



Sustainable Development Report 2007



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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 second time by an independent party, which covers our economic, environmental and social performance on a regionally-integrated basis.

2007 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.

We started to operate our own Sustainable Development Management System (SDMS) that ensures an effective foundation upon which to base ongoing efforts and the achievement of future objectives. Our aim 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 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.

MOL defined its sustainable development (SD) strategic initiatives for the period of 2007-2010 in line with its business strategy. To ensure the achievement of stated objectives, an effective action plan

was defined at Group-level including almost 100 actions, reviewed and completed each year. This action plan concentrates on issues like renewable energy, product stewardship, environmental performance, employees' conditions or the long term portfolio of the company.

MOL 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 concentrates – 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, 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 paid outstanding attention to product stewardship and innovation, to the promotion of ethical behaviour, and to the supporting of outstanding initiatives and talents in 2007 as well. Moreover, it continued the strengthening of its cooperation with authorities and governmental bodies that supports them in addressing societal issues and in satisfying social needs.

The structure and content of MOL disclosure in sustainable development is based on the Global Reporting Initiative “G3 Guidelines”

and has been expanded to include several new topics that more accurately reflect our operations, challenges and successes. In 2007, the company decided to change its reporting process and strengthen the importance of its Corporate Sustainability internet page of MOL Group website. Therefore, the present Report and the internet page form together the basis of the compliance with the recommendations of the GRI Guidelines.

As of 2007, the management of MOL Group decided to involve an external, independent party to conduct the verification of our Report and our Supervisory Board has accepted the task of executing the review of our Reports, to provide further credence to them. This efficiently contributes to the reliability of our disclosure and to the continuous performance of our reporting system.

This Report is the result of long cooperation, 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 SD 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 and CEO

György Mosonyi
Group CEO

About us

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.

Who we are

MOL Group is market leader in Hungary and Slovakia, in each of its core activities and is one of the largest companies in the CEE region.

MOL, with its Subsidiaries, is a leading integrated oil and gas company in Central & Eastern Europe, employing more than 15,000 people and operating two high complexity refineries. The Group consists of MOL Plc., Slovnaft a.s., TVK Plc. and their consolidated Subsidiaries. The Group operates a network of almost 1,000 filling stations in 9 countries (including the Tifon and IES brands) 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 Groups' main operating company, MOL operates as a public limited company. Main owners are institutional investors from all over the world, mainly from the United States, the United Kingdom and Continental Europe.

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 revenues 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. Most MOL Group filling stations are managed by CoCa's (Company-owned Commission Agents) or under the CoDo (Company-owned Dealer Operated) system, the rest coming under the DoDo (Dealer-owned Dealer operated) system. DoDo system filling stations' performance is not closely tracked due to the nature of this operational form.

MOL Group Lubricants Division (Lubes), with 100 years' experience in lubricant production and tribological know-how, market leader in Hungary

and Slovakia and with considerable market shares in Romania and the Czech Republic, produces and markets almost all the principal types of lubricant, including automotive motor and gear oils, industrial oils, special lubricants, metal-working fluids, greases, additives and automotive chemicals (antifreeze, windscreen-wash fluids and brake fluids).

MOL Natural Gas Transmission Ltd. assures reliable and uninterrupted gas supplies to the private and public sectors, utilities and industrial consumers through transparent and even-handed operations in a balanced inter-cooperating natural gas system, while operating in full compliance with the legal and statutory regulations. It also plays an active role in the liberalisation of the national gas market.

In production capacity terms, MOL Group's Petrochemicals 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

MOL is managed on an integrated matrix governance model, supported by a process-based Regulation System.

MOL Group conducts its business in line with well-defined policies and strategies to assure efficient operations and financial success. Our five year business strategy, reaching out to 2010, defines our main objectives, not only related to growth, efficiency and financial flexibility but also to our governance system, employees, customer relations and sustainable development.

