakia, producing and marketing almost all principal types of lubricant, including automotive motor and gear oils, industrial oils, special lubricants, metal-working fluids, greases, additives and automotive chemicals.

In line with our strategic objectives, we sold our 100% stake in MOL Natural Gas Storage Plc. and MOL Natural Gas Supply Plc., in 2006. As a result, the business's principal activity today is the transmission of natural gas.

In production capacity terms, MOL Group's Petrochemical Division is the 8th largest player in the European polyethylene and polypropylene markets, and comprises TVK Plc. and Slovnaft Petrochemicals s.r.o. The Division supplies feedstock to a number of European plastics processing companies and its products are sold in more than 40 countries.

Additional web content:
www.molgroup.hu/en/mol_group/



Our vision and values

Our vision

As essential parts of MOL's culture, an ethical mindset, clear values and the highest standards of corporate behaviour have been developed to enable the company to strive for sustainability, effectively.

MOL Group's objective is to become the most respected multinational oil company in Central and Eastern Europe and to provide superior levels of shareholder return by fully exploiting its market potential, by implementing a dynamic development and expansion strategy, and by identifying, where possible, potential for further internal efficiency improvements.

Our core values

In pursuit of our vision, we shall adhere to our corporate values. With regard to Corporate

Sustainability, the most relevant MOL Group values are:

- Striving for value-creating growth, fundamental to our shareholders, and providing new opportunities for our employees and other stakeholders
- Fulfilling our responsibilities towards our employees, host communities and society in general, aspiring, thereby, to perform beyond legally-required standards
- Providing outstanding quality at competitive prices
- Striving for quality in our products and services, as well as for professionalism in our daily work; we want to be the company of choice for our stakeholders
- Conducting business with the highest integrity and full transparency, in an honest and ethical way
- Continuously examining and reducing risks inherent in our business activities, a key responsibility to our stakeholders

- Working with the best and the brightest, providing equal opportunities for every employee, as well as promotion and competitive compensation, based on merit and performance
- Respecting diverse local and national cultures and values as the foundation of our multinational company ethos

Commitment to basic SD principles

An inter-disciplinary approach

Issues and events are inter-connected, regardless of the area in question, and together form the global system in which we all live. We recognise the importance of the relationship and inter-dependence between the economy, the environment and society in general. Our principles and values are therefore applied to all activities in these areas, using an inter-disciplinary approach.

Responsibility for our activities

We are committed to creating equal opportunities for present and future generations. We are therefore aware of our responsibility for the environment and to society, MOL Group employees and other stakeholders, and we accept accountability for our actions at every level. We, therefore, strive for improvement everywhere so that any negative impact arising from our operations is kept to a minimum.

Continuous self-improvement

Our competitiveness and position in the market-place depend on our performance. We can only attain high-level operational efficiency and deliver more competitive products and services by continuous self-improvement in all areas. Therefore we define clear objectives, establish monitoring systems and put in place performance indicators that give us a picture of where we are and in which direction we have to go to achieve our strategic goals.

Materiality

"Materiality" is about identifying and concentrating on issues which are relevant and important to the organisation and its stakeholders. It thus requires the setting of priorities in projects and actions that take into account the needs and interests of both these parties. We have, moreover, to focus on issues relevant to our industry sector, so as to minimise risk as we try to anticipate change and developments in the economic, environmental and social spheres.

Precaution

The "precautionary principle" defines the avoidance of any action that may potentially have an internal or external negative impact on the environment or society. Accordingly, we scrutinise any planned action to assess its potential social or environmental impact and then select the best available option, based on scientific evidence.

Multi-stakeholder processes

MOL Group outstanding performance is related to the opinions, the social status and the level of involvement of its stakeholders. Therefore, we continuously develop and regularly revise our stakeholder processes to maximise potential from such involvement.

Transparency

Transparency is about sharing information with stakeholders inside and outside the company that supports and genuinely contributes to effective decision-making. We therefore concentrate on establishing credibility and providing them with the maximum amount of relevant detailed and accurate information, taking care to avoid emphasis on less important issues or areas that may cloud the focus of our work and the measures we have taken.

Reporting Scope

Reporting framework

MOL Group reports every year on the performance and achievements of its member companies with regard to Sustainable Development issues. Following previous years' practice, MOL Group has taken note of the Global Reporting Initiative (GRI), updated with G3 Guideline recommendations, and adapted them to suit the Company's market position and operations to comply with latest reporting requirements. This Report, therefore, covers even more topics and data than previous issues to stay level with international best practice.

This fourth issue of the MOL Group SD Report includes MOL Group member companies' performance, development, and challenges faced during calendar year 2006. Aggregated data are reported for MOL Group-controlled companies (MOL Plc., Slovnaft a.s., TVK Plc. and their consolidated Subsidiaries), regardless of the area of operation. In terms

of economic/financial data yearly average exchange rate of NBH was applied. Detailed disclosure on this topic can be found in the Annual Report. Every deviation from the general rule is indicated throughout the report. We only publish one integrated printed version, in English, and report on our local achievements in electronic format, on the Internet. MOL Group home page provides all the latest Company news and ensures the publishing of more detailed information on issues covered by this annual SD Report.

Reporting principles

We are aware of our responsibility for MOL to share information with its stakeholders. In contrast to "traditional" practices, our communications are based on a proactive strategy. As a result, we seek to fulfil general informational requirements and communicate at special events, whilst actively keeping our stakeholders fully up-to-date. We are committed to the open communication of any information that reflects and evaluates our true performance, to ensure the highest transparency possible for any company, today.

Besides complying with the G3 Guidelines, we also take several basic reporting principles into consideration when preparing our Sustainable Development Reports. We endeavour to be as transparent as possible, by providing the maximum amount of detailed and accurate information, which focuses on issues relevant to our industry sector, so as to minimise risks when seeking to anticipate changes and developments in the economic, environmental and social spheres.



Results and objectives

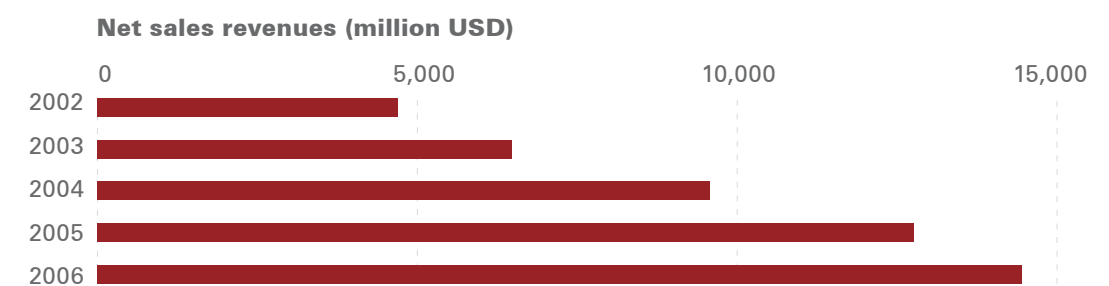


Fulfilment of 2006 targets

Economic	Target	Result
EBITDA (HUF bn)	311.3	529.3
ROACE	14.59%	31.60%
Efficiency improvement (285 million USD EBIT)	56%	79%

Environmental	Target	Result
Hazardous waste	The total amount of hazardous waste generated by normal operations and cases of emergency to be less than 90,000 tonnes	70,525 tonnes
Contaminated soil	The amount of acid tar contaminated soil neutralised to reach 60,000 tonnes	62,000 tonnes
Environmental liabilities	Reduce MOL Group environmental liabilities as at end 2005 by HUF 7.5 billion	HUF 5.8 billion
Climate change	Identify project-based CO ₂ emission-reduction opportunities to decrease allocation quota deficit by 20%	Opportunities identified

Social	Target	Result
Fatalities	No fatal accident at work at MOL Group, its suppliers or third parties	1 contractor + 1 third party
Injuries	Lost time injury frequency (LTIF) not to exceed 2.8	2.2
Occupational illness	Total reportable occupational illness frequency (TROIF) to equal zero	0
Road safety	Road accident rate (RAR) not to exceed 3.0	2.14
Incident investigation	Each Business Unit to establish and implement the leading indicator of Incident Inquiry and to stipulate at least one additional leading indicator	50%
Cases of fire	Total number of fires not to exceed 15	19
Social investment programmes	Establish a foundation to strengthen social investment programmes	New Europe Foundation
	Gradual extension of "May I Help?" programmes	Its introduction in Romania
Local communities	Increase available support of Green Belt programme	HUF 30 million from HUF 6 million



Future challenges

Long-term economic performance targets

- Reinvest the capital acquired from the partial sale of the gas business to create value in our core Upstream and Downstream businesses
- Maximise growth potential in “New Europe” while providing superior returns
- Continue MOL Group’s development, with special focus on growth and efficiency, while closely managing risk
- By 2010, MOL Group EBITDA to reach USD 3.5 billion, ROACE 15% (NOPLAT- based), and cost savings USD 285 million
- Continued and extended bio-component production, blending and marketing as part of our Bio-fuel Programme

2007 Environmental protection targets

- Total amount of hazardous waste generated by normal operations, and cases of emergency not to exceed 80,000 tonnes
- Identify project-based carbon-dioxide emission-reduction opportunities to decrease allocation quota deficit by 20%
- Each Business Unit to stipulate and implement at least one additional HSE leading indicator
- Reduce MOL Group environmental liabilities as at end of 2006 by HUF 5 billion

2007 Social performance targets

- Provide financial resources to the Workers’ Councils for use as a welfare budget
- No fatal accident at work at MOL Group, its suppliers or third parties
- Total reportable occupational illness frequency (TROIF) to equal zero
- Lost-time injury frequency (LTIF) not to exceed 1.8
- Road accident rate (RAR) not to exceed 2.5
- Total number of fires not to exceed 15
- Incident inquiry not to be less than 80%
- Develop public guidelines for our Social Investment Programmes



How we achieve our goals

Policies and strategies

Our strategy for 2006-2010

Thanks to successful regional developments, the favourable industry environment, timely investments in quality assets as well as efficiency and synergy achievements, MOL achieved outstanding financial results in 2006 and has become one of the best-performing integrated energy companies in the region. Our five-year objective, reaching out to 2010, sets the strategies of maximising opportunities for growth arising in "New Europe" and providing superior shareholder return.

Growth

Growth targets have been developed bearing the on-going need to balance MOL Group's

business portfolio in mind. The company aims to increase Upstream-Downstream integration by tripling hydrocarbon production and doubling refined product sales. MOL plans to achieve these ambitious growth targets, set for the five-year period, by allocating USD 5.4 billion to organic CAPEX, and through the continued application of a disciplined approach to non-organic growth opportunities.

Efficiency

Our objective of achieving further operating efficiencies foresees the creation of annual total efficiency improvements of USD 285 million by 2010. This will involve significant cost savings and better use of assets.

Financial flexibility

MOL intends to keep its gearing ratio below 30% and maintain its investment grade credit rating. The company plans to gradually increase the absolute level of dividend to reach the payout ratio of its peers in the region by 2010.

Capabilities

Based on our successful track record of disciplined business transactions and proven transformation and integration of skills, we will continue to develop MOL Group with clear focus on growth and efficiency whilst closely managing risk at Group-level. Moreover, we intend to remain a pace-setter in Corporate Governance and Sustainable Development in "New Europe".

Additional web content:

www.molgroup.hu/en/mol_group/our_strategy/

MOL Group HSE Policy and Strategy

HSE Policies

After an updating process, based on best practice and significant developments in the field, the new MOL Group HSE policy – principles and structure – was introduced in 2005 to improve HSE performance. This policy represents the highest Group-level commitment to HSE Management and applies to all Business Units and MOL-controlled Subsidiaries as the basis for them to develop their own HSE objectives, strategies, goals and programmes.

Under the umbrella of this policy, we have initiated sub-policies such as the Road Safety Policy, created to deal with the hazards that occur in road transportation and place more and more employees at risk or our Waste Management Policy.

HSE strategy

During the creation of our new HSE policy, one of the most important tasks was to analyse and breakdown MOL Group objectives. Based on this analysis, three major strategy areas were identified for which HSE then had to develop action plans. These comprised our growth strategy, our efficiency improvement programme and the “be in the first quartile” goal vis-à-vis our key performance indicators.

To support our growth strategy, HSE developed its own criteria which are applied in due-diligence audits, in which HSE-related issues are examined and reviewed based on standard questionnaires formerly created for the purpose by the Assurance Panel, in 2005. Since then HSE, incidentally, has become one of the key players in this audit process.

In 2005, to support efficiency improvement programme objectives, HSE developed a comprehensive system for the planning and monitoring of HSE-related costs across the whole Group. This system was compiled with the Planning & Controlling Unit and the Procurement Spend Optimisation team with the aim of reducing HSE costs, including those of compliance. It is worth mentioning that we have achieved remarkable results by adopting this system.

Target-setting is a basic element in good management and - as HSE themes are an integral part of Key Performance Indicators (KPI) - supports the improvement of HSE performance. To be challenging yet achievable, targets need to be set carefully and precisely to fit the nature of the specific operations, their locations and track records, in question. Every year, the HSE Unit sets performance targets for the company. Group-level targets, with breakdowns by Business Unit, are then approved by the HSE Committee.

Code of Ethics

The first MOL Code of Ethics was developed in 1992. The Code has been continuously updated since to take into account new internal and external developments. The third version, issued in 2001, was the first document to define our goals, vision and values on an integrated basis.

In 2006, in line with integrated business operations, the three separate ethics bodies then operating in MOL Group (MOL Plc., TVK Plc. and Slovnaft a.s.) were transformed into a single body, the MOL Group Council of Ethics. The first Group-level Code of Ethics, valid for all Member Companies and Subsidiaries, was prepared concurrently, and is being launched in 2007. Whilst preparing the Code, we took international best practice and standards into account to better reflect stakeholder expectations and to strengthen our practices and compliance.

MOL Group is committed to consistently operating in accordance with lawful behaviour and fundamental ethical norms. Our employees contribute to MOL's success not only through their expertise and performance, but also by creating positive public opinion about the company. Our Code of Ethics is a compendium of guidelines, norms and rules that every employee must follow when at work. We expect every individual and every organisation in contractual relationship with the Group and its member companies, as well as partners acting on the Group's behalf, to comply with the Code. Every employee, supplier or business partner can turn to the Council of Ethics if they come across issues that run counter to Group principles, and especially if they feel their rights have been impinged upon. Besides controlling and supervising investigations launched into breaches of ethics, the Council of Ethics evaluates ethical risks related to our operations, and ensures that these regulations mitigate and reduce such risks.

Supplier Policy

In line with the concept of Product Stewardship, our responsibility covers not only products and services produced and marketed by MOL Group, but also those which we acquire through our procurement process. We therefore expect our suppliers to meet the same first-class quality, social and environmental standards that we do. Our Supplier Policy therefore lays down the mutually-respected fundamental tenets and principles agreed upon by both parties.

Our suppliers

- provide goods, services and processes of high quality and apply reliable quality management methods
- are competitive in international markets and continuously seek to improve such competitiveness
- are technologically innovative, their goods and services meeting international environmental, safety and health standards
- provide reliable service and take overall responsibility for their goods and services
- work professionally, applying totally ethical working methods
- strive for long-term partnerships with us
- adopt high-level communications methods and techniques.

MOL Group enacts its procurement process applying clear, consistent and unambiguous rules. The company regularly evaluates its suppliers before and during cooperation and keeps them informed about changes and their performance.

Additional web content:

www.molgroup.hu/en/sd/managing_the_group/policies_and_strategies/



Governance systems

Corporate governance structure

General Meeting

The General Meeting, being the main decision-making body, enables shareholders to make decisions on issues germane to MOL Group everyday operations, and to exercise governance and control rights. MOL is committed to the equal treatment of shareholders and, in accordance with this principle, shareholders influence Company operations solely through their voting power, based on their shareholding interests.

Board of Directors

The Board of Directors (BoD), elected by the owners, is responsible to them for the implementation of MOL Group strategy, integrated Governance and the monitoring of management performance. A charter regulates the scope, objectives, tasks and modus operandi of the BoD, as well as the rights and obligations of the BoD Chairman and Deputy Chairman.

The Board of Directors operates committees (their work regulated by their own respective charters) to increase the efficiency of Board operations, and to provide appropriate expertise for decision-making. These committees are, namely:

- The Financial & Risk Management Committee (FRMC)
The FRMC supports Board oversight of the company's financial statements, its internal audit function and its independent auditors. The Internal Audit organisation reports to the FRMC and the appointment or removal of its head requires FRMC consent. The FRMC consists solely of non-executive and financially or legally knowledgeable members.

- The Corporate Governance & Remuneration Committee (CGRC)
The CGRC's primary task is to assist the Board in the appropriate implementation of corporate governance standards and is responsible for the development, oversight and evaluation of Company compensation plans and long-term incentive schemes. The majority of CGRC members are independent and non-executive.

- The Sustainable Development Committee (SDC)
The highest Governance body related to Sustainable Development is the Sustainable Development Committee of the Board of Directors, headed by MOL Group CEO, with three non-executive members, thus ensuring the highest commitment to and representation of sustainability issues in both internal and external MOL Group relations. It strives to enhance long-term performance, fosters the positioning of MOL Group in the market-place in this new strategic area and supervises actions taken towards achieving sustainable operations.



The Supervisory Board

The Supervisory Board (SB) monitors the Board of Directors' activities on behalf of the shareholders and ensures that it carries out its duties with the outmost loyalty and due care. The SB supervises the management of the Company for the Company's supreme body, the General Meeting.

The majority of SB members are independent (in line with Budapest Stock Exchange regulations). SB members are not employed by the company, with the exception of the employee representatives. The Supervisory Board appoints the Audit Committee of independent SB members who then act as oversight of the company's financial statements and independent auditors.



The Executive Board

The Board of Directors defines Executive Board (EB) tasks and responsibilities and ensures a uniform system of operational and organisational regulations, as well as a system of objectives, reporting, and supervision. The primary tasks of the EB are to implement MOL Group strategy and manage MOL Group operations.

Business and Functional Units

MOL Group Governance is carried out by two parallel but inter-connected units, namely the Business and Functional Units. Their work is coordinated under the aegis of the EB. Business and functional governance and supporting activities are clearly separated and managed.

The role of Business Units is to develop and implement competitive strategies that achieve MOL Group objectives and increase business value, whilst enforcing internal and external regulations and statutory requirements. Functional Units' tasks are to support efficient business operations. Uniform functional regulations and systems are developed in co-operation with the Business Units.

Working committees

Various committees are appointed to coordinate or support specific business activities, based on pre-defined agenda and occasionally take decisions themselves. Also, using a holistic approach and relevant background information, they facilitate swift and efficient EB decision-making. The holistic approach is provided by Committee members who comprise the Heads of the Business and Functional Units concerned. Working teams may also be set up within or among organisational units to implement subtasks and solve specific problems.

A unique committee - the Council of Ethics - is responsible for the further development of the Code of Ethics (taking latest trends and international best practices into account) and for monitoring and minimising misconduct throughout the Group.

The Governance and Regulation System

Fundamental operating principles

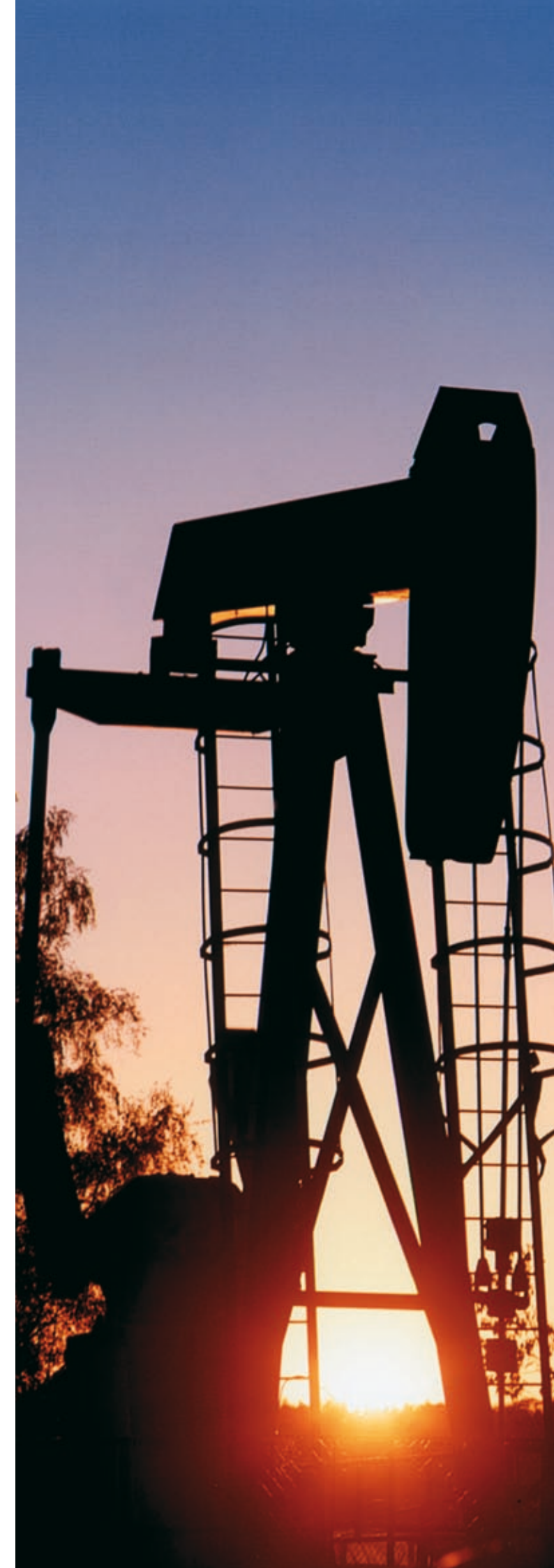
The efficiency of MOL Group integration depends upon the successful orchestration of MOL Group-level Business and Functional Units and the operations of its member companies. Consequently, the MOL Group Governance and Regulation System is based on the following conditions and mandatory requirements:

- MOL Group is managed on an integrated, matrix governance model, supported by a process-based Regulation System
- Integrated management systems support this integrated matrix operation
- Overregulation must be avoided within the system, and centralised control of key functions ensured
- The system must be flexible enough to enable MOL to extend it to embrace newly-acquired companies
- The process-based Regulation System must support Enterprise Resource Planning (ERP) and other operation-related information systems
- All operating process documentation must be integrated into the Regulation System

Regulation System

MOL Group's Regulation System supports effective MOL Group-level implementation of mechanisms that provide efficient business control:

- Through the development of a uniform, flexible, and transparent internal operating environment
- By providing the basis for harmony between processes
- By providing the organisational structure built upon them
- By establishing Quality Management Systems



Key Regulation System elements and strata are:

Main Governance documents (Operational & Organisational Rules - OOR; Description of Tasks & Responsibilities - DTR; List of Decision-making Authorities - LDA) were developed in on-going consultation with Business and Functional Units. Group Guidelines, together with the main Governance documents, have been issued and distributed to management and employees in the form of a Corporate Governance Manual.

Since the efficiency of MOL Group integration depends upon the successful orchestration of MOL Group-level Business and Functional Units, relevant principles have been summarised and detailed in the OOR.

Integrated Business and Functional Units are led by MOL Group managers, responsible for the integrated operations of a given area. The integrated MOL Group organisational model is described in the DTR.

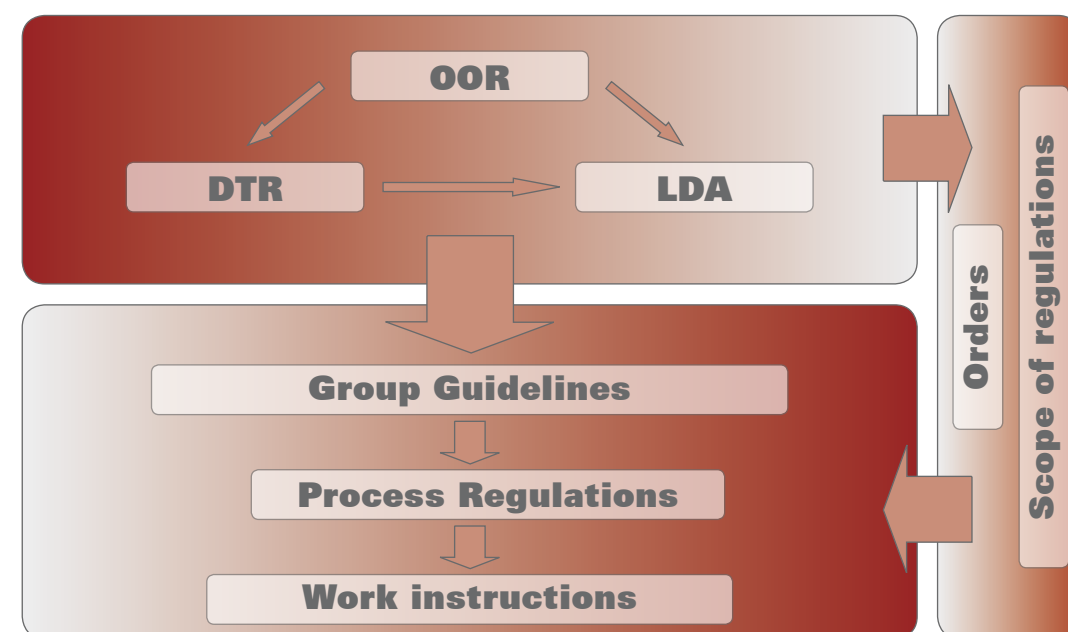
The LDA contains detailed rules on decision-making at MOL Group-level. All decisions at Subsidiaries must be taken in line with rules set out in the LDA. Decision-making and signing rights are clearly separated in the Governance System. In decision-making the “four-eye” principle is observed.

MOL Group Guidelines, representing the Regulation System’s second stratum, contain general instructions concerning the main groups in the integrated Process Structure. Processes are split into three major groups – Governance, Business and Support.

Process Regulations describe the allocation of organisational responsibilities, document Information Systems relationships to process steps, and consist of additional information necessary for proper implementation. Work Instructions contain in-depth methodology descriptions required to fulfil processes.

Additional web content:
www.molgroup.hu/en/sd/managing_the_group/governance_systems/

Internal regulation system



Management systems

Risk & Crisis Management

Framework of a comprehensive Risk Management function

In light of recent developments in the risk management area, MOL Group - similar to leading international corporations - has paid increasing attention to this function, which forms a key part of its corporate governance structure. 2006 was the first full operating year of the new Group Risk Management (GRM) function and the appropriately integrated risk management approach. A significant broadening of the scope of risk management was achieved by incorporating Enterprise Risk Management (ERM) into the structure. As a result, GRM now consists of an integrated, comprehensive, 4-pillar system that manages a wide variety of risks.

Financial Risk Management – handling short-term, market-related risks

Financial Risk Management was a longstanding function in Group Treasury

before its integration under the GRM umbrella. Financial risks (commodity prices, FX and interest rates) are measured using a complex model based on the Monte Carlo simulation methodology (which also takes portfolio effects into account) and are managed - where necessary - using risk mitigation tools (such as swaps, forwards and options). This function concentrates on a relatively short, 12-month time horizon. Reports on compliance with limits linked to MOL Group strategic and financial objectives are compiled for senior management, on a monthly basis.

Insurance Management – transferring excess operational risks

The purchase of insurance, also a part of GRM, is an important risk mitigation tool used to cover most relevant operational exposures. The major types of insurance are: Property Damage, Business Interruption, Liability,

and Control of Wells. Typically, Insurance Management has a one-year cycle, renewed annually, and followed by a report to senior management. Since insurance is managed for the whole Group, MOL is able to exploit considerable synergies.

Enterprise Risk Management – incorporating a broad variety of risks into a single long-term system

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

This state-of-the-art risk management system was introduced at MOL Group last year, largely based on existing expert financial risk management practice. It has since been successfully rolled out across all Business Units. The model's 10-year time-scale also reflects new aspects of longer-term strategic risk. The ERM process identifies the most significant risks to the effective performance of the company (both at Group- and Unit-level) and calls for decisions to be made on which risks should be accepted and which should be mitigated and how. Some risks are managed centrally, while others are dealt with by the Divisions, overseen by nominated risk owners. From 2007 onwards, the annual risk quantification and prioritisation cycle - following each year's planning period - will be turned into systematic and pragmatic risk mitigation actions, the progress of which will be reported quarterly to senior management.

Business Continuity Management (BCM) – preparing for unexpected operational events

Based on ERM findings and experience gained from insurance management, we now have a deeper understanding of the

sources and nature of risk. As a result, MOL Group recognises the necessity of Business Contingency Plans, Crisis Management processes and other risk control programmes. In the second half of 2006, GRM led a pilot programme in the Refining & Marketing Division, and now plans to introduce Business Continuity Management to all Divisions with high operational risk exposure, in 2007.

The stakeholder engagement process

Multi-stakeholder processes call for the involvement and cooperation of all parties concerned, and are indispensable to the successful development of a common understanding of Sustainable Development issues, and the application of its principles to everyday practice. Moreover, these processes give participants the chance to articulate and represent their own ideas and interests. Shareholders, customers, employees, contractors, Non-Governmental Organisations (NGOs), authorities, and local communities constitute the main MOL stakeholder groups among whom we must build trust and credibility by acting as a "good corporate citizen".

With the help of its Group-level internet site, MOL ensures high-quality free-access to information for its stakeholders. It also contains a separate regularly-updated section on Corporate Sustainability, covering relevant Sustainable Development issues. Moreover, the site provides users with the opportunity to express their opinions in different ways, and feedback thus received is analysed and taken into account in the development of future processes.

Shareholders

Creation of shareholder value is the most important mission of a modern corporation. We are the servants of our shareholders, who need constant assurance that the current corporate structure and operations

guarantee the best value to them. MOL Group management is aware of its fundamental duty to represent and promote shareholder interests and recognises its accountability for the company's performance and activities. Therefore, performance and development are continuously analysed and evaluated, both in the broader external environment and within the operations of MOL Group itself.

Whereas MOL Group shareholders are mainly UK and US institutional investors, there is also a significant number of individual shareholders. We regularly conduct shareholder identification surveys, in addition to regular reports on the geographical distribution and nature of our shareholders by our share registrar, KELER. We communicate with our shareholders through various channels. At the MOL Annual General Meeting, the company's performance and strategies are presented and our latest financial statements and dividend level are then voted on by the shareholders. In addition, we publish flash reports on a quarterly basis followed by conference calls with key investors and analysts. Our

Annual Report is issued at the end of April every year, and contains audited MOL Group financial statements, a management review and analysis of the prior business year.

MOL has always considered on-going communications with the financial community as a top priority. We organise regular one-on-one meetings and road shows to meet our shareholders and professional analysts. We also consider the Internet to be an important communications channel, so we publish all our announcements and reports on our website.

Employees

The Human Resources Department is responsible for the involvement of, and communication with, MOL employees. Trade Unions, Workers' Councils (acting at company-level), the MOL Group Council of Ethics and a special MOL call-centre together ensure representation of employee opinion and interests. In addition, the European Works Council ensures opportunities for employees to be involved in direct discussions with, and in the decision-making processes of, MOL Group management. In this way, MOL





employees are kept continually informed about decisions either made locally, or in other countries where MOL operates. The management considered necessary the development of action plans, based on the results of the bi-annual Employment Engagement Survey, last conducted in 2006, to increase employee commitment to MOL Group.

Customers

Making an enquiry, expressing an opinion or requesting assistance are all facilitated through MOL Customer Services - not only the face of the company, but a key customer information tool. The service is available for information-sharing on any special or general issue concerning MOL Group through a variety of channels: in person, by telephone, e-mail, fax or post. All agents are furnished with up-to-date information on MOL products and services. In addition, calls are recorded, for later analysis, to improve customer satisfaction and service quality. Customer Service agents must respond to customers promptly, in ways most appropriate to their specific needs.

Suppliers

Efficient cooperation with our suppliers - a vitally important MOL Group stakeholder segment – significantly contributes to our

long-term business success. To this end, MOL Group organises annual Supplier Forums, which have now become effective ways of improving our results through the sharing of business know-how. Moreover, we regularly hold meetings with major contractors at which we present our requirements of their products and services, an integral part of our contracts with them. We also publish these requirements on our official websites.

The Authorities

As we fulfill fundamental responsibilities in our modern economy, we pay particular attention to maintaining good relations and effective cooperation with government institutions, professional associations as well as local authorities, in line with legal requirements and the relevant Group-level internal guideline.

Where direct relations with government are concerned, MOL either expresses its opinions or positions on specific issues if officially requested to do so or in accordance with lobbying laws. Indirect relations are managed through professional associations, comment on draft legislation (published on ministries' homepages based on "free access to information" laws), or, in individual cases, through personal consultation by those

appointed to do so by the company. These activities are coordinated by the MOL Group Enterprise Relations Unit to ensure a uniform corporate position when communicating with external audiences.

Local issues such as data provision, permit or consultation processes or public hearings involving municipalities, environmental agencies, or other local authorities are managed by the relevant Business or Functional Unit.

Local communities

Our aim is to conduct our business operations in a socially responsible manner which also complies with best industry practices. Therefore, we have increased our support for local communities close to our sites following our commitment and responsibility. We respect national, cultural and religious diversity and, whenever possible, we try to support local community development projects. Our open and transparent approach to external stakeholders is proven by our reporting practices in which we disclose the results of our activities. Our printed reports and websites also offer a channel for two-way communication and collection of feedback from external stakeholders.

Business Excellence

Over the years, we have come to realise that to achieve operational excellence, corporate accountability and environmental consciousness, the management systems and approaches in use provide only limited support. Therefore, MOL has selected the internationally-accepted European Foundation for Quality Management (EFQM) Business Excellence Model to develop, deliver and manage a clearer and more coherent structure of improvement measures and programmes.

EFQM was founded in 1988 to increase the effectiveness and competitiveness of European companies. To achieve this aim, the

Excellence Model was developed based on leading European company practices. Today, more than 30,000 companies have adopted the model which is essentially a management system that encompasses leadership, processes, strategy and HR management issues as well as results achieved in business, society and among suppliers and employees. The model strengthens company awareness of its own impact on society, the environment and the economy and helps to continuously improve performance. The model also helps the promotion of the culture of measurement practices and supports benchmarking against the best in Europe.

EFQM created the European Quality Award as an assessment tool, and it has been given to organisations which apply the Quality Model to the greatest degree in their management practices. Over the years, the Award has become the most respected among those that recognise organisational excellence.

MOL Group introduced the EFQM Excellence Model, selected in 2004, in two ways:

- The first implementation stage was that of Group-level self-assessment followed by that of Divisional-level units to see how existing practices complied with the Excellence Model and what improvement possibilities there might be. For the latter, the units in question decided upon and initiated actions they deemed necessary.
- In the second stage, MOL created the Chairman Quality Award, based on the European Quality Award. Our award is given to those units who incorporated and applied the Excellence Model to their own management practices with outstanding success. Units applying for the award conduct self-assessments based on Excellence Model criteria and submit applications which contain general descriptions of the organisation in question, how management practices measure up against the criteria and list their performance results.

Based on organisational mirror analyses, all MOL units initiated improvement actions and started implementation as the next part of the process, in 2006.

As in previous years, several MOL Group organisational units and subsidiaries applied for the Chairman Quality Award. Having complied with the pre-qualification criteria, these units conducted self-assessments and submitted applications which were then evaluated by independent experts. The 2006 results show that applicants had become more and more adept at integrating Excellence Model requirements into their management practices. The Model had helped them consider social and environmental issues besides the business aspects of their everyday activities.