We have formulated up-to-date policies defining our basic principles in areas such as, inter alia, HSE (Health, Safety & Environment), our Code of Ethics and our Supplier Policy, all of which have to be respected by all our employees and in all our operating areas.

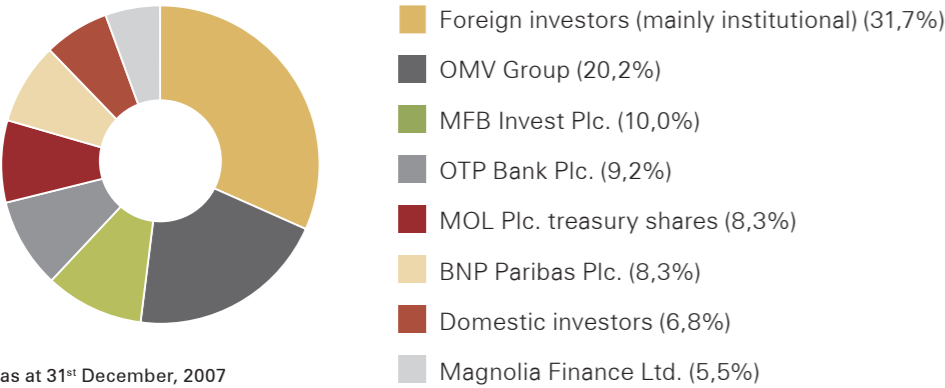
MOL Group governance structure is based on international standards and the role and responsibilities of each governing body (the Annual General meeting, the Executive Board, the Board of Directors and the Supervisory Board) are carefully and clearly defined. The Company's governance is carried out by two parallel but interconnected elements, namely our Business and Functional Units. In addition, various working committees are appointed to coordinate and support specific business activities.

We regulate our processes, establish clear aims, identify resources and ensure clearly-defined delegated tasks and accountability. MOL is managed on an integrated matrix governance model, supported by a process-based Regulation System. The Regulation System supports effective MOL Group-level implementation of mechanisms that provide efficient business control. Its key elements are the main governance documents (Operational & Organisational Rules – OOR; Description of Tasks & Responsibilities – DTR; List of Decision-making Authorities - LDA), Group Guidelines, Process Regulations and Work Instructions.

Management systems ensure the comprehensive treatment of special issues related to operations, quality and excellence.

How we achieve our goals

Ownership structure of MOL Plc.



We operate a Group Risk Management function, consisting of an integrated, comprehensive 4-pillar system that manages a wide variety of risks (Financial Risk Management, Insurance Management, Enterprise Risk Management and Business Continuity Management). Stakeholder engagement is managed by the Units, each concentrating on its own main stakeholders and using its own specific, customised systems. Main Company stakeholder groups are shareholders, customers, suppliers, employees, authorities and local communities.

MOL operates management systems in many areas such as the EFQM Business Excellence Model, as well as standards-based management systems (ISO 9001, ISO 14001, HACCP, etc.) to ensure continuous performance in operational excellence and quality.

Management systems specific to one stakeholder group such as Supplier Management or the employee Performance Management System ensure application of the same rules to all members of a stakeholder group and their equal treatment.

Policies and strategies

Our Code of Ethics

The first truly integrated MOL Group-level Code of Ethics (CoE), replacing formerly separate member company codes, was launched in 2007. When preparing the Code,

we took international best practice and standards into account the better to reflect stakeholder expectations and to strengthen our practices and compliance. The Code of Ethics, a collection of norms and rules, seeks to offer guidelines for the resolving of ethical issues. Its values and their related regulations are applicable to all MOL Group companies, its Board of Directors, all subsidiaries and entities in which MOL Group - directly or indirectly - owns or controls more than fifty percent (50%) of voting or ownership interests, as well as Company executives and employees. The Code must also be adhered to by the Company's agents and representatives, including consultants. The Code also applies to all MOL Group companies' contractors and vendors. We not only expect compliance with the specific expectations and requirements set out in the Code of Ethics, but also vigilantly monitor and control adherence to them.