Quality management

Executive management statement

The application of comprehensive quality management tools significantly contributes to the achievement of the twin strategic objectives of excellence and dynamism, and swiftly leads to the development of optimally-regulated and reliable processes and well-balanced product and service quality, supported by operational efficiency improvements and cost-reductions.

Quality management at MOL Group-level

The concept of Quality Management is embodied in MOL Group-level quality policy, quality management principles and requirements, and in the implementation of programmes initiated to meet them. In corporate-level projects, we carry out strategic initiatives, for example the enhancement of certified systems, the improvement of the Supplier Management System or the lead-up to using EFQM Business Excellence model-based self-assessment.

Redesign of standard-based management systems along with their operational integration into MOL Group was again co-ordinated at Group-level. The project goals were met and systems redesigned in line with business operations.

Our management systems

We operate certified standard-based management systems in all those areas requested by customers, identified as necessary by Business or Functional Heads, or required by law. In addition to Quality Management Systems (ISO 9001:2000), where we need to operate other professional standard-based management systems e.g. Environment-oriented Management (ISO 14001:2004), Occupational Health & Safety Management (ISO 18001:1999), Food

2006 EFQM Forum in Budapest

In November 2006, a prestigious event, hosted by Hungary - the EFQM Forum - Europe's most exclusive management conference of its type, was held in Budapest. MOL not only supported the event but the organisers deemed the MOL Chairman Quality Award worthy enough to be introduced to participants as an outstanding example of the Excellence Model in practice. MOL shared lessons learned with participants from all over Europe, who received answers to their questions and were able to gather ideas. MOL demonstrated to the whole of Europe how a "mini"-European Quality Award can work successfully in a multinational oil company.

Hygiene (HACCP), etc., the development of an integrated system and its effective operation are vitally necessary. All our laboratories, incidentally, are accredited with the relevant qualifications (ISO/IEC 17025:2005).

We plan further developments - based on best practices - in the application of Total Quality Management (TQM) techniques and tools, the application of revised system-standards and administration up-dates to the system's operations. We also support self-assessment processes based on the EFQM-model.

Supplier management

The Supplier Qualification System

The Supplier Qualification System (SQS) used throughout MOL is an intranet IT tool that supports the evaluation of supplier information and operations, including various quality management systems, processes and supplier selection and performance analysis. SQS comprises three elements: pre-qualification; regular evaluation; the processing of analysis, results and feedback.

SQS's objective is to ensure that, through consistent application of the system, MOL Group obtains products and services necessary for its operations from suppliers who satisfy the criteria of high quality, cost-efficiency, on-time delivery and strives for long-term partnerships.

SQS also defines the processes that ensure the on-going measurement, evaluation and classification of supplier performance.

The results expected from SQS are increased customer satisfaction, improved quality of service, precise and up-to-date supplier records, supplier health and safety, as well as mutually satisfactory partnerships.

Pre-qualification

The pre-qualification of suppliers, the assessment of competency and the on-going



analysis and measurement of performance are considered by MOL to be key responsibilities. Our motto "The quality of output is determined by the quality of input" clearly demonstrates this. Our fundamental principle is that only those suppliers will be contracted who have been pre-qualified or certified for the activity contained in the relevant contract.

To assess supplier financial status, professional ability to perform, as well as its operations carried out, we use pre-qualification questionnaires.



Pre-qualification questionnaires are sent to suppliers by the procurement organisation, and their quotations cannot be considered until completed questionnaires are returned. Naturally, a supplier must return a completed questionnaire to the same organisation that issued it. The information and data given in answer to the questions are evaluated by the procurement organisation and input in the SQS together with the pre-qualification results.

Regular evaluation

MOL Group continuously evaluates the performance of its suppliers, contract by contract. The organisation responsible for procurement with a direct relationship with the supplier, verifies performance and, being in possession of the most information about such performance, carries out the evaluation.

Evaluation criteria

Supplier activities are evaluated according to various criteria (price, quality, customer

satisfaction, etc.), weighted according to various product groups. Naturally, for the purposes of evaluation of individual assignments, only criteria applicable to that specific product group will be considered. Supplier performance is evaluated on the basis of primary and secondary criteria, i.e. price, quality, supply/service ability and customer satisfaction.

Processing, analysis and feedback of results

Supplier activities can be qualified through the evaluation of individual assignments, followed by the documentation of qualifications and the preparation of a blacklist.

The aim of performance evaluation is to move the future supplier selection process in the direction of suppliers with excellent performance. Through these evaluations the SQS provides support for quality audits, since we already know the strengths and weaknesses that characterise a suppliers' performance.

The Performance Management System

Performance Management comprises various elements at Group and Company levels, all of which focus on ensuring a link between Group objectives, actions plans and individual performance. The output of the system is also used to link compensation to performance, therefore reinforcing a merit-based culture.

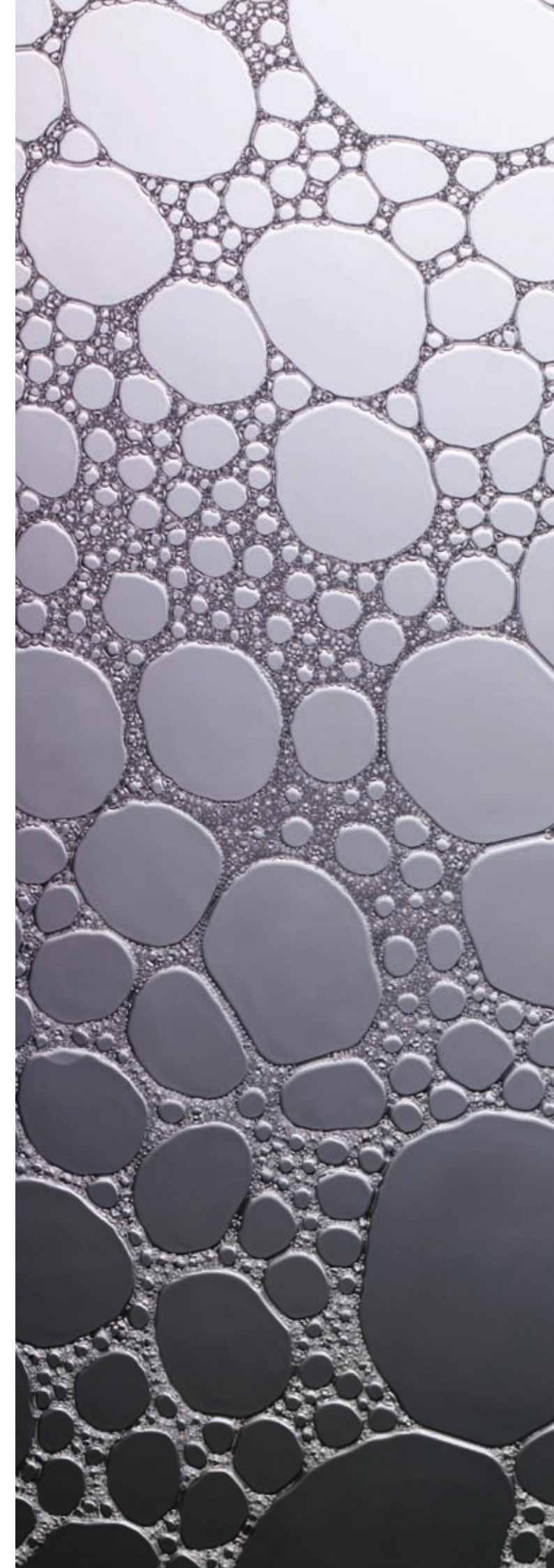
MOL Group Performance Management System (PMS) focuses on the Top 350 managers, across its entire geography and companies. Targets are set based on corporate objectives and cascade from the top down. Objectives are grouped into corporate, divisional and individual categories, and category-weighting is based on individuals' levels in the organisation and therefore their potential impact on different target levels. In this way, the system ensures strong individual interest in achieving Group- and Unit-level objectives, whilst rewarding individual performance and delivery.

Performance evaluations are used to define bonus payouts and salary increases, and also provide input to career-potential evaluations and therefore link current performance to long-term career growth.

Beyond the Group-level PMS system, Group member companies have developed their own local systems to ensure that employee groups below managerial levels are also provided with clear targets and performance feedback on an annual basis.

Additional web content:

www.molgroup.hu/en/sd/managing_the_group/management_systems



Commitments to external initiatives

CONCAWE

MOL Group is member of CONCAWE, a professional association, in which the HSE Unit plays an active role. Its main objectives are to acquire pertinent scientific, economic, technical and legal information on environmental, as well as on health and safety issues and to communicate the findings to improve understanding of these issues by all stakeholders.

MOL Group HSE has nominated representatives in the key management and working groups, dedicated to REACH implementation, Land Use Planning, Water Quality, Safety, Air Quality and Health.

The hottest issue resolved in 2006 was the preparation for implementation of REACH chemical-safety legislation which comes into force in June 2007.

To facilitate efficient sharing of information inside MOL Group, HSE initiated the internal CONCAWE exchange forum which aims to make the best use of knowledge acquired in CONCAWE and harmonise MOL Group activities in these fields.

Business Council for Sustainable Development, Hungary

In 2006, MOL became a member of the Business Council for Sustainable Development, Hungary, which was formed in 2005 as the Hungarian chapter of the World Business Council for Sustainable Development – an international business organisation.

The aim of this international network is to promote the concept as well as the implementation of Sustainable Development among member corporations and other business enterprises. In addition, it also provides a consultative forum for managers and experts committed to these principles. The Hungarian Council wants to establish dialogue and an action programme together with business and professional organisations, NGOs, governmental and educational institutions as well as with leading representatives from the scientific field.

According to their means, member corporations take an active role in the work of the Council, strive to integrate sustainability principles into their working practices and share their knowledge and experience with others. By its membership, MOL clearly signals its commitment to support Sustainable Development and aims to take a leading role in the field, both in Hungary and across the region.

Additional web content:
www.molgroup.hu/en/sd/managing_the_group/commitments_to_external_initiatives



Award-winners in sustainability issues

Business World for the Environment

In 2006, MOL received second prize in the "Hungarian Business Leaders Forum" competition "Business World for the Environment". This was an acknowledgement of MOL's outstanding commitment towards environmentally-conscious corporate governance and of the results achieved in sustainability issues.

Green Frog Award

TVK traditionally maintains open communication with its audiences. This is truly reflected in its annual publishing of a company-level Sustainable Development Report. This report was entered into the Green Frog Award competition, founded by Deloitte. The award is offered to Central & Eastern European companies that publish the best environmental or sustainability reports. In 2006, TVK came second.

Healthy Workplace Award

In 2006, the American Chamber of Commerce (AmCham) Hungary continued its Healthy Workplace programme of assembling and distributing expert recommendations for creating healthy workplaces and then encouraging employers to achieve greater performances as a result. The most successful participants receive the Healthy Workplace Amcham Award. In December 2006, TVK came third in the big corporation category.

Donor of the Year - Top Corporate Philanthropist

The annual "Donor of the Year" Award, given in three categories (Corporate, Private, Non-profit) by the Non-profit Information & Training Center Foundation (NIOK), to recognise exceptional performances in the field of charity by donors as well as charitable and non-profit organisations in Hungary. The award is not granted based on the amount of money donated by each donor but related to the principles and processes applied in donation activities. In 2006, MOL was awarded the "Top Corporate Philanthropist 2006" prize for its outstanding donation activities.





**Sustainability
of our business
model**



Our ultimate strategic goal is to maximise shareholder value, which requires, on a long-term basis, the integration of sustainability principles into our everyday operations. MOL Group adopts the best available technologies, ensures security of supply, and pays close attention to the quality of its products, in all its areas of operation.

Economic and financial sustainability

The economic pillar of Sustainable Development is of vital importance to companies operating in a market economy. Maintenance of a strong financial position and investor credibility are fundamental components of any sustainable business model and a precondition for fulfilling our tasks as a "good corporate citizen". Moreover, the growing development of Socially Responsible Investment Funds, established by financial institutions, and the rising importance of SD Indices, alongside traditional market indices, show that investors are becoming more and more interested in companies' SD activities. These trends, therefore, underline the fact that SD has become an increasingly significant fact of life, no longer to be ignored in the ever-evolving global business context.

Thanks to timely and focused upgrade investments carried out by MOL over the last decade, the Company has achieved outstanding results by any international comparison. Its well-constructed and up-to-date asset base will serve as a favourable source for future investments that enhance its competitiveness and market position.

MOL's growth strategy is based, to a large extent, on acquisition. The recent favourable economic environment and the hikes in crude prices and margins have paradoxically made it harder to pursue this strategy, since demand for assets - and resulting asset valuations - have soared. MOL is determined to stick to its acquisition policy, however, and focus on long-term creation of value and synergy.

Business development

International development

MOL Group has today become a leading multinational oil company in Central & Eastern Europe. In terms of economic and social issues, such a position implies a deep interdependence between the region and MOL Group. We are naturally interested in seeing all the countries of the region prosper, develop and become respected EU Member States. MOL Group investments in the region therefore represent a substantial contribution to this process: they create jobs and promote the spread of advanced business practices. MOL Group compensation levels are above local averages and we make conscious efforts to provide equal opportunities for talented professionals throughout our operations.

In line with our strategy, we have continued our efforts to increase international exploration

and production activities in our core markets. In Russia, we have acquired an exploration licence for block Surgut-7, and we have also purchased BaiTex, a production field in the Volga-Urals region. We have extended our presence in Pakistan as well, entering the development phase at the Tal block and continuing our intensive exploration and appraisal work. We have also widened our exploration efforts, adding Oman as a new target country, where we have signed a Concession Agreement for a new exploration block.

Future portfolio steering

To ensure the long-term sustainability of our company, it is inevitable that we must

consider when and how less carbon-intensive renewable energy sources will be substituted for oil. One of the possible directions for us is the trend for oil companies to transform themselves into concerns satisfying transportation as well as general energy needs. Companies need to prepare for this fundamental change whilst still in the “oil-era”.

Since, strategically, deeper bio-fuel penetration may only be achieved through development of competitive second generation technology (i.e. that using waste materials from agricultural, food and wood products or other cellulose feedstock), MOL has initiated an R&D consortium with Hungarian developers, and will carry out research into this field in a Public Private Partnership project.

The main challenge to the oil industry, and in particular to refining, is the emergence of CO₂-emission regulations. In recent years - the “study period” - we have established CO₂-emission monitoring and accounting systems in all related areas in MOL Group. The next step will be to treat the problem proactively through innovative approaches. The upstream area has a possibly excellent solution: CO₂ underground storage, vacant due to its depleted domestic hydrocarbon fields. We have started investigation into the technological and economic feasibility and business potential of carbon capture and storage.

Increased market value

Shareholder value

Our ultimate strategic goal is to maximise shareholder value on a long-term basis. This is the key criterion in all our business decisions. Our economic performance is evaluated on a global basis. We strive to make our business as transparent as possible to facilitate this evaluation process. We continuously monitor the transparency level of our main peer group and thus last year we further developed our

quarterly and annual reports to meet the expectations of international best practices as well as those of our shareholders.

After the Government’s sale of its 10% stake to MOL, and later a further 1.7% public offering in 2006, MOL has now become a fully privatised company, marking the final step in a process started back in 1995. This also formally reinforces MOL’s long-established independence.

We have redesigned our business monitoring and reporting system in such a way that it focuses on strategic actions rather than just on financial and operational data. Instead of the former “past performance” approach, all projects are measured against our 2010 strategic objectives and progress must always be evaluated from that perspective. Key strategic actions have to be identified and tracked to be able to forecast future risks and bottlenecks in strategy implementation.

Socially Responsible Investments

Today it is becoming more and more important to investors that companies’ environmental and social performance, and not just financial results, also be outstanding. Therefore, apart from being committed to Sustainable Development, it is vitally important we integrate its principles into MOL’s business strategy and develop an action plan to ensure that happens. Results should be monitored and the maximum amount of information provided to potential investors and shareholders to support them in their decision-making and to demonstrate that MOL Group is a good choice, not only based on its financial success, but also on its environmental and social performance. Thus we strive to be perceived as an accessible and trustworthy company which conducts its operations by always taking the triple bottom line of Sustainable Development into account. Our Investor Relations team ensures fruitful dialogue with the financial markets to assure the reliability and transparency of our activities to our current and potential shareholders.

Modernisation and maintenance

Supply security

Energy and transportation are essential factors in a modern economy and are indispensable to consumer welfare. However, there is a significant knock-on effect that is associated with supply security. Failure to supply would cause social damage of an order of magnitude greater than the value of fuel products not consumed during such a crisis. We therefore consider supply security of transportation of fuels and natural gas to be our primary responsibility.

Recently, supply security issues have shaped public thinking more than ever. Society and the economy today rely much more on transportation and energy in general than people realise. This dependency only becomes apparent when conditions suddenly change for the worse. As a major energy supplier, MOL Group is committed to fully maintaining operating conditions necessary to ensure supply security. MOL Group has made significant investments in the development of its refineries. Its maintenance strategy stresses prevention to ensure high-level availability of plants. Gas transmission infrastructure has also been modernised to meet supply security requirements and associated economic and technical needs. These investments ensure that our ability to meet demand remains sustainable in the long run. Fostering good business relationships with our partners also helps build a supply security culture.

An important element of the security of gas supply is the feasible diversification of sources and transportation routes. Given the requisite number of natural gas supply sources, MOL is ready to participate in major

pipeline projects (Nabucco and Bluestream) that will significantly contribute to long-term European gas supplies. Moreover, further development and regional extension of the already effective Hungarian underground gas storage system may also enhance security of supply. Finally MOL has won the tender to build strategic natural gas storage to house 1.2 billion m³ in Hungary, to be completed by 2010.

Maintenance

Maintenance activities ensure that everything needed to carry out day-to-day activities is available and in good working order, and thus supports and further improves the operational effectiveness.