The Code of Ethics completes the regulation pyramid together with the three main governing documents (OOR, DTR, and LDA) and MOL Group Guidelines. These three establish the structure of the organisation and set its basic operational framework - the CoE contributes to this structure by providing fundamental behavioural standards to be respected by Group employees.

The HSE Policy & Management System

Within MOL's regulatory system, we have started to introduce the new MOL Group HSE Group Guideline, the "Health, Safety and

Environment Management System" to focus on the responsibilities and accountabilities of line management with regard to turning HSE Policy and specific sub-policies (e.g. the Road Safety Policy) into practice. This Group Guideline is the basis of HSE management systems at all levels in MOL Group.

The Guideline provides direction and conceptual guidance to managers on how best to embed HSE principles in their businesses by delineating a consistent MOL Group HSE Management System (HSE MS) with clear segregation of duties. The Guideline describes the essential minimum 15 elements of an HSE management system.

Governance systems

Starting in 2007 and ending in 2008, MOL Group evolved a new structure for its Regulation System which will help the Group establish more efficient integrated operations and thereby achieve its strategic goals and higher effectiveness. The main aim of this effort has been to simplify the Guidelines for easier understanding of MOL Group's operational framework.

Operative Regulations – at the next level – stipulate detailed rules, methodologies with regard to operations. In these Regulations, local specifics and possible integrated solutions are all considered and reviewed.

Under the new Regulation System, local subsidiaries have acquired more responsibility for their operations compared to the former system.

In 2007, Standard Principles were developed for the 11 areas essential to the management of MOL Group operations. These Principles are the manifestation of the main MOL Group senior management principles. The Standard Principles deal with the following areas: Sustainable Development, Continuous Improvement, Health Safety & Environment, Security, External Affairs, People and Leadership, Change Management, Risk Management, Performance & Control, Customer Focus, Internal Communications and Knowledge Transfer.

Finally, as an important step towards strengthening SD as a strategic issue, when writing proposals to the Executive Board, SD is now an option that can be selected as one of the strategic objectives to which proposed actions may be connected.

Management systems

The Performance Management System (PMS)

We use various systems and processes to manage performance, each tailored to the appropriate employee group.

The MOL Group-level Performance Management System focuses on the top 6 leadership levels (approximately 400

The efficiency of MOL Group integration depends upon the successful orchestration of Business and Functional Units and the operations of its member companies.

managers and senior professionals) in the Group and sets both qualitative and quantitative annual targets for Group, divisional and individual performance. Different weightings of these goal categories by leadership level ensure that incentives to perform focus on areas where individuals have the greatest personal influence and impact on achievement. In 2007, a major project focused on implementing a new IT system to support the process and ensure transparency and alignment of our target-setting and feedback process.

Besides the above process, many divisions and companies (e.g. Slovnaft and TVK) have either revisited their existing systems or launched formal performance management and feedback process for all employees, supported by in-depth participant communications and training.

Employee Self-Service/Management Self-Service Systems (ESS/MSS)

In 2007, we developed ESS/MSS for certain major member companies in our SAP system, to be implemented in 2008.

ESS introduces a web-based, user-friendly and secure interface for employees to:

- display their personal data and HR

documents recorded in the HR Document Management System

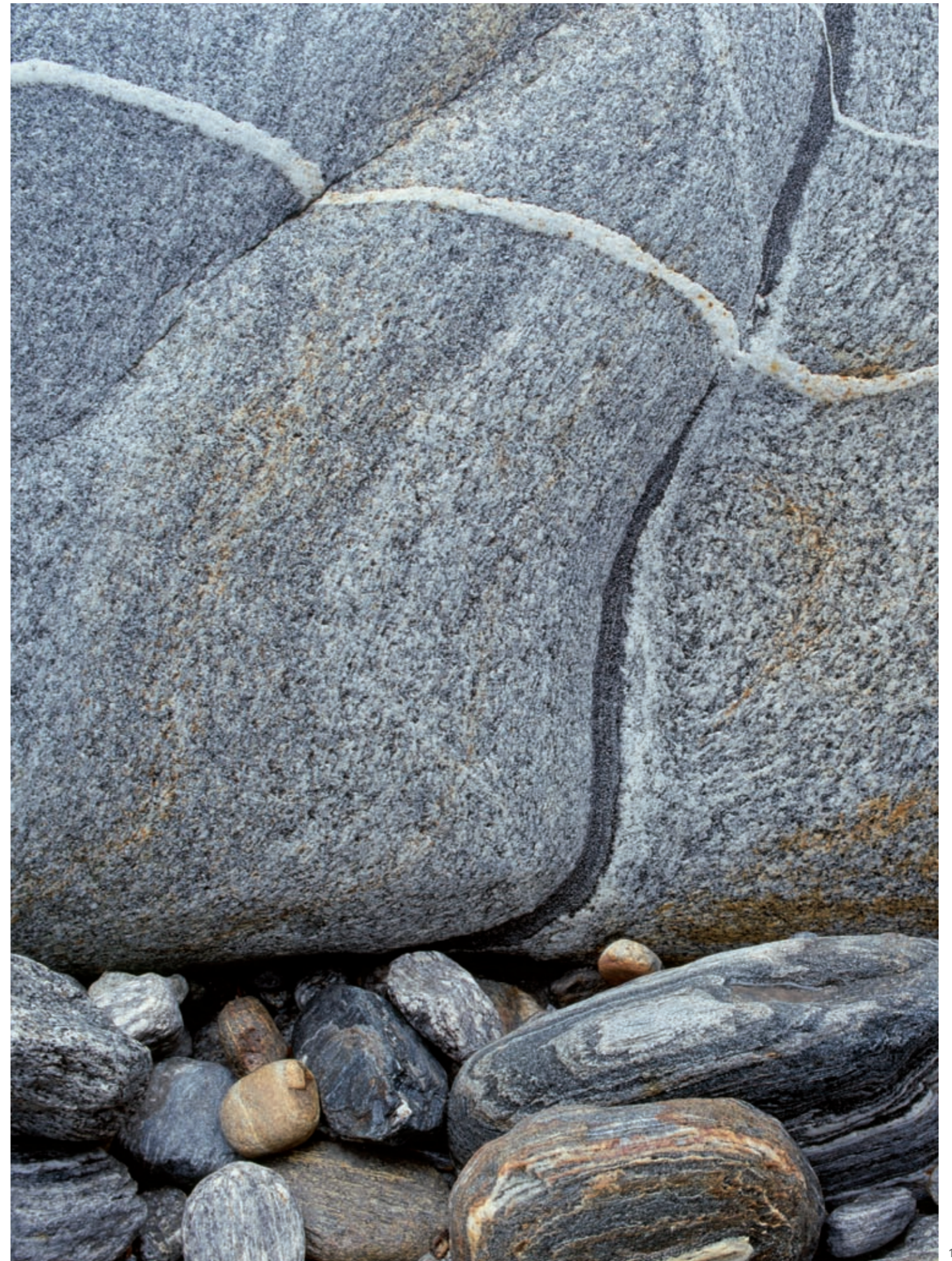
- initiate modification of personal HR data recorded in the system (new addresses, bank account numbers, educational data etc.)
- find electronic surfaces to personalize special topics (e.g. non-wage financial package) at one place.

In MSS, besides important personal data on their departmental employees, managers can find reporting and planning functions such as Group calendar view to enable optimal management of holidays; headcount, cost, time data, etc. reports; creating job requests and entering them into the e-Recruitment system; and displaying important HR documentation of subordinate employees.

On the basis of the two above-mentioned interfaces, a web-based user-friendly one has been developed for time management (initiating and approving holidays, ordering and managing overtime and managing sick leave). Access rights are carefully managed and we pay very close attention to ensuring the security of employee personal data.