The on-going 2006 Facility Management Unit building renewal plan affected 30% of our premises. Long term investment, pilot projects and real estate career plans all help to achieve implementation and reduce the risk of service shortfalls. The 2006 reconstruction plan involved more than two hundred projects affecting buildings, laboratories, meeting rooms and a variety of communal

areas such as cafeterias. As a result, the new building renovations and substantial interior refits altogether created 500 new workplaces. These modern computerised workplaces are developed in line with the latest fire and labour safety regulations, are much better ergonomically and have much more efficient energy use than the old workplaces ever did. One of our pilot projects is to develop a new genuinely "green" office. Basically, we have designed and will construct an office for the future, using the best available techniques and in accordance with sustainability principles. This will provide an opportunity to put these principles into practice, analyse and measure effectiveness and then consider the results with a view to further building reconstruction work.

Investment

During the course of its investment projects, already from the planning phase, MOL pays particular attention to environmental issues, and also selects the best available technologies. A good example of this commitment was when the Claus 4 Unit at the

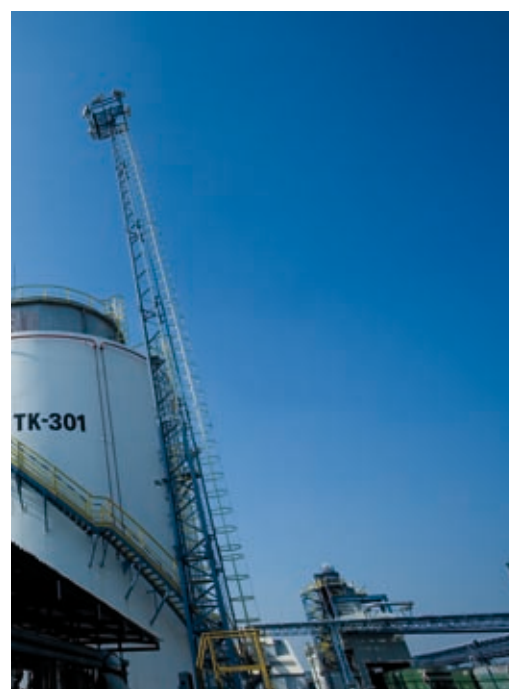
Duna Refinery was revamped in 2006 because sulphur recovery insufficiently complied with increasingly stringent environmental regulations. Tail gas processing was added with a reductive tail gas treating technology that boosted overall sulphur recovery from about 96% up to 99.9%. As a result, sulphur-dioxide emissions were substantially reduced.

In addition, storage tank farms in Hungary were refurbished in a three-year programme. The third and last phase was completed in 2006. The newly-added tank bottom plates with a vacuum leak detecting system now prevent long-lasting leakage and permit the detection of possible leakage caused by loss of integrity in a short timescale. Modern seals around the floating roofs are designed to prevent atmospheric pollution by the storage tanks. The first phase of a similar project was also completed at TVK.

At the TVK Plant, recycled cooling water systems no.6 & no.7 were modernised. The renewed systems minimise scarce fresh water usage in processing. Additionally a newly-constructed 3.5 km long waste sewage line now transfers ground water with limited hydrocarbon content to the neighbouring refinery where biological wastewater treatment plant spare capacity assists in treating TVK's wastewater.

At TVK's Olefin 1 Plant, steel structure fire protection containing asbestos components, put in place more than three decades ago, has been replaced by harmless fireproof spray that provides the same level of protection. As a precondition to the removal of materials containing asbestos, the utmost care was taken to protect the workers and the environment. At the same plant hydrocarbon evaporation from the wastewater collection pit has been eliminated by introducing a state-of-the-art thermal tail gas oxidizer.

The overall value of the above projects exceeded 3,5 billion forints.





Product Stewardship

Product stewardship is an on-going responsibility which calls upon all those involved in product life cycles to share accountability for the environmental and social impacts of products in general. It brings us ever closer to the implementation of life cycle management, where the impact of a product is mitigated “from cradle to grave”, not just during a single specific process conducted by any one company.

MOL Group, as a producer and retailer, recognises its responsibility to reduce the environmental and social footprint of its products. Thus, we are committed to integrate, as far as possible, the stewardship concept into our management and production processes. By re-thinking the characteristics of our products and production processes, our relationships with the supply chain, and with the ultimate customer, we have become more and more

capable of providing better products and services, reducing costs in certain cases, and providing customers with more value, with less impact on the environment. However, real change will only ever be successfully achieved when all players in the marketplace and society accept mutual responsibility.

Product development

Fuel quality development is driven by efforts to protect the environment whilst providing high quality product to our customers. In line with EU regulations and market demands, producers must further reduce emission resulting from the use of their products in vehicles, especially the quantity of gases responsible for the greenhouse effect (primarily CO₂). This implies specific changes in the composition and properties of fuels in

parallel with improvements in the evolution of engine construction.

Our quality leadership results from coordinated long-term development efforts and market-driven innovation. MOL had already reached full compliance with EU 2009 fuel quality standards by 2005. In compliance with EU regulations on bio-fuels MOL developed fuels with a bio-component content, strengthening its regional position. As a leading multinational company, an important part of MOL strategy is not only to produce first generation bio-fuels, but also to participate in research into second generation technology.

Our first success was when a MOL-led consortium was awarded HUF 500 million for research into second generation bio-diesel as a result of the National Office for Research & Technology's Jedlik Ányos tender process. Current research and pilot studies by other consortium partners supplement basic research being carried out at the Hungarian Academy of Sciences and Pannon University, Veszprém. The consortium's most important target is to make a wide range of feedstock available for production, using large quantities of waste vegetable oils, agricultural and food industry by-products and waste as the base material for producing bio-diesel component. The other direction of the research is the development of high-tech bio-fuel production processes that further decrease environmental impact. First results of this research are expected in 2009, and they will probably enable us to produce bio-fuels more efficiently.

In addition, the field of non-fuel products is characterised by continuous, innovative quality development, to meet ever-evolving market demand and regulatory requirements. A good example of this was the Hungarian market launch of bitumen treated with adhesion-improver in 2006, developed in close collaboration with road construction companies.

Procurement

Following its commitment, MOL Group, as a customer also strives to integrate, as far as possible, the product stewardship concept into its procurement processes, by focusing on the quality and characteristics of the products and services purchased.

2006 was a remarkable year in the life of MOL Group Procurement. The foundations of a new era were laid by starting the Group-level Procurement Programme (PrP). PrP's aim is to improve the overall performance of MOL Group's integrated procurement organisation by introducing a group-based commodity procurement approach, supported by a new IT system and professional training for our purchasing colleagues.

During the design phase of these new initiatives, the emphasis was put not only on developing competitiveness in the marketplace, but also on sustainability so as to be in a position to give adequate response to





the complex challenges of today. PrP ensures higher transparency, significant economic advantages and environmental awareness in all MOL Group's procurement processes. Our Procurement Programme represents a significant milestone on the road towards achieving sustainability.

Group-based commodity procurement

To be able to deliver a sophisticated procurement service to our internal customers, a fundamental structural reorganisation of MOL Group Procurement was carried out by establishing categories for purchased goods and services. A lead buyer is now assigned to each purchasing category, being responsible for the whole range of products and services involved. Under the professional guidance of these lead buyers, senior buyers and executive buyers work together to ensure efficient procurement sourcing and "best practice" procurement methods, and the achievement of optimal technical and commercial conditions. This structure ensures higher transparency, more effective responses to market changes, flexible operations and deeper knowledge of market products for which MOL Group is an actual or potential customer.

Supplier Relationship Management

As part of the PrP development process, we launched - and were among the first companies in Europe to do so -

implementation of the SAP Supplier Management System (SRM) version 5.5. This new IT system, besides being more suitable for integrated operations, brings some definite advantages that taking us closer to achieving our sustainability initiatives:

- The most important elements of the procurement process will be covered by the new SRM version and result in higher transparency and a lower number of paper-based processes (e.g. on-line supplier registration, electronic internal documents and signatures, electronic invoice tracking, etc.)
- Expanded HSE requirements will be incorporated in the supplier (pre) qualification process to further ensure safety in our cooperation with partners
- The opportunity for new suppliers to register in MOL Group's supplier database and to participate in tenders will be ensured
- Improved evaluation of supplier performance and more frequent feedback to suppliers

Assessment and development centre

We expect excellence from our suppliers so we cannot afford to expect less from ourselves. This relates to Procurement as well. Our Procurement Programme therefore provides a great opportunity for our purchasing colleagues to increase their levels of expertise. Following an assessment

of their skills, proficiency and knowledge, they will be provided with relevant training. Our aim is to have a team of professional purchasers able to contribute to enhanced sustainable operations through their day-to-day decisions.

Production

Bio-fuels

The reduction of the impact motor fuels have on the environment plays an important part in the politics of product development. After the introduction of sulphur-free fuels, MOL started the production, blending and marketing of motor fuels containing bio-components, as specified by an EU Directive, to contribute to the decrease of dependence on crude oil imports and the emission of greenhouse gases (GHG).

The environment-friendly advantages of motor bio-fuels are the most attractive of their several favourable attributes. On one hand, the volume of vehicle emissions decrease, on the other, their production has less impact on the environment than the production of fossil fuels does. Therefore, we have continued production and expanded sales of B5 bio-diesel (5% FAME) in such core markets as Austria, Slovakia and Slovenia. In the area of petrol production, distribution and retailing, we

have run an extensive test of E5 bio-petrol (5% ethanol) and plan to roll it out in Hungary in July, 2007.

Not only has MOL achieved a very high quality of motor fuels, but it is also significantly facilitating Hungary to achieve EU bio-fuel targets. For example, in July 2006, MOL and the Austrian company Rossi Beteiligungs GmbH created a joint venture to build and operate an annual 150,000 tonne capacity bio-diesel plant in Komárom, Hungary. This contribution to the promotion of modern technologies will permit production of bio-diesel in abundance. MOL also took part in raising the necessary capital for the project.

Geothermal power plant

Hungary is one of the most favourable regions in Europe (except for its volcanic areas such as Southern Italy) in terms of geothermal energy potential, and it considerably exceeds the world average. However, there are still only a few geothermal energy production systems in the country and the few that do exist do not use environment-friendly operating methods.

It is not just Hungary that has no geothermal power plants; the technology is not even used anywhere else in Central & Eastern Europe. Only three low-capacity (less than 1 MW) power plants operate across all continental Europe, apart from those on the Italian peninsula.



Accordingly, MOL decided to study the feasibility of constructing viable geothermal power plants and current estimates show that it will be possible to establish 3-4 power plants, each with a 2-5 MW capacity, by 2010. As a result, if they were built, 10-15 MW plant capacity and 100 GWh electricity could be generated from geothermal energy. If such results were achieved, further development could take place in the years after 2010.

MOL development goals in this area are:

- To replace fossil-based electricity generation with renewable, geothermal heat-based electricity
- To produce geothermal energy in an economic and environment-friendly way
- To generate electricity and transmit it to the regional grid, reducing energy imports
- To sell energy derived from the hot water discharged by geothermal power plants for direct use by nearby technologies (e.g. market-garden greenhouses)
- To create value by making use of abandoned hydrocarbon wells
- To support regional development programmes, since all abandoned hydrocarbon wells with good geothermal potential are located in economically depressed areas
- To assess and test domestic geothermal industry opportunities by using the latest re-injection technology
- To establish the first successfully operating environment-friendly geothermal power plant in Hungary

Existing wells were once hydrocarbon exploration wells, and we have little information on processes related to water reservoirs at a depth of 3 km. To assess the capacity of a power plant well, tests must be performed in the exploratory phase.

During exploration, we need to transform two abandoned hydrocarbon wells, one into a thermal water-producing well, and the other into an injection well, building a transmission line between them. From one well we shall produce thermal water for some months, and then re-inject it, through the other well, to its own reservoir.

The test will enable us to obtain detailed information on the characteristics of the wells and water reservoirs required for the construction and operation of the planned geothermal power plant. With the data thus obtained we will also be able to identify the size and type of technological system required. The test location is in the area of north Zala, near Iklódbördöce and Csömödér.

If exploration were successful, the first geothermal power plant of this type in Central & Eastern Europe could be established. The second pair of well tests is still to be completed and the tender for the power plant block will be issued in 2007, the establishment and installation to take place in 2008. On the basis of currently available data, if well tests were successful, the capacity of the first domestic power plant would vary between 2 MW and 5 MW, although it would have to be over 1.5 MW in order to become a viable project.

Marketing processes

Wholesale Marketing provides its customers with a complex product and service package, which means that in addition to selling fuels and various other products, it also offers value-added services related to transportation and use. From our wholesale storage depots, fuels may be transported by tanker lorry operated by MOL, the customer, or third party carrier. To clients undertaking volume commitments for periods of over one year, we offer preferential contractual terms and an additional diverse range of services.

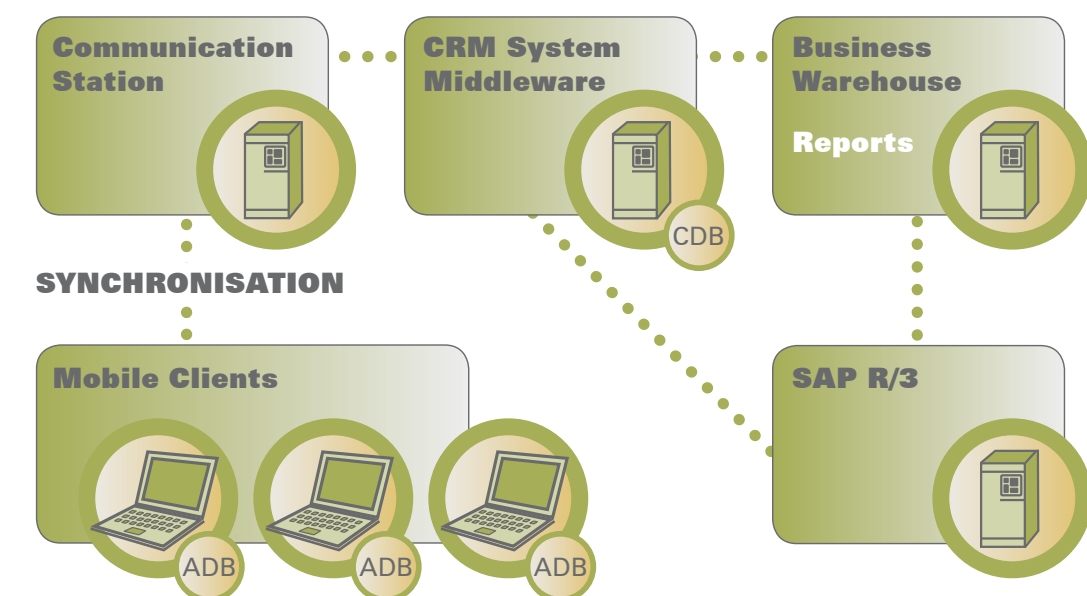
Owing to its high quality products and services, MOL is listed among Qualified Bidders published by the Hungarian Public Procurement Council every year. The Sales organisation is ISO 9001:2000 Quality Assurance Standard certified.

Customer Relationship Management

Customer Relationship Management (CRM) is a process or methodology used to learn more about customer needs and behaviour so as to develop stronger relationships with them.

There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. With the help

CRM architecture



of CRM and its processes, MOL can review its sales order and contract history. Sales orders and contracts are created and maintained in SAP R/3 system as well as being replicated in the SAP CRM system, on-line. This helps bring together many pieces of information about customers, market trends, sales, marketing effectiveness and customer responsiveness. Thus CRM helps businesses use technology and human resources to segment and gain insight into the behaviour of customers and assess the value of those customers. In other words, organisations often seek to improve their sales and customer relationships using CRM software the better to manage these interactions.

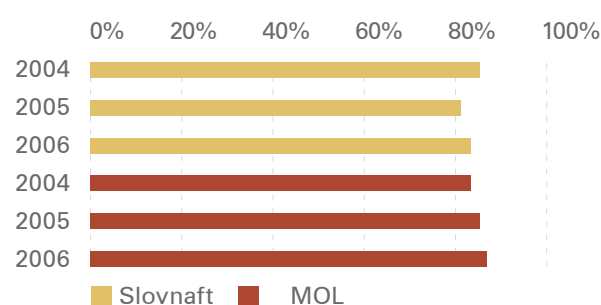
Using CRM, a business can provide better customer service, increase revenues, identify new customers, cross sell/up sell products more effectively, help sales staff close deals faster, make call centres more efficient and simplify marketing and sales processes.

Customer satisfaction

To increase customer satisfaction, actions should be based on results. MOL Group also considers its results when developing strategy. In 2006, average customer satisfaction was 87% in Hungary and 84% in Slovakia. We also experienced excellent results with regard to the response time of our sales representatives (MOL 94%; Slovnaft 88%), reliability (MOL 89%; Slovnaft 85%) and product quality (MOL 87%; Slovnaft 86%).

MOL has executed customer satisfaction surveys since 2003, with the aim of understanding customer decision-making

Average customer satisfaction levels



processes and expectations. Respondents are asked to evaluate our performance and the information obtained provides useful feedback on our operations in the market-place, our market position as well as about areas needing improvement. Experience over many years has shown that customers willingly share their opinions with us, praising or criticising us on an identified or unidentified basis.

The survey phases were included questionnaire development; selection of specific sample segments; data collection input, processing and evaluation. Results were then presented to all relevant stakeholders in MOL member companies which then had to develop action plans to strengthen positive aspects and eliminate weaknesses. Monitoring agreed actions at each level was on-going thereafter.

Customer meetings

Annual trade days are held for our VIP partners at which they receive information about product development, quality changes, services, billing and good housekeeping practices. They can meet our senior management personally, ask questions, and share their experiences. The outcome of these customer meetings helps in further developing our commercial policies.

Wholesale Customer Service

Our Wholesale Customer Service began operations in February 2005 in Hungary. The primary objective of this unit is to provide better and more accurate services to customers, to manage incoming information in a standardised manner, and continuously to analyse customer inquiries and monitor requests deriving from these activities. Its scope of operation was subsequently augmented to include telephone-based Customer Service Sales Order Entry that takes incoming phone calls "live" between 7am and 5pm. Over and above order entry, the service also provides information - following their identification - to contractual

partners about the status of outstanding orders, as well as billing issues. Information is also provided on various products and services.

Professional advice

Colleagues who are in daily contact with our customers and people making enquiries take part in regular training sessions. Last year in-depth training took place on crude oil refining and product quality. Moreover, specialists from Downstream Technology participate directly or help them in answering customer questions in a professional manner.

In addition, our product catalogues and safety data sheets provide information about the quality features and use of our products. Our customers can access our up-to-date web pages from which short descriptions of our products or catalogues detailing product information can be downloaded. Catalogues are also available via our sales representatives or our call centre.

Brand management

MOL was already a major national brand in the early '90s in Hungary. Over the years, the company has evolved to field a wide array of corporate and product brands with exposure in over 40 countries. MOL Group creates credible brand communications in line with relevant legal and self-regulatory communications standards. Product brand management is decentralised, but campaign messages are supervised by the Corporate Communications Unit to ensure socially acceptable, desirable and relevant themes.

In 2006, the Group started the development of a stakeholder communications and tracking system that measures progress on the way to becoming "The Choice of New Europe" among all its key stakeholder groups.

Additional web content:
www.molgroup.hu/en/sd/economy



**Caring for the
environment**



MOL Group is committed to decreasing the impact on the environment caused by its operations and utilisation of its products. Therefore, the proper management of environmental issues has become an integral part of our strategic objectives and we make every effort to apply the principle of precaution to our operations.

Our ecological footprint

MOL Group pays special attention to achieving a cleaner environment as well as providing safe and healthy working conditions, following the principles of precaution and responsible care. As a group of companies operating in the oil and chemical industry, our operations have significant impact on the environment that we continuously aim to reduce. Environmentally-aware thinking and sustainability principles are firmly integrated into the long-term strategy of the Group.

Integrated Pollution Prevention & Control (defined by IPPC Directive 96/61/EC of the

European Council) is an environmental statute of great importance. This integrated approach is one of the key principles of modern environmental protection, and means that either the burden or the pollution of environmental elements should not be regarded separately, but rather as a single issue.

For example, the separate management of discharges into air, water and soil may merely encourage transference of pollution from one environmental element to another, rather than protecting the environment as a whole.

The enforcement of such an integrated approach can be ensured by use of best available techniques (BAT) - meaning that we have to strive for the reduction of emissions at their sources and for the efficient use, in practice, of natural resources during our processes (planning, permitting, implementation, operations and decommissioning).

This approach corresponds with the goals of MOL Group - not only to reduce direct emissions into the environment, but also to manage energy efficiency, minimise waste generation, manage emergencies with negative environmental impact and adopt risk based management of our premises.

Our aim is - besides reducing the emission of harmful substances - to increase the quality of our environment. To monitor progress, we plan to start developing a biodiversity standard system in 2007, contributing to attain the fundamental principles of sustainability.

To decrease our ecological footprint, we also pay close attention to greenhouse gas emissions. MOL Group adopted "carbon thinking" in 2002, and it has been taken into account in investment projects. We thereafter initiated an effective greenhouse gas emission management strategy, with the ultimate goal of decreasing emissions and increasing energy efficiency.

Assessing impact

Environmental Impact Assessment

When considering investments, applicable legal provisions mandate impact studies for the sake of environmental protection i.e. nature conservation, arable land protection as well as heritage protection in certain cases. Depending on the type of investment, a decision has to be made as to whether an impact study analysing the situation prior to the investment is necessary, including any potential impact of changes to the environment.

Among MOL Group investments, mandatory impact studies in the fields of exploration and production and natural gas transmission are frequent. In the lead-up to major projects detailed environmental impact studies are prepared by independent experts. These enable us to keep the impact on our environment to a minimum and focus attention on every possible source of potential impact from the very first stage of a project. These studies are published in municipalities and local citizens in the neighbourhood of a project are informed well in advance before and at public hearings.

Over the last two years, an example of an environmental study mandated by relevant law was the one carried out prior to the construction of the product pipeline between Tiszaújváros and Százhalombatta.

Over the last seven years, only a few cases concerning refining and processing required mandatory environmental impact studies prior to the introduction of new technology or operations. However, we are fully prepared to conduct more and more such studies, particularly as we expand refining capacity.

Relevant law is becoming stricter to meet the requirements of more and more international treaties and focuses on air and fresh water

protection or waste management. Here, the environmental protection authorities particularly insist on the application of BAT, the best available techniques. This means that besides fulfilling the requirements related to emission limits we must select the most developed technology available in a given country.

In the area of air protection, the focus is on the reduction of CO₂ emissions and on strict limits placed on sulphur-dioxide emissions. In water management special emphasis is given to the minimisation of water use and to proper wastewater treatment. Recently MOL Group carried out several projects at our refineries to further reduce emissions and comply with legal requirements.

Heritage protection

Mandatory heritage protection studies are usually conducted prior to linear facility construction projects (e.g.: pipelines, transmission lines). Where projects require licences to proceed, the relevant cultural heritage protection authority prescribes the preparation of such studies in line with relevant legislation. These studies dictate whether prior archaeological research or professional supervision is required.

Nature reserve protection

In areas under special protection, we have to investigate and describe in the impact assessment whether protected fauna or flora would be significantly affected or not, by one of our projects. If so, the authorities stipulate rules which govern the project's working methods so that no, or at least minimum, disturbance, to nature and the environs is caused. This is of primary importance related to nature reserves or areas of landscape

conservation. Such studies were prepared prior to the construction of the product pipeline relating the Tisza Refinery and the Duna Refinery.

Construction in NATURA 2000 areas is coming more and more into the limelight. Such protected areas may only be used with the agreement of all parties concerned - land-owners, land registrars, and relevant authorities.

In any case, beyond any mandatory requirements, it has a real value in practice to have studies into the natural state of a protected area managed by National Parks Authorities.

Property issues and mining easement

Using third-party properties is a particularly delicate issue, since several parts of society may be affected. Under the official system, the authorities who determine conditions of land use and should be involved are pre-defined.

It is very important during preparation of an investment project that all local lay residents who may be affected are kept sufficiently informed about it, as a means of reassurance. One way is to establish a public forum with the local inhabitants, even if not stipulated in law, where features of the development and its direct impact is presented to and discussed with all parties concerned to ensure appropriate co-operation after construction has commenced. A person, responsible for feedback, general information and relevant communications, should be appointed as part of the project organisation, who is continuously available during the course of the whole project. Providing information to stakeholders on issues related to land-use and the project status itself is especially important.

In certain types of licensing procedures, public hearings and forums with local inhabitants are mandatory. They are directed by the competent authority, and the constructor is a direct participant.





Air protection

Air protection has been an EU environmental policy priority for several years, now. A set of regulations has been passed to protect human health and the environment. The basis for air quality improvement is the 6th Environment Action Programme, where air protection is included under one of the four main headings. The Programme defines ten-year priority areas and targets, and includes the health aspects of environmental issues.

Other programmes and strategies on this theme also set the framework for air quality improvement, one of which is the CAFE programme (Clean Air for Europe), and they all set specific targets and tools to achieve them.

Despite the fact that MOL Group has a higher proportion of its refining installations in Hungary, and operates additional major emission sources in its E&P and Gas Businesses, also located in Hungary, it is the Slovak part of MOL Group that is responsible for 80% of its total air emissions. This is due to the fact that Slovnaft operates the power plant responsible for the highest emission volume.

Total air emissions in MOL Group increased by 2% versus 2005, ascribable solely to the key pollutant, sulphur-dioxide. Compared to 2005, MOL Group sulphur-dioxide emissions alone increased by almost 19%. This was caused when, during general overhaul at Slovnaft, certain units were temporarily shut down and fuel with a higher sulphur content was burned at the power plant. All the other pollutants (VOC, NO_x and CO) were reduced, or stayed more or less constant (PM). VOC was reduced the most (by 19%) thanks to the on-going running of the MOL Group Leak Detection & Repair (LDAR) system. While, in the long-term analysis, PM emissions have been constant, all other basic pollutants have shown downward trends since 2002.

The total amount of air pollutants emitted by our Duna Refinery decreased significantly over the year, similar to previous years. This was the result of our 2006 investments and improvements and the ones currently under way; thus we will be able to keep our emissions below official limits after 31st October 2007:

- The gas pipeline modification project and reduction of the hydrogen sulphide content of fuel gas were finished in December 2005. Currently we are working on increasing operational availability to constantly satisfy relevant emission limits.
- Reconstruction of the MSA (Maleic Acid Anhydride) Unit and the stack gas burner were finished in 2006, and so emissions are now below official limits.
- A continuous supply of low sulphur fuel oil is ensured to meet emission limits set for sulphur-dioxide at mixed burning furnaces, in a safe way.
- Improved sulphur recovery efficiency was achieved through the operation of three independent, highly efficient, state-of-the-art Claus Units. This involved shutting down the obsolete Claus 3 Unit, increasing the conversion rate of the Claus 4 Unit and building a new Claus 6 Unit.
- Bitumen Unit blow-off gases are now treated to meet sulphur-dioxide emission limits in all operational modes.
- NO_x emissions have been reduced by reconstructing technically obsolete high NO_x-emission furnaces and burner systems whilst modernising burner control.
- Improvements to the Fluid Catalytic Cracking (FCC) Unit to meet emission limits for PM in flue gas have been made.

In addition, by implementing energy efficiency programmes and reducing the amount of flared gas, substances emitted to the air can be further decreased.

At Zala Refinery, the total amount of air emissions showed a significant downward trend in 2006, compared to previous years. This is mainly due to the fact that environmental investment made at the Bitumen Blower is now complete. Technologically, the blow-off gas combustion furnaces have been working well all year, and the new flue gas washer was put into operation at the end of the year.

During 2004 and 2005, we made several experiments in the treatment of blow-off gases before burning them in furnaces, to meet emission limits for sulphur-dioxide. These clearly showed that the only possible solution is flue gas washing. One of our main environmental protection targets is to reduce air emissions and odour from refinery operations. A few, albeit rare, complaints from local residents have drawn our attention to this issue. To manage the problem, a closed tank system, installed in previous years, including bitumen storage tanks and tank lorry loading, is in continuous operation.

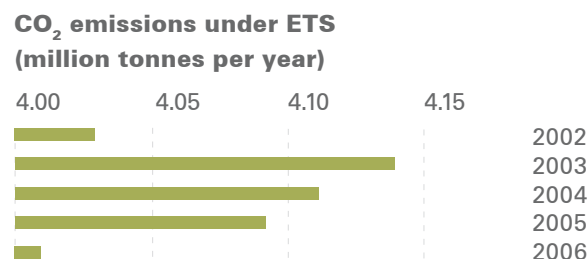
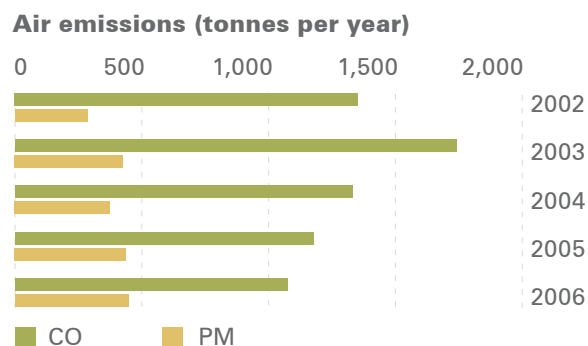
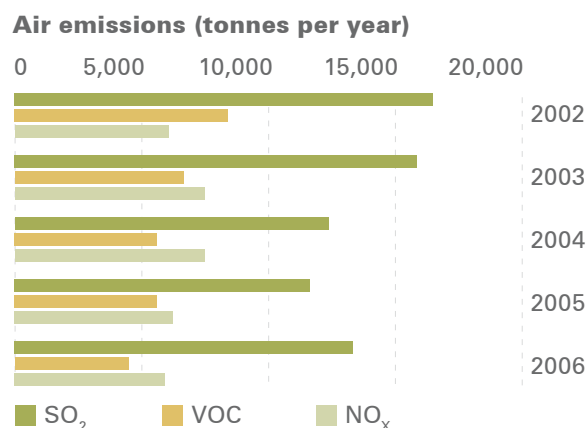
In 2006, Logistics Division started complete reconstruction of rail tank car washer technology in Százhalombatta. As an improvement, we succeeded in releasing hydrocarbon vapours only into a closed system. In Slovakia, at our Kľačany and Kapušany depots, new vapour recovery units (VRU) were installed to decrease VOC emissions.

In the Transdanubian region of the Exploration & Production Division, the implementation of a previously launched three-year project to eliminate emissions exceeding the limits, continued in 2006, on schedule. Our goal here is to eliminate E&P non-compliance related to the protection of air quality. At Öttömös we expect, outside budget, to eliminate above-the-limit emissions by carrying out maintenance on the hot water boiler flue gas treatment units.

At Slovnaft, the overall volume of pollutants emitted to the air was 12% higher than in

2005, due to scheduled general overhauls. Excluding sulphur-dioxide, however, overall VOC, NO_x, CO and PM emissions decreased by more than 4%. This decrease was achieved by a series of investments: commissioning of off-gas combustion units for the waste water treatment plant and cumene-phenol production; burner replacements at several furnaces; a sludge incinerator upgrade; the roofing of the mechanical, chemical and biological waste water treatment plant.

Additional web content:
www.molgroup.hu/en/sd/environment/air_protection



Climate change

Climate change is widely agreed to be the major threat to the sustainability of our environment. European countries have committed themselves to setting up an Emissions Trading Scheme (ETS), which creates market incentives to reduce carbon-dioxide emissions. MOL Group has long been preparing for the implementation of this system. All project proposal evaluations and investment decisions take the financial implications of potential CO₂ emission effects into account. The Company has also been investing in compliance with EU and national bio-fuel regulations. Such measures will further contribute to CO₂ emission reductions, in addition to reductions under the trading scheme.

Greenhouse gas emissions

In 2006, verified CO₂ emissions of individual installations were published for the first time. This showed that the EU CO₂ emission market had been over-allocated, resulting in the CO₂ price drop and less incentive to invest in CO₂ reduction. MOL estimates, made during preparation of National Allocation Plans (NAP) 2005-2007, were very close to the real emissions verified in 2005 (2-3% difference).

A MOL Group Working Team was set up in 2005 to manage tasks related to this issue, co-ordinate the implementation of legislation related to greenhouse gases and establish a monitoring and reporting system. In 2006, the Working Team started the audit and the evaluation of this system.

MOL Group senior management has approved an effective GHG management strategy in which clear tasks and responsibilities are specified, with the ultimate goal of achieving cost-efficient compliance with

emission trading regulations. We do not rely only on trading, but also focus on technological measures to decrease CO₂ emissions, increasing energy efficiency and seeking potential Joint Implementation projects, supported by administrative actions necessary for compliance, for the second trading period and after.

It is worth mentioning a few of the current investments MOL Group is making to reduce CO₂ emissions:

- Modernisation of the steam and condensate system, both at Slovnaft and the Duna Refinery
- Intensification of the hydrogen system
- Revamp of distillation columns
- Improvement of energy efficiency at both Refinery Units of MOL Group
- Revamp of the Duna Refinery Bitumen Plant and aromatic block
- Advanced process control in the Middle Distillation Hydro-treater (Slovnaft)
- Implementation of advanced process control at the Crude Distillation & Diesel Desulphurisation unit (Slovnaft)
- Improvement of efficiency at the Natural Gas Transmission installations (Városföld and Hajdúszoboszló completed in 2006, and on-going at Mosonmagyaróvár)

At the end of 2006, we started preparations for the verification of our CO₂ report, carried out by authorised auditors, selected through a tendering process. We prepared CO₂ reports for all installations covered by ETS, and then provided the auditors with every necessary support and collaboration. We implemented recommendations from the 2005 verification (measuring instruments replacement) thus ensuring smooth verification of 2006 emissions. We comply with the legislation by surrendering the quota equal to the verified volume of CO₂ emissions.

Apart from such internal activities, we negotiated with national authorities ways and means of developing the NAP for the second trading period (2008-2012). Member companies also participated in various working groups focused on NAP preparation. In 2006, more stringent targets were set in the European Union up to 2020. MOL Group realises the growing importance of the climate change problem and pays close attention to it when formulating its mid and long-term GHG management strategy.