Additional web content:

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



Results and objectives

Overview of 2007 performance

In 2007, MOL Group continued to increase its economic, environmental and social performance compared to previous years. 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.

- Development of SD strategic initiatives and action plan for the period of 2007-2010
- Country Chairman appointed as SD agents of their country
- Strengthened market position in the region and increased profitability
- Acquisition of 100% stake of Matjushkinskaya Vertikal LLC in Western Siberia
- Starting of examination the unconventional hydrocarbon potential in Hungary
- Start of hydrocrack project package in Duna Refinery to meet the rising diesel demand and improve production flexibility
- Acquisition of IES, a refining and retail company in Italy
- Strategic alliance with CEZ Energy Company focusing on gas-fired power generation
- Acquisition of Tifon, a fuel retail and wholesale company in Croatia
- Launch of 4.4% bio-component content gasoline and diesel production and gasoline sales in Hungary
- Established new bio-diesel component production plant in Leopoldov, Slovakia with 100,000 tonnes annual capacity
- 10% increase in the volume of re-collected waste oil
- Significantly increased capacity and capacity utilisation of the olefin and new polymer plants
- Start of research related to biologically degradable polymers and recycling method of polyolefin waste
- MOL Petrochemicals is present in 11 countries through its own sales offices and reorganised its customer services
- Group-level implementation of comprehensive Process Safety Management system (PSM)
- Start of the review of MOL Group regulatory system
- Launch of growww2007 New Graduate Programme
- Introduction of IT-based target setting and feedback process in PMS
- Introduction of integrated Group-level Code of Ethics

Fulfilment of 2007 targets

Economic	Target	Result
Retail fuel portfolio	Renewal of retail fuel portfolio in Hungary	Withdrawal of Tempo 98 gasoline from the market Introduction of EVO NEO gasoline and EVO NEO diesel
Fuels with bio-component	Production and sales of 4.4% bio-component content gasoline and diesel in Hungary	Production of gasoline and diesel with 4.4% bio-component and introduction of this gasoline to the market from July 2007.

Environmental	Target	Result
Hazardous waste	Total amount of hazardous waste generated by normal operations, and cases of emergency not to exceed 80,000 tonnes	66,943 tonnes
Climate change	Identify project-based carbon-dioxide emission-reduction opportunities to decrease allocation quota deficit by 20%	Opportunities identified
Indicators	Each Business Unit to stipulate and implement at least one additional HSE leading indicator	100%
Environmental liabilities	Reduce MOL Group environmental liabilities as at end of 2006 by HUF 5 billion	HUF 3.23 billion

Social	Target	Result
Fatalities	No fatal accident at work at MOL Group, its suppliers or third parties	2 third party
Injuries	Lost-time injury frequency (LTIF) not to exceed 1.8	1.52
Occupational illness	Total reportable occupational illness frequency (TROIF) to equal zero	0
Road safety	Road accident rate (RAR) not to exceed 2.5	2.4
Incident investigation	Incident inquiry not to be less than 80%	80%
Cases of fire	Total number of fires not to exceed 15	9
Social Investment Programmes	Develop guidelines for our Social Investment Programmes	Guideline with reviewed principles and system used in SIP



Each year the performance of MOL Group member companies are evaluated within different frameworks related to SD.

Award-winners in sustainability issues

Green Frog Award

Deloitte Hungary granted the Central European Environmental Reporting Award, CE ERA, in popular terms the Green Frog Award for 2007 as well to businesses preparing the best report covering sustainability issues for the year concerned. In 2007, the Sustainable Development Report of MOL Group and TVK Plc. received a diploma of recognition.

Healthy Workplace AmCham Award

In 2007, the American Chamber of Commerce (AmCham) Hungary continued its Healthy Workplace programme for creating healthy workplaces and encouraging employers to achieve greater performances as a result. TVK deserved the special award of the American Chamber of Commerce for the efforts the Company implemented in improving the quality of life for their employees.