Additional web content:

www.molgroup.hu/en/sd/environment/climate_change

Water management

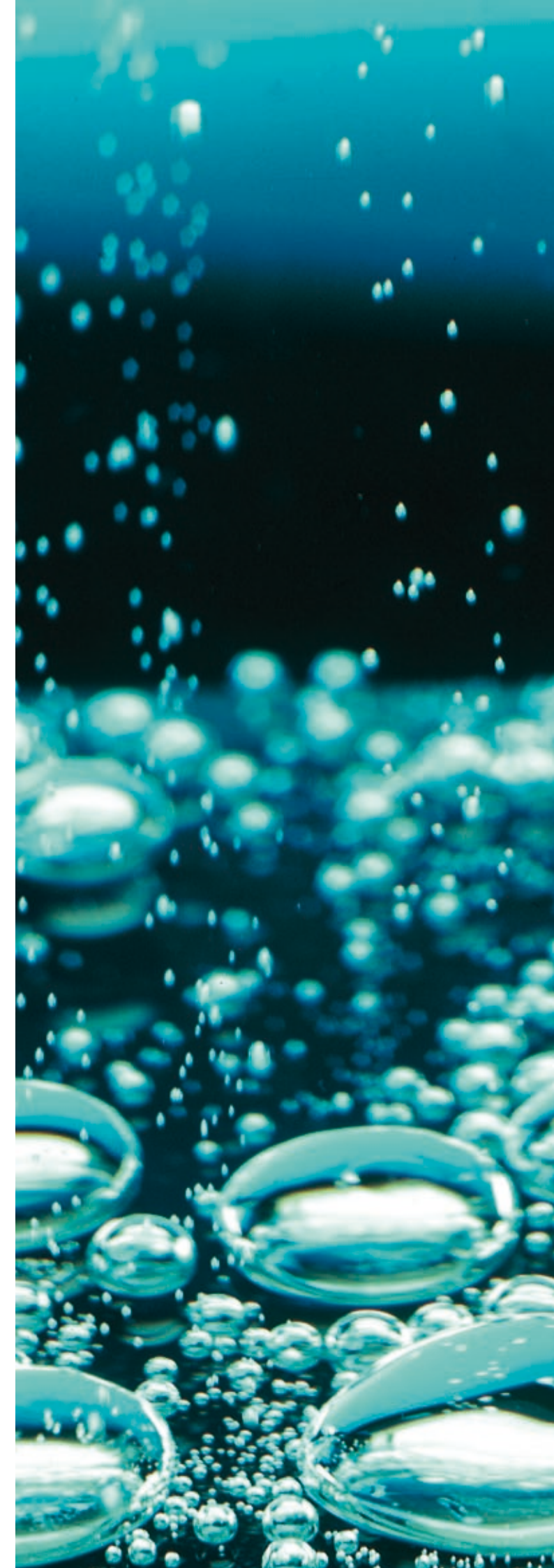
In 2006 - following the practice of previous years - MOL Group made further efforts to decrease fresh water use and improve the quality of our wastewater discharges.

As a result of major refinery projects, technology water consumption significantly decreased and the quality of wastewater improved. Volume of pollutants emitted into the river Danube from the Duna Refinery and the burden imposed on fresh water also significantly decreased.

The biological wastewater treatment system commissioned at our Zala Refinery at the beginning of 2004 resulted in our wastewater discharge into fresh water being in full compliance with prescribed emission limits throughout 2006. We are gradually transforming the complete wastewater treatment system at Zala to ensure best possible compliance with the relevant environmental regulations. We also completed the separation of oily wastewater and rainwater drainage systems at the Bitumen Plant, thus we no longer release any rainwater (except in cases of emergency) into the wastewater treatment system.

We installed an underground water table depression system so that we can clean the plant's wastewater treatment system engine, to operate more efficiently. The odour caused by wastewater ponds has also been significantly reduced as a result of regular sludge scrapping.

We have continued implementing projects at our Logistics sites aimed at improving water management. In 2006, we launched the first phase of the communal wastewater treatment programme at our Csepel base depot, and we also completed the reconstruction of the



oily rainwater drainage and oil trap unit. We also implemented major projects in Slovakia, such as the Kľačany depot reconstruction of treatment surfaces and the equipping of storage tanks with double walls. We started reconstruction of the waste water treatment unit at the Kapušany depot; and completed the audit (using cameras) of the wastewater drainage system at the Hronský Beňadik depot to identify eventual problem areas.

The environmentally-friendly wastewater treatment equipment, used at “MOL 2000” filling stations, operates with a water recycling system, minimising the need for fresh water and thus reducing the environmental impact. For example, in Hungary, some filling stations are equipped with a car wash unit, using only 15 litres of fresh water per wash versus the average 30 litres. In this new technology, wastewater is first sent to the treatment unit which is equipped with active carbon to reduce the environmental load, and only then is released into the public drainage system. In addition, all washing, cleaning and detergent products used at filling stations are environmentally-friendly

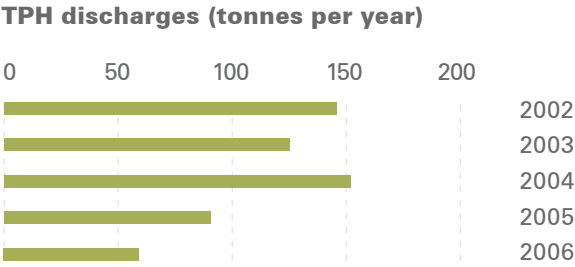


products. We have started preparatory work to reduce direct effluent flow into fresh water to protect underground waters in areas with particularly sensitive water quality. This work includes oil traps in filling station rainwater drainage systems and will be completed by October 31st, 2007.

We have made significant progress in the treatment and disposal of wastewater produced in E&P Division boilers operated in Hungary. In the production and operational facilities at Algyő, in cooperation with the relevant authorities, after the licence process, we shall be able to inject wastewater into underground reservoirs. As a result we shall also be able to introduce and implement the best available techniques widely used in the international petroleum sector for the management of wastewater of this type.

The amount of wastewater produced at TVK has significantly increased as strategic projects were implemented over the past few years; nevertheless the quality of water released has remained at the same level. This can primarily be attributed to the fact that we have concentrated on strengthening various support services, including wastewater treatment capability, and capacity upgrade projects.

Additional web content:
www.molgroup.hu/en/sd/environment/water_management



Waste management

Like most extractive and manufacturing industries, the petroleum industry has significant impact on our environment. Exploration, production and refining is mainly responsible for its waste output. While maintaining or even successfully increasing our core activities, we endeavour to reduce this negative impact by starting at the crude oil exploration phase, adopting a life-cycle approach. MOL Group’s waste management strategy is based on the Reduce-Reuse-Recycle (so-called RRR) principle, which represents the cornerstone of sustainability. Finding ways to reduce the amount of waste is a primary and constant objective for all MOL Group companies. At the same time, there are some technologies and processes whereby waste generation cannot be avoided. We make constant efforts to reuse or recycle these kinds of waste; disposal is the least preferred solution. Our Group and company level annual waste management action plans - intended to ensure constant improvement in waste management practices - are also built upon the RRR principle.

Drilling activities are widely regarded as waste-intensive operations. Whereas this is generally true, it is worth mentioning that present-day technologies we use produce principally non-hazardous wastes. In cooperation with local authorities, 12,500 tonnes, almost 50% of the total harmless drilling mud we produced, was employed to remediate condemned dumping sites.

At the Duna Refinery, hazardous waste generated by regular cleaning of storage tanks was reduced by more than 90%. The closed-system tank cleanup technology used actually resulted in the recovery of petroleum, whereas the previously-used method would have generated 2,500 tonnes of hazardous

waste from the seven tanks concerned. We are committed to finding other fields in which to introduce this methodology as a regular practice.

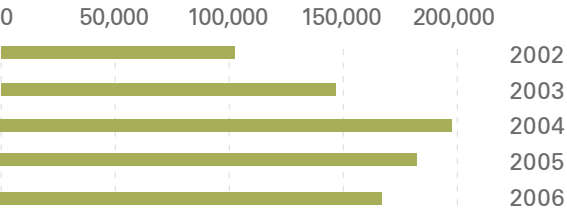
Implementation of the “Total Waste Management” project started in 2006 at the Slovnaft Refinery. The main goals were to achieve maximum efficiency in waste reuse and recovery and to minimise the amount of waste left over for disposal. All our facilities should be operating this system by 2008.

MOL filling stations promoted waste recycling in previous years by collecting used oil, thus contributing to public environmental awareness among its customers. Moreover, 2006 saw the installation of additional easy-to-use aluminium can compressors at nearly 100 filling stations in Hungary. Recovery of this valuable material can lead to reduction in the use of natural resources. Collection of waste is an important internal issue as well: to ensure maximum safety prior to final treatment, a programme has been started to renew Logistics Division’s hazardous waste storage facilities. Three base depots finished implementation in 2006, and three more are to follow in 2007. At E&P, ensuring prevention and safe collection of hazardous wastes is an equally important issue and in 2006 over 20 locations were upgraded and provided with new containers whilst technological tanks were rebuilt at an additional three sites and some 8 pipeline sections were revamped.

Although office waste is not to be compared in amount or environmental impact with industrial waste, we are still keen to promote recycling by introducing separate collection of paper, plastic and glass in our office buildings. Following Slovnaft Refinery’s good example, TVK also introduced separate collection in 2006. We are committed to extending this practice throughout the Group.

Additional web content:
www.molgroup.hu/en/sd/environment/waste_management

**Hazardous waste generation*
(tonnes per year)**



*Including waste from remediation

Remediation

As a regional player, we are fully aware of the very real risks to human health and the environment we all face, and seek to reduce them to acceptable levels. Alongside such risks we investigate the potential future use of our sites, and thus the balance between remediation and property career planning can be achieved on a long-term basis and result in feasible positive solutions.

A Group-level programme has been designed to secure standardised remediation processes. One of the most critical tasks of this programme is to study results of similar remediation programmes and emulate actions taken. As an example, Slovnaft filling station network rationalisation was based on favourable experience in Hungary, and thus we decided to demolish nearly 40 filling stations in 2006, and then conduct remediation of the polluted sites.

Emerging new and innovative technologies also demand such sharing of knowledge, in our everyday work. Dynamic developments can improve profitability, and many new processes are much more superior to old-type remediation technologies that require large volumes of water, huge quantities of energy and generate cause massive volumes of waste.

In 2006, we made significant progress in the practical implementation of the strategic principles detailed above, proceeding on with the remediation programmes at our production, logistics and sales sites.

At TVK and MOL operational sites in Tiszaújváros, compliance with the new principles had to be implemented along with conditions that required simultaneous technical intervention and waste remediation operations. In addition, further fact-finding, investigation and planning actions were prepared. This complex issue became even more complicated in that the liability management of two legal entities were involved. Accordingly, the two Group members concluded a Cooperation Agreement to jointly manage their environmental liabilities.

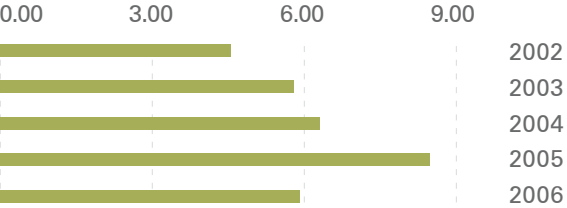
The Agreement contains detailed provisions on the technical, legal and financial aspects of the cooperation and called for the two legal entities to assume joint and several liability for managing their environmental responsibilities. As the business year was ending, the local authority concerned issued a concise resolution which consolidated and

rationalised all the provisions specified in statutory resolutions issued by a number of authorities over the previous 10 years. The authority then approved an action plan for the next 8 years, including the main milestones, with details to be updated annually. To resolve this complex issue, the remediation work is being performed by an integrated team comprising MOL Business Units, HSE, the Legal Department, Procurement, and Facility Management.

In 2006, the environmental auditor reviewed our liabilities, and our liability management practices. The audit identified areas requiring clarification or further development, but did not identify any new liabilities. In 2006, the Group spent a total of HUF 3.95 billion on environmental remediation. The environmental provision at the end of 2006 amounted to HUF 27.4 billion.

Additional we content:
www.molgroup.hu/en/sd/environment/remediation

**Environmental provision released
(billion HUF)**



Energy efficiency

In our industry, best available techniques (BAT) seek not only to reduce emissions from polluting substances but to increase energy efficiency generally. The latter is very closely linked to environmental protection, since lower energy consumption results in smaller environmental impact and lower emissions of greenhouse gases.



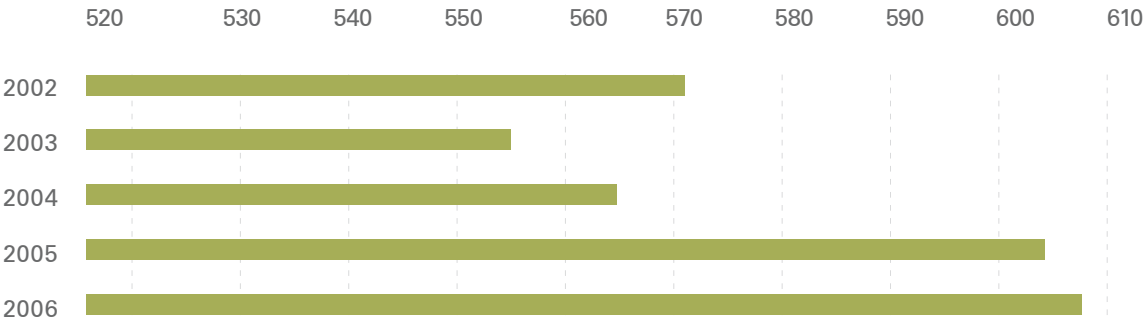
We have taken a number of steps at our production facilities over the past few years to improve energy consumption efficiency and to mitigate or reduce eventual energy losses e.g.:

- Minimised loss of heat through a major energy integration solution: flue gases now used for heat generation at several sites (the waste incineration plant and the refinery FCC plant, where waste heat is used for steam production)
- Regularly cleaned heating surfaces to minimise fuel consumption
- Re-boiler and pre-heater units heated with steam
- Optimised combustion conditions achieved by using high efficiency low-NO_x burners

- Reduced cooling needs with heat integration at the refinery (new plants with stand-alone cooling lines to ensure flexible operations)
- Boilers with high thermal efficiency ratios and equipped with modern control instruments

As far as CO₂ emissions are concerned, we operated the power plant using BAT to supply steam required by TVK operations. We transformed the former steam-based heating systems so we now use heat from waste flue gases emitted from the power plant for the hot water system which then functions with lower loss levels.

Electricity purchase at the Duna Refinery (GWh)



Biodiversity

Biodiversity is a fundamental concept in nature conservation, and includes the diversity and richness of living organisms and the systems they have created. Biodiversity forms the basic web of life, and covers all onshore, maritime and other eco-systems in water as well as complex ecological systems. It includes diversity within and among species and also the diversity of the ecological systems themselves. Mankind

forms an integral part of this system - this is how we develop our society and economy both locally and globally.

Biodiversity is the result of a multi-billion-year evolutionary process, but human interference has been increasingly damaging it, in Europe and elsewhere. Estimates claim that the current rate of destruction is 1,000 or perhaps even 10,000-times higher than

the rate prevailing in nature itself. In Europe, nearly 42% of mammals, 15% of birds and 45% of butterflies and reptiles now come under the category of endangered species.

Protection of biodiversity is a key responsibility of sustainable development, and, therefore is closely connected to MOL Group activities. MOL is paying particular attention to operations carried out in specifically protected areas of nature conservation, and seeks to act as a good corporate citizen.

Our impact on biodiversity is most severe when related to new projects that affect protected areas or national parks. In every case, and prior to launching any work, we always conduct a detailed audit to identify the local flora and fauna and the protected species living in a given area, and then plan our various project processes accordingly. We regularly involve nature conservation experts and associations in the preparatory process, since they know the ecosystems in question best. We might need to re-locate protected species from project areas with the help of experts, and we might need to set up monitoring services to closely observe the resulting behaviour of such species.

Prior to starting any drilling and well work-over operations, we regularly conduct initial status surveys and audits. We take the utmost care to ensure we are in full compliance with laws and regulations throughout our operations, and when we complete a given activity, we perform soil tests to prove that our presence has caused no harm to the environment.

We are fully aware that our activities impact the environment, the living habitat of species, and that failure to ensure compliance with relevant regulations may create significant negative effects, not only on the environment but also on the reputation of our company.

Additional web content
www.molgroup.hu/en/sd/environment/biodiversity





**Focusing on
people**

Our general commitment to Sustainable Development requires a new, interdisciplinary approach, integrating not only economic- and environment-related fields, but also social issues. We want to become a company with an exemplary record of providing maximum value to the public, local communities as well as MOL Group employees.

Social responsibility

Social responsibility is the third pillar of Sustainable Development and covers all areas and topics related to local communities, employees, and society in general. Companies have to recognise their stakeholders in the area of social affairs as well, which means identifying those who are affected, in one way or another, by company operations.

To mention the most important groups in this respect, MOL Group stakeholders are employees, people living close to its operating areas or affected by the oil industry sector, as well as institutions engaged in energy issues, regardless of the country in question. Moreover, besides environmental-related issues, the interdisciplinary Sustainable Development approach also covers social issues, meaning

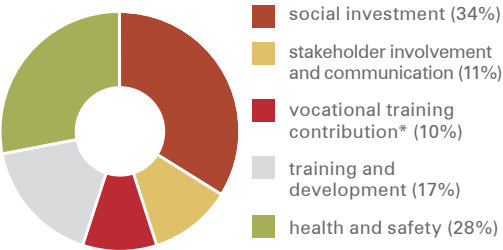
that in every MOL decision-making process or project, relevant stakeholder groups are taken into account.

We would like our stakeholders to perceive us through the quality of the products and services we offer and the values we hold dear. It is in our best interests to build trust and credibility among MOL customers and employees, as well as those with whom we share a common environment, both now, and in the future. With this in mind, we are committed to the on-going process of improvement and open and transparent multi-stakeholder dialogue and, of course, to ensuring the best opportunities and working conditions for MOL employees.

As an international company, we respect human rights, as well as local and national

cultures and values, and promote cooperation, to share knowledge and best practices across MOL Group. Our key objectives also include the goal of providing equal opportunities, continuous learning and safe workplaces to MOL employees. In local community relations, we make every effort to become a reliable partner by supporting public activities, outstanding programmes, children, people in need, and talents as well.

Investment in Social Responsibility by categories



*relevant only in Hungary

Social impact on communities

Prior to commencing any investment operations MOL assesses their estimated impact on local communities since the well-being of all our stakeholders is of outstanding importance. We study and analyse the possible intentional and unintentional social consequences of our developments during the planning phase so any changes

required can be incorporated. There is no single successful model. Success depends on our capacity to adapt best practices and make the most of local opportunities and synergies. No solution can be found far away from a local community and particularly without its support. We strive to improve the living standards of local communities our



operating areas. This means not only creating job opportunities but supporting various local initiatives. Successfully answering local challenges further underpins MOL's ability to adhere to sustainability principles.

Safety at work

The approach a company applies to ensure the safety of its employees clearly proves the company's commitment to human values. Being aware of this fact MOL Group is dedicated to continuously strengthening its safety culture, which in our everyday operations means that we strive to prevent work injuries of any kind.

Our vision is to be in the first quartile of international oil companies in terms of every business aspect, naturally including, safety. Our short-term objective for Lost Time Injury Frequency (LTIF, the most common indicator of safety performance) is to gradually decrease frequency from 2.8 in 2006 to 1.0 by 2008. To measure our improvements as well as to present tangible incentives to ourselves, we also set targets on an annual basis. In 2006 the actual LTIF figure was even better than our ambitious target; we reached a frequency of 2.2, only four-fifths of the target.

Although the industry we work in is widely known for its high operational risks, work-related injury statistics show that we are in control of our operations in terms of health and safety. Out of 58 Lost Time Injuries (LTIs) suffered by employees throughout MOL Group, only 22 derived from operations and maintenance of technologies, the cause of the majority of injuries being slips, trips and road accidents. This trend is typical not only of MOL, but any company of a certain level of development has to face the need to fight the most difficult battle of preventing accidents, that of controlling the human factor.

Safe Workplaces Project

To reduce the contribution of the human factor to injuries, our company launched the Safe Workplaces Project in 2003, in co-operation with DuPont as external consultant, well-known for its outstanding safety performance. 2006 became an important milestone in the programme. Besides providing certain employee levels with specially-designed safety awareness training dependent on their exposure to workplace hazards and decision-making positions, we also continued our behaviour audit trainings and the programme itself, an excellent tool to address work situations with accident risks. As part of the project we started to build an internal trainer network in which our most experienced colleagues, especially those with superb training skills, and respected by fellow colleagues, gradually take over safety awareness training. The project, however, does not stop here; in 2007, the focus will be on Process Safety Management and we will also present MOL Group subsidiaries with the results of the project.

Seveso II Directive

The whole issue of safety also includes the EU regulation on preventing major industrial accidents, widely known as Seveso. Since this legislation was recently modified, we immediately had to move to comply with the new national regulations' stricter requirements. We launched a project to develop a unified methodology and to appoint a lead supplier to the whole Group to take charge of Seveso issues. This enabled strict internal benchmarking, created possibilities for more effective technological development, the immediate expansion of existing documentation to include new investment and the introduction of state-of-the-art technology using the best available software. As for fulfilling legal requirements, the project involved the following actions

for existing safety reports, risk assessments and emergency plans:

- Updating in accordance with prevailing legislation
- Regular revision every five years
- Updating after significant process and/or technology changes, after serious accidents, or upon a request of an authority

The project focused on MOL and Slovnaft (including Petrochemicals), comprising in total 160 Seveso technologies at 4 refineries, 20 logistics sites, 1 petrochemical site and 11 upstream production sites.

We mentioned earlier the behaviour audit as a useful tool to identify unsafe acts among employees. In addition, such acts often result in unsafe conditions in the working environment which must be fixed too. That is why each of our businesses operates its own HSE inspection system, where the focus is shifted onto technical failures and away from the human factor.

Incident investigation and reporting

In spite of all our efforts, injuries sometimes happen. However, we can use these adverse events to prevent others in the future. It is just a question of identifying all the relevant contributing factors, the so-called root causes, and, by trying to eliminate them, we can considerably decrease the risk of similar injuries. For this very reason, in 2006, we continued the introduction of the so-called Tripod Beta incident investigation methodology at Group-level. This tool was specially developed for the oil industry and enables us to implement appropriate preventive measures. Firstly, we identified the HSE incidents where Tripod Beta was to be employed, and then colleagues from each business participated in training in the use of the methodology.

Road Safety Policy

A company with such a large number of different sites requires a lot of travelling, especially by car, of its employees. We all know that driving can be a dangerous activity and we received a painful reminder of this at MOL Romania in 2006. One of our colleagues, on a business trip, was driving carefully, obeying the rules when another car, coming from the opposite direction, started to overtake a slow vehicle but could not get back to its lane in time and so crashed head-on into our colleague's vehicle. The other driver was killed instantly.

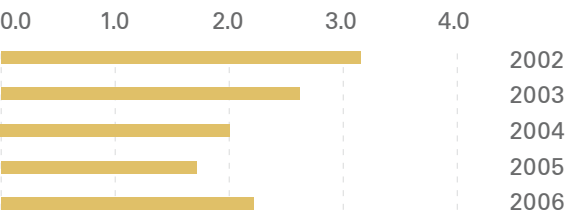
To reduce the risks our colleagues face on the roads, we have arranged defensive driving training for employees whose work requires regular driving. All participants take part in a theoretical course based on the Safe Drive Training syllabus, and then participate in a monthly distance learning programme to keep their newly-acquired knowledge fresh. Participants also attend a practical training session, completed with a personal written evaluation.



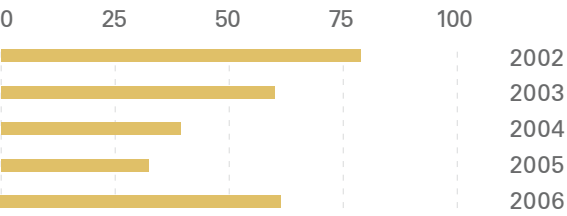
Contractor safety

Our safety measures perforce cover everyone involved, including contractors. We apply the same approach to them as we do to our employees, starting with HSE pre-qualification and mandatory protective equipment as well as obeying work permit regulations. We conduct regular safety inspections and audits of contractor activities and collect prescribed safety information on contractors' work at our sites. We view contractors as partners who significantly contribute to the overall MOL Group safety. We regret to report that in 2006 an employee of one of our contractors was electrocuted whilst carrying out general construction work on our pipelines. Apart from the authorities' investigation, we carried out one of our own. Both investigations unambiguously proved that MOL played no role whatsoever in the accident.

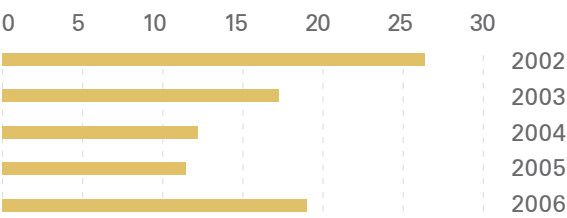
LTIF (Lost time injury frequency)



LTI (Lost time injury)



Fire cases



Fire safety

MOL, Slovnaft and TVK are major players in the oil and petrochemical industry, and are of significant importance to the Central & Eastern European region. Consequently, from an accident prevention perspective, most oil industry and petrochemical plants are high risk industrial facilities where flammable materials are processed and transformed into energy carriers and top-grade chemicals to meet modern society's demands. Although the risk of fire is inherent in the majority of our technical processes, our primary goal is to ensure safe operations, prevent fires, guarantee the safety of our employees and facilities and safeguard their natural, man-made social environment.

Even though the mainstay of our fire safety strategy is prevention, at our production facilities our priorities include immediate and expert intervention in the event of fire to avoid potential escalation and to minimise its associated risks and consequences. To achieve this, we are committed to continuous improvements in fire safety, especially in the areas of prevention and intervention. We constantly up-date our technology, facilities and expert teams to ensure this goal is met.

There were 19 fires at MOL operating facilities in 2006. These were minor fires in the main, mostly caused by faulty seals or gaskets and incurring no personal injuries. Most were extinguished or got under control by employees on the spot, using fire extinguishers provided. However, most fires started by operating equipment and requiring professional MOL Group fire brigade attention occurred in production areas. Since our firemen usually arrived on the scene within minutes and took control of the situation there was no impact on our operations and no significant damage done. Total fire damage throughout the Group was



valued at less than HUF 400 million, 50% of this was the result of a single fire caused by inadequate manufacturing of equipment.

To improve overall fire safety, we invest in new facilities that meet the highest international standards and seek to reduce the risk of fire by applying closed technology and modern monitoring techniques. These considerations are also kept in mind when we replace older facilities. In-built active and passive systems (fire resistance, fire detection, sprinkler systems) play an important role, but equally important is the need to increase the capacity of our mobile fire and emergency services.

The Group deploys three fire brigades, primarily linked to refinery production areas – FER Association, TMM Ltd. and Group 4 Securicor. MOL Group has shares in two of these companies (FER and TMM). Their fire prevention activities are supervised by highly qualified HSE experts. Fire brigade equipment and personnel were put together on the basis of fire risk assessments carried out at technical facilities and, as a result, these crews are among the best in Europe. To maintain and strengthen their capabilities, training of emergency personnel follows international trends in this field and is partly linked to fire-safety training given to MOL Group employees. In 2006, to further improve training for emergencies at filling stations, we organised fire drills in cooperation with the local Fire Brigade at a filling station in Bratislava, Slovakia. At TVK voluntary fire crews excelled in fire fighting competitions.

Our fire crews are regularly given the chance to share know-how with fire crews from other countries which work in similar fields. One of the forums for this is the International Fire Safety Conference organised biannually by FER Association at the Duna Refinery, the biggest plant in our Group. The conference is attended by an increasing number of visitors, some from overseas.

Health protection

In September 2006, as the basis of its Health Promotion programme, MOL Group changed its occupational health service provider in Hungary. The main reason was to provide additional services to the basic employee occupational health package through a single service provider who would: prepare individual employee health plans; provide specific labour hygiene services; provide services such as biological monitoring and vaccinations; offer optional services such as 24-hour stand-by, screening, and psychological eligibility testing. Employees exposed to identical risks are tested using a standardised protocol. Since test samples are taken in our medical facilities, we minimise loss of working time among our employees.

In future, this systematic approach will be followed by all MOL Group member companies to unify occupational health services to all employees.

The MOL Workplace Health Promotion Programme

The Workplace Health Promotion Programme (STEP), approved as a part of the New Europe Programme, was launched in Q3 2006. The Programme is being implemented over a five-year period, in three phases. Health development is principally a cultural change programme, the goal of which is to ensure MOL Group employees learn about and improve their overall states of health. Key STEP target groups are employees who, whilst aspiring to lead healthy ways of life, do little or nothing to achieve this. Although the health development programme focuses directly on MOL employees and their

families, its ripple effect is also important. We support this programme through an intensive promotion campaign.

In the first year of the 5-year programme - as part of the regular work eligibility test - an individual health plan is prepared for every employee; its implementation is reviewed annually by occupational-health service doctors. Work eligibility tests are supplemented with extra screening tests for cholesterol, blood sugar, and triglycerides.

As add-ons to the Individual Health Plan, we offer employees further health screening to identify the causes of illness (mainly fatal) over time, thus increasing the chances for medical treatment and recovery. The main types of screening are: dermatological, gynaecological, urological, ENT, abdominal ultrasound and PSA laboratory testing. The voluntary screening most in demand among our employees is the dermatological nevus analysis. The programme, in general, is flexible; we adapt the type of screening offered to the individual needs of the employee.

Additional web content:
www.molgroup.hu/en/sd/society/health_and_safety



Labour practices and decent working conditions

Following the principles of Sustainable Development, MOL makes every effort to develop its human capital and provide optimum working conditions in all operational areas.

In accordance with our compensation policy and Code of Ethics, MOL recognises the performance and work of its employees and offers them competitive salaries, according to the type of work performed, individual performance and comparative rates in the labour market.

Talent attraction and retention

Compensation system

We believe that the competitive salaries we pay contribute, to some extent, to the reduction of workforce turnover. Our employees receive 13 monthly payments per annum, with the extra one being paid in December. In addition, each employee is eligible to receive a bonus payment in May, in recognition of personal accomplishments. Our employees also receive an annual non-wage financial package, which they may spend on different items such as meal tickets, health funds, pension contributions and housing allowances, among others.

In 2006, we continued the programme of harmonizing our job-grading and compensation system throughout MOL Group. Started in 2005, it aims to create a single, logical, transparent and consistent system ensuring the equal treatment of our employees based on the type of their work and position within the Company.

Career management

Talent development programmes have been a focal point in the Group for the last couple of years, and 2006 was a milestone in their expansion. Such programmes involving as they do, all levels of the organisation, play a critical role in the structured, formal development and promotion of key talent, and in building the next generation of leaders and key experts to enable us to achieve our long-term goals.

In 2006, we completed the third cycle of our 2-year Young Talent Programme (YTP), which provided on and off the job development, both in professional and leadership terms, for 30 international talented people, to prepare them for senior expert or leadership roles. Divisional talent programmes were also launched, focusing on identifying and developing key talent, either as long-term successors to or immediate replacements of retiring professionals.

In 2006, MOL Executive Board also approved two new initiatives, one being a large scale recruitment and integration programme for Young Graduates, the other providing focused development and preparation for key managerial talent aiming at international careers. Besides targeted talent programmes, the MOL Career Management Process (CMS) ensures short and longer term structured succession planning and individual career development both for management and specialist positions.

Employee engagement survey

In 2006, we conducted a Group-level engagement survey in six countries, involving altogether 13,500 individuals at our largest eighteen companies. Its purpose was to

identify and analyse the level of engagement of MOL Group employees and to identify those factors that hinder or improve their performance.

The survey revealed that overall employee engagement is high and we have been even able to achieve a small improvement since our last measurement in 2004. However, we have identified a certain number of areas and employee groups where improvements still need to be made.

At their annual workshop, the senior management discussed the results, shared experiences and defined actions necessary for improvement. The most important conclusion that can be drawn is that the management plays a key role in motivating the staff and encouraging them to put the maximum effort into their work. Consequently, one of our key priorities for 2007 is the revitalization and mobilization of employees.

To strengthen employee engagement, we have developed continuous and proactive communication with our employees. This multi-lateral dialogue is essential to maintain effective employee relations in line with our main HR values.

Human capital development

We sincerely believe employee training to be an indispensable part of professional advancement, since our colleagues' individual professional competence is critically important to our success. Therefore, we consider the development of our employees an investment into human resources and based on this, we pay close attention to the improvement of their skills and knowledge and to maintaining international quality standards among the workforce.

Customised training schemes comprise compulsory sessions prescribed by





official authorities and internal or external professional training sessions, necessary to meet current or future job requirements. We also place great emphasis on leadership development. In addition, professional development is facilitated through conference participation and language programmes.

We maintain strategic relationships with selected higher education institutions to support our professional reinforcement and training. The main target of our new training-portfolio is a decisive management leading the company with the necessary skills to meet our objectives and become a multinational company. In accordance with becoming multinational we successfully introduced an inter-cultural coaching programme for experts and managers in international positions. A number of new management programmes aim to support manager development and its critical milestones.

For employees in the E&P Unit we created and run a modular competency-based training. This involves the training of 505 employees

over a two-year programme. The complex oil refining (theory and practice) training supports safe operations. At R&M 736 factory employees participated in training and on a similar scale Slovnaft employees did as well. To support the succession of leaders at TVK we have started the “Baton” programme to train future foremen and chief foremen in various technologies as well as in the methodology of labour management. As a result of such mentor method, chief foremen nearing the age of retirement are able to pass on their experience to the next generation.

In 2006, we also introduced e-learning possibility to study English for a broad range of employees at Group-level.

We are continuing to work on the development of a detailed training system of integrated programmes, as well as on their extension to MOL Group Subsidiaries. The HR Department focuses on the support of multinational, integrated strategic business goals, and provides professional services to the most important areas of our business operations.

Labour / management relations

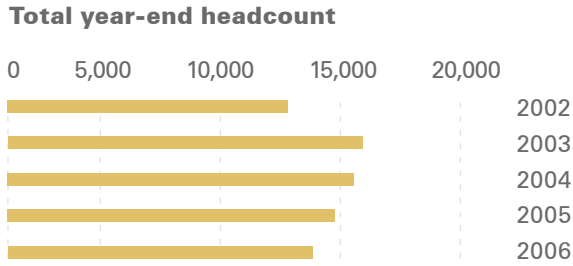
Salaries, benefits and working conditions are discussed and mutually agreed upon, at MOL Group-level, through the annual collective bargaining process. Although MOL Group Supervisory Board members are elected at the Annual General Meeting of shareholders, its employee representative members (i.e. one-third of the members) are elected by the central Workers’ Council, which takes Trade Union opinions into account.

In addition, MOL Group regularly reports progress to the Trade Unions and Workers’ Councils at meetings held with them to exchange opinions. Thanks to the European Works Council, MOL is constantly kept informed on decisions taken in different countries, and on lessons learned from international experience.

The direct, bilateral contact between MOL’s management and employees is continuous.

The 15th MOL anniversary events, as with other Group-level events organised by the Company or the Trade Unions / Workers’ Councils, provided opportunities for meetings and free, informative dialogue between senior management and employees.

Within the parameters of Group-level principles, MOL subsidiaries manage their labour relations independently. By the end of 2006 most subsidiaries had concluded their 2007 Collective Agreements, and some even up to 2009.



2002 corrected with TVK Plc.,
2003 with Slovnaft a.s. from April 1st



Photo: Viktor Veres

Equal opportunity and diversity

MOL Group, an international company operating in a multicultural environment, provides equal opportunities to all current and future employees. Our policy is to avoid potential discrimination, particularly in employment conditions, career moves, compensation, rewards and programme implementation. MOL Group tolerates no discrimination of any type related to sex, marital status, age, ethnic origin, colour, organisational membership, political conviction, disability, religion, or sexual orientation.

Beside national regulations, equal treatment for all is guaranteed by the Collective Agreement, the Code of Ethics, Trade Union agreements, and MOL Group-wide guidelines and internal regulations. The criteria for selecting or nominating candidates for any position must only be based on their experience and professional skills.

Human rights

We recognise and respect human rights in relation to employment, health, freedom and security among others, as defined in international declarations and have integrated their principles into MOL Group corporate values and policies. MOL Group Code of Ethics, valid for all of our subsidiaries in every country, contains detailed directions on the lawful and ethical behaviour expected by the Group.

Employees who feel that their rights have been violated may appeal to the Council of Ethics, Workers’ Councils or Trade Unions. Freedom of association and collective bargaining are also assured by national legislation.