ENWHP recognition of health-friendly workplaces

In 2007, MOL was recognised for its health-friendly workplaces. Award winners were selected from companies registered in "Move Europe" a project managed by the European Network for Workplace Health Promotion (ENWHP), where key criteria included the health development model of the organisation at the workplace, policy guidelines and efforts made. MOL achieved this recognition with its Workplace Health Promotion Programme (STEP), which implemented attempts to commit workers for a healthier lifestyle.

Future challenges

2008 economic performance targets

- Maintain leading position in the region
- Continue modernisation and efficiency improvement projects
- Improve customer services and customer satisfaction
- Strengthen market position in Croatia
- Successful integration with IES, the newly acquired subsidiary in Italy

2008 environmental protection targets

- Increase energy efficiency
- Each Business Unit to set Waste Management leading indicator
- Reduce MOL Group environmental liabilities as at the end of 2007 by HUF 6.0 billion
- Reduce CO₂ emissions by 1% as a direct result of GHG reduction initiatives
- Reduce Group-level fresh water intake by 10% for 2009
- Oil to gas heating conversion at existing filling stations (FSs)
- Extend hazardous waste disposal system at FSs

2008 social performance targets

- No fatal accident at work at MOL Group, its suppliers or third parties
- Total reportable occupational illness frequency (TROIF) to equal zero
- Each Business Unit contribute to get involved at least 40% of employees in Workplace Health Promotion Programme
- Lost time injury frequency (LTIF) not to exceed 1.0
- Road accident rate (RAR) not to exceed 2.3
- Incident inquiry to reach at least 80%
- Long-term suppliers (beyond 1 year) to become HSE pre-qualified
- Each business unit to set and apply at least one Process Safety leading indicator
- Conduct ethics training for employees, focusing on particular groups (expatriates, newcomers, managers, purchasers)
- Launch ethical monitoring system
- Provide access to disabled people at FSs

Integrating the sustainability approach

MOL Group is committed to sustainable development. It recognises the need to create shared values and regards SD as a powerful benefit to society that is also of great value to business.





MOL and sustainable development

The holistic concept of sustainable development now appears to have become the new long-term model for future development, integrating and balancing, as it does, environmental and social issues with economic considerations in decision-making processes. The concept has to replace traditional thinking and should be the answer to problems related to today's environmental and social capital.

The business community has a crucial role to play in the furtherance of SD. There is growing evidence that responsible behaviour by companies with regard to social and environmental issues can contribute to their long-term business success. Consequently, our ultimate objective is to establish a new systemic approach. We have to adopt a behaviour which goes way beyond local issues since SD requires international thinking and action to integrate its three pillars equally into corporate strategy and programmes in all operating areas. However, there is no one-size-fits-all solution to the implementation of sustainable development. Each industrial field and company naturally has different sets of objectives, traditions and practices and therefore MOL has to identify and develop its very own specific tasks and objectives.

Our key priority areas

The economic pillar is naturally of outstanding importance to companies like MOL operating in a market economy. Maintenance of a strong financial position and credibility among investors are crucial components of a sustainable business model and a fundamental precondition to becoming a "good corporate citizen". In addition, long-term business thinking strengthens our ability to adapt to changes affecting our core activities. The most important challenges we have to face are related to the life-cycle of our products: reducing their environment impact, increasing product quality, providing safe products and production processes, and increasing the rate of renewables in our long term portfolio, all improvements based on available scientific evidences and best available technologies.

We are all part of the Earth's ecosystem which provides us with all the crucial elements we need to exist and survive. The efficient use and protection of our natural resources, such as water, minerals or soil, therefore, are among the fundamental duties of MOL Group. This also implies, the urgent need for emission reduction with special attention to climate change, waste-minimisation and the remediation of old environmental burdens.