Additional web content:
www.molgroup.hu/en/sd/society/labour_practices_and_decent_working_conditions

Social investments

We have come to realise that delivering outstanding business performance is not enough; we have to strive to recognise and preserve human values, too. Therefore, besides dealing with labour, health and safety issues, our social responsibility efforts also cover the support of public activities.

Sponsorship programmes

Sponsoring activities, in line with our business strategy, send out positive messages and support the achievement of marketing objectives. They also strengthen MOL Group’s business position and value and increase its social recognition and as a result earn the respect of society. Our company pays close attention to preserving the cultural heritage and diversity of local and national communities. We also support professional activities and events related to our sector and its industrial heritage.

Sports programmes

Supporting major international sports competitions continues to be an important aspect of our sponsorship activities throughout MOL Group.

Our cooperation with the Hungarian Canoe Federation dates back a long time. Beside MOL being a diamond level sponsor of the Federation in 2006, the Company was the chief sponsor of the 2006 World Flatwater Racing Championships in Szeged, Hungary, one of the most significant sports events of the year.

In promoting the high quality of our automotive products and services, and in

line with MOL business values, we sponsor talented sportsmen such as Gábor Talmácsi, one of the best known motor-bike racers. Moreover we support Hungarian, Slovakian and Romanian rally drivers who are, in addition, members of the MOL Group Dakar team and year after year cope successfully with the challenges of the famous endurance competition.

TVK Triathlon World Cup, held every summer in Tiszaújváros, is a highly successful international event dating back to 1992. In addition, the TVK-Mali Triathlon Club has been successful in this field of sport for years delivering outstanding results and collecting medals, both in Hungarian and international competitions. Two of its members, Lőrinc Balogh and Dániel Török, even earned the right to participate in the Beijing 2008 Olympic Games as part of the Hungarian team.

In Slovakia, Slovnaft strengthened the sponsorship cooperation in 2006 with the highly successful national ice-hockey team. Apart from supporting the present generation, we also invest in the development of “future world champions”, talented young players.

MOLto Vivace

In 2006, MOL continued its very successful concert series, started two years earlier, “MOLto Vivace”, in which well-known artistes living in MOL Group operating areas i.e. Central & Eastern European countries - Poland, the Czech Republic, Slovakia, Romania, Croatia, Slovenia, Serbia and Russia - perform together with famous Hungarian musicians. The artistes invited feature the best representatives of jazz, world and folk music styles.

Donation programmes

We strive to establish and preserve fruitful co-operation with the non-governmental sector, and work with recognized experts to ensure our donations go to those most in need.

The New Europe Foundation – “May I help?” programmes

In 2006, one of the most important steps in our donation activities was the establishment of the New Europe Foundation. The Foundation focuses on the training and professional development of young talented people and on paediatric programmes. It seeks to create partnerships with private initiatives in the fields of sport, culture and environmental protection that strive to create a vigorous and humane society. One of the most important of the Foundation’s activities is the coordination of the “May I help?” programmes.

One of our most successful initiatives, the “May I help?” Talent Support Programme, supports from year to year the professional development of young sportsmen, artists and scientists. In 2006, 180 young people received financial support in 40 branches of sport while in the arts and sciences categories, 150 young people were rewarded.

The “May I help?” MOL Child Healing Programme was created to support organisations that supply transport and art therapy courses to children with long-term diseases or those recuperating from serious illnesses. In 2006, 29 child healing organisations, whose efforts helped improve the lives of 11,000 children, received our support.

The Green Belt programme

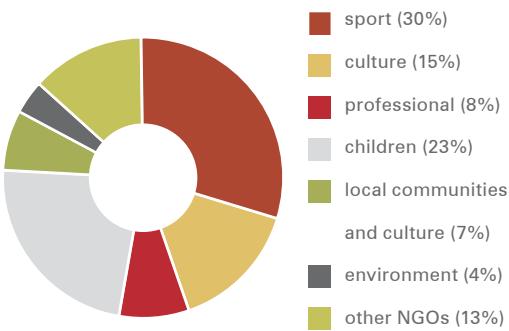
In 2006, MOL Group again announced its regional environmental protection programme, called Green Belt, in co-operation with the Environmental Partnership Foundation, with the aim of enhancing our communities with larger and better-kept green-belt areas.

The programme was simultaneously launched in Romania, Slovakia and Hungary, with a HUF 10 million budget for each country. To recognise the most successful candidates, MOL founded the MOL Green Belt Award, which is presented to the local community that succeeds in creating the most attractive and environmentally-friendly green belt area, in the most efficient way.

The company also held a competition for the design of the Award among the students of Moholy-Nagy Art University, Budapest.

Additional web content:
www.molgroup.hu/en/sd/society/social_investment

Social Investment by categories



Performance data

Economic Performance data

Financial data	2002	2003	2004	2005	2006
Earnings – local currency (HUF m)	65,262	99,981	208,570	244,919	329,483
ROACE* - %	9.3	10.7	23.2	26.4	31.6
Total shareholder return** - % MOL Plc.	6.6	21.4	102.2	58.3	9.9
Corporate taxes (HUF m)	1,939	(32,476)	47,817	29,158	24,864
Reserve Life Index	11	10	8	8	8***
Bio-ETBE sales volume (Mtoe)	n.a.	n.a.	n.a.	n.a.	0.01
Bio-diesel sales volume (Mtoe)	n.a.	n.a.	n.a.	n.a.	0.05
Brand expenses (HUF bn)	n.a.	n.a.	3,935	3,994	4,335

* NOPLAT based

** amount restated

*** including MOL Plc.'s proportionate share in INA d.d. (25%)

Environmental Performance data

Air (tonnes)	2002	2003	2004	2005	2006
CO ₂	4,570,475	4,366,655	4,747,120	5,937,252	5,929,380
CO ₂ under ETS	4,030,133	4,137,872	4,114,750	4,090,175*	4,004,973*
SO ₂	16,464	15,721	11,768	11,333	13,455
VOC	8,071	6,591	5,535	5,395	4,394
NO _x	6,083	7,103	6,915	6,027	5,555
CO	1,360	1,727	1,323	1,136	1,052
PM	256	431	392	405	412

* figures scrutinised by authorised verifier

Water	2002	2003	2004	2005	2006
TPH (tonnes)	147	123	151	87	62
COD (tonnes)	3,126	3,274	2,921	3,196	2,018
BOD (tonnes)	233*	236*	214*	522	498
SS (tonnes)	878	1,011	765	657	605
Drinking water consumption (m³)	3,537,613	3,312,790	2,839,957	2,713,148	3,340,419
Technological water consumption (m³)	79,722,678	69,486,140	63,829,597	63,304,931	64,736,509
Spills over 1 m³ (cases)	18	13	11	7	8

* MOL Plc. and TVK Plc. not available

Waste* (tonnes)	2002	2003	2004	2005	2006
Hazardous (including remediation)	104,035	146,945	196,966	180,885	167,589
Non-hazardous	72,001**	124,834**	150,032	76,544	143,856
Disposed of	80,576**	101,303**	306,292	180,018	256,429
Reused/Recycled	20,156**	15,045**	56,911	35,261	55,016

* including waste from remediation

** MOL Plc. not available

Environmental expenditures	2002	2003	2004	2005	2006
CAPEX (HUF m)	5,391	7,133	9,033	18,133	12,755
Provisions released (HUF m)	4,527	5,650	6,294	8,380	5,936
HSE penalties (HUF m)	60.09*	30.79*	70.17*	95.91*	140.97

* amount restated

Energy efficiency - Refining*	2002	2003	2004	2005	2006
Total energy purchased (GJm)	22,23	20,72	20,10	18,76	16,53
Total energy produced** (GJm)	44,17	43,80	45,02	46,84	43,36
Total energy used (GJm)	65,54	63,69	64,22	64,65	58,93

* including Slovnaft Petrochemicals until July 2006

** energy produced is partly sold to third parties

Energy efficiency - Petrochemicals*	2002	2003	2004	2005	2006
Total energy purchased** (GJm)	5,62	5,68	7,18	8,46	11,86
Total energy produced (GJm)	0,33	0,47	0,31	0,23	0,20
Total energy used (GJm)	4,95	5,12	6,37	7,61	10,95

* including Slovnaft Petrochemicals from July 2006

** energy purchased is partly sold to third parties

Social Performance data

Health & safety	2002	2003	2004	2005	2006
LTIF	3.1	2.6	2.0	1.7	2.2
LTI	79	56	40	33	58
TROIF	n.a.	0.08	0	0.08	0
Number of fires	27	17	12	11	19
Fire damage – (HUF m)	22.73	151.77	99.04	0.09	387.23

Employees*	2002**	2003***	2004	2005	2006
Total headcount – MOL Group	12,932	15,866	15,465	14,660	13,861
Represented by trade unions - %	99.72	99.71	98.97	97.77	97.34
Women in managerial positions - %	13	16.8	15.55	11.72	14.1
Average employee compensation (EURO/person)	11,795	13,692	15,487	17,500	19,034
Employee turnover rate**** - %	20	13	10	8	15
Women in total workforce - %	27	27	27	26	26
Number of employees laid off	2,799	1,535	1,051	768	707

* all data covers MOL Plc., TVK Plc., Slovnaft a.s., MOL-Lub Ltd. and MOL Gas business; except Total headcount

** corrected with TVK Plc.

*** with Slovnaft a.s., as from April 1st

**** including retiring employees



Glossary of terms

Bio-fuels – any fuel derived from renewable organic resources such as biomass i.e. not fossilized like petroleum. The EU has decided to regulate the proportion of bio-component that has to be blended in petroleum or diesel in the market-place. From 2009, the required proportion will be 5.75%.

CDM (Clean Development Mechanism) – CDM is one of the three flexible mechanisms under the Kyoto Protocol that allows industrialised countries with a GHG reduction commitment to invest in emission reduction projects in developing countries to help meet their own emissions targets in a more cost effective way.

Corporate Citizenship – Management of the totality of relationships between a company and its host communities, locally, nationally and globally. It is concerned with treating stakeholders in a socially responsible manner. The aim of such responsibility is to create higher standards of living for stakeholders, both within and outside the corporation, whilst preserving the corporation's profitability.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) – operating profit plus depreciation and amortisation.

ETBE – ethyl-tertiary-butyl-ether is produced by mixing ethanol and isobutylene and then reacting them with heat over a catalyst. ETBE offers the same, or even greater, air quality benefits than ethanol, without some of the technical and logistic challenges that face alcohol. ETBE is approximately 42% ethanol.

FCC Plant – Fluid Catalytic Cracking Plant

GDR (Global Depository Receipt) – depository certificates issued by a foreign depository on the issuer's shares, which are deposited with a Hungarian custodian.

ROACE (Return on Average Capital Employed) – net operating profit divided by average capital employed (total assets – [long-term financial investments + investment in process + short-term investments and cash + total current liabilities] + short term debt).

GHG (Greenhouse Gases) – gases that contribute to the formation of an insulating blanket around the Earth by trapping heat from infrared radiation. (CO₂, CH₄, N₂O, HFC, PFC, SF₆).

GRI (Global Reporting Initiative) – a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

JI (Joint Implementation) – JI is one of the three flexible mechanisms under the Kyoto Protocol that allows industrialised countries with a GHG reduction commitment to invest in emission reduction projects or projects that enhance removal by sinks, in another industrialised country, and count the resulting emission reduction units (ERUs) to help meet their own country's emissions targets in a more cost-effective way.

LTIF (Lost Time Injury Frequency) – the number of incidents of lost time injury (LTI) per one million hours worked.

Materiality in reporting – The omission or mis-statement of an item in a report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying on the report would have been changed or influenced by the inclusion or correction of the items.

PM (Particulate Matter) – finely dispersed solid matter produced by burning and other technological processes. The most dangerous are fractions finer than 10 µm (PM₁₀).

Polyolefins – collective name given to those polymers that are made from olefins (ethylene, propylene).

Provision – a present liability with uncertain timing and amount, arising from a past event, that will occur with high probability (greater than 50%), and will therefore require financial expenditure that can be reliably estimated.

Precautionary principle – "Recourse to the precautionary principle presupposes that potentially dangerous effects deriving from a phenomenon, product or process have been identified, and that scientific evaluation does not allow the risk to be determined with sufficient certainty." (Source: EU Commission)

Sustainable Development – "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (source: UN / Brundtland Report)

TPH (Total Petroleum Hydrocarbons) – oil substances; a parameter expressing the pollution of water by organic oil substances.

VOC (Volatile Organic Compounds) – any organic compound with a vapour pressure of 0.01 kPa or higher at 293.15°K (20°C), or which has similar volatility under the actual conditions of use (methane excluded). Most ground-level ozone (smog) results from a reaction between NO_x and VOCs.

VRU – vapour recovery unit

Work-related injury – any form of injury or death incurred by an employee independent of his or her own will by a temporary, sudden or violent external factor while carrying out work duties or in direct relation to those duties.



Supervisory Board's opinion

At MOL Group management request, the Supervisory Board has carried out a review of the Company's Sustainable Development Report for calendar year 2006. Our role is to express an opinion on the process used for the collection, selection and scope of relevant information and on the reporting practices adopted, based on the Report's content and the SD Chief Advisor's detailed account. In addition, our review process was supported by independent external verification of the Report and the Verification document related to this process.

MOL publishes its integrated Sustainable Development Report annually. It covers MOL Plc., TVK Plc. Slovnaft a.s. and their consolidated subsidiaries and includes all countries in which the company has operations. Following international best practice, the Company followed the GRI „G3” Guidelines recommendations in the preparation of the Report, and adapted them to accommodate the Company's market position and operations. In addition, the content was extended and restructured based on the results of the MOL Group Sustainability Screening process, carried

out in February 2007, and also includes more detailed information on topics such as product stewardship, stakeholder engagement, environmental and social impact assessment and biodiversity.

The data and information contained in the Report are supported by performance indicators that reflect the Company's main economic, environmental and social impacts and results. Aggregated data are reported for MOL Group-controlled companies for the past five years and exceptions are noted in each case. Financial data and information are based on the Company's consolidated Annual Report.

This is the first time that the Group-level Sustainable Development Report has been verified by an independent party, supported by both the Company's Board of Directors and its Supervisory Board. This process is in accord with international trends and best practice and clearly demonstrates that verification is becoming more and more important in terms of a company's sustainability activities, beside its usual financial audits.

Based on our review of the Report and the Verification document, we believe there are no material misstatements that would call the consistency of the information and the reporting procedure as defined by the Group into question. Moreover, we accept and support the statements and recommendations expressed in the Verification letter presented in this Report, and consider proper data management and operational practices to be of outstanding importance in ensuring the reliability and consistency of MOL Group Sustainability Reports, both now and in the future. The economic, environmental and social data and information presented in this Report provide a transparent and credible representation of the sustainability performance of the Company and reflect real progress both in its operations and in the quality of its reporting.

Budapest, 13rd of November, 2007

dr. Mihály Kupa

Chairman of the Supervisory Board

Verification Letter

Deloitte has completed the verification of MOL Group’s report titled “Sustainable Development Report 2006”. The assessment process and the verification took place pursuant to the Global Reporting Initiative (GRI) G3 guidelines.

MOL Group’s management approved the report and assumes responsibility for the contents thereof.

Our agreed-upon procedure consisted of the followings:

- Review the reporting practice and the work of the organization which was responsible for completing the Report.
- Survey of the Executive commitment.
- Review the completeness and adequate adaptation of the indicators presented in the report.
- Compare the data (financial data) transferred from the annual consolidated financial report.
- Review the data registry, collecting and management practice.

Our conclusions

MOL Group prepared its Sustainable Development Report for the year 2006, in which – in accordance with the “triple bottom line” of GRI (Economy, Environment, and Society) – it presents the economic,

environmental and social impacts of its activities, following the reporting principles.

The organization, responsible for completing the “Sustainable Development Report 2006”, possesses the information on the basis of which the economic, environmental and social impacts inflicted by the activities of MOL Group can be accurately presented.

The organization is supported by the Executive Commitment and adapted to the MOL Group’s matrix structure.

The economic, environmental and social impacts of MOL Group’s activities are supported with performance indicators and MOL Group strives to present the annual changes of economic, environmental and social indicators in the Report.

The data transferred from the audited annual consolidated financial report agree with those presented in the “Sustainable Development Report 2006”.

The most important impacts of their activities are presented according to the “triple bottom line”, based on GRI structure.

The data registry, collecting and management system was elaborated and the Group established its information technology basis.

Opportunities for improvement, and recommendations

Based on our agreed-upon procedure and our discussions with the employees responsible for the “Sustainable Development Report 2006”, we make the following recommendations:

- we suggest improving the operational practice of the organization, furthermore reinforcing the following areas: communication, information flow and coverage.
- it is necessary to strive to reach the coherent and standard adaptation and interpretation of the performance indicators in all divisions and subsidiaries of MOL Group.

- we suggest reinforcing the data management procedures of the performance indicators presented in the Sustainable Development Report.

The above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices) we do not express any assurance on the financial data.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information.

Deloitte

dr. Judit Ladó
Partner

Róbert Reiniger
Environmental Director

Budapest, October 25, 2007



Contact

You can find the online version of this report, together with previous ones, on our official MOL Group website, www.molgroup.hu. For local reports, please visit the websites of our member companies (www.mol.hu; www.slovnaft.sk; www.tvk.hu). To order a printed version of the report, please contact:

MOL Hungarian Oil & Gas Plc.
Corporate Communications
1986 Budapest
Hungary

We need your feedback

We respect and pay great attention to the opinions of our stakeholders. To share your views on our Sustainable Development performance and this report with us, please fill in the feedback card on MOL Group website at www.molgroup.hu/en/sd/highlights/share_your_views/ or send us an e-mail to sustainabledevelopment@mol.hu

Your feedback will help us learn more about your areas of interest and continuously improve our SD reporting.

Thank you, in advance!