The social pillar of SD covers all those areas and topics that relate to stakeholders i.e. those directly affected by a company's operations, such as local communities, employees, or the general public. This pillar therefore comprises respect for human rights and cultures, the promotion of cooperation and the sharing of knowledge, as well as the assurance of equal opportunities, ongoing training and safe workplaces to each and every employee within MOL Group.

Risk management related to SD issues

Recent international trends show that top management of leading international companies has become more sensitive to environmental and social issues. Effects of climate change (e.g. extreme weather conditions, natural disasters) and consequences of economic or political distresses – especially in less developed countries – (e.g. social turmoil, migration of workforce, falling of purchasing power) are directly affecting the profitability of companies, either through increased costs or because of lower revenues.

In addition, companies are more vulnerable to reputational losses than ever before, so – besides honest conscientious care by some – all of them should look out for those risks which may have a significant impact on their reputation in the eyes of their customers, investors, employees, local communities, regulators, etc. Such risky areas are quite widespread, from product stewardship through employee satisfaction, compliance with emission-, transparency- and many other requirements through regulatory changes due to environmental issues or the mere market price increase of CO₂ emission quotas.

MOL Group aims to take into account all of these various long term factors in its risk management practices. If the likely impacts of such risks are more or less measurable, we explicitly integrate them into a comprehensive model (called Enterprise Risk Management model) – thus even having an effect on the capital allocation of the Group. The least measurable risks are not forgotten either and we strive to find solutions to incorporate them into our integrated risk management system.

MOL Group in Pakistan

As a result of the expanding international exploration-production activities, MOL is also present in some exotic countries. Operations in a specific local environment always involve new challenges for the Company, as this is easily demonstrated by the ever-broadening activity in Pakistan that started in 1999. As a member of a Consortium, MOL signed an agreement with the Pakistani state authorities for the exploration of the TAL Block (situated in the north-western part of the country). MOL's share in the Consortium that presently includes the participation of four Pakistani companies amounts to 10% during the exploration phase and 8.42% during the production phase, and the Company also acts as the Operator in the Consortium.

Up till now, we have been pursuing intensive explorations in the TAL Block. Two discoveries were made in the first two exploration phases lasting until 2004; Manzalai-1 and Makori-1, both have been put into production in the meanwhile. We constructed a gas plant and a 78 km long gas pipeline, and other field development works are in progress. The Mami Khel-1 well, which was drilled in 2007 and where tests are presently implemented, is also promising.

Environmental protection

In the course of its activities, the Company attaches great importance to the protection of the environment also in Pakistan as well as to ensuring full compliance with the environmental regulations, which are in some cases more stringent than the Hungarian domestic standards.

- We take great care for the bio-regeneration neutralisation of the oily drilling cuttings produced by the drilling operations. The drilling cuttings is removed in closed storage tanks to the treatment plant, where the bacterial neutralisation takes place. The cuttings, once cleaned this way, do no longer threaten the environment.
- In the near future we will commission the technology in the Manzala Gas Plant, which will separate and utilise some individual components of the gas to be flared off in order that harmful emission can be reduced.
- Following the completion of the operations, the original status and conditions will be restored in the drilling and other working areas, and the restoration programme required by the authorities will be completed, including in many cases the re-forestation and other forms of recultivation. In the Central Processing Facility, which is under construction, the re-forestation programme will cover a more than 10 ha area.
- To prevent soil pollution during drilling operations, we implement soil structural tests, and, particularly in case of oil-base drilling mud, closed-circuit, tank mud treatment methods are applied.

- Before the commencement of the on-the-spot works, we always prepare an environmental impact study. Concerning environment protection, we shall fully comply with in some respect more rigorous environmental regulations than in Hungarian arena.

Supporting local communities

The living standard of the Pakistani people lags behind the average of countries, where MOL is traditionally, or, as a result of its expansion strategy present. For this reason, MOL take a contractual obligation for paying special attention to the improvement of the living standard of the local communities through various social and welfare investments. The work in this field has been continuous since the commencement of the activities. The most important items of the supporting and aid programme are listed below:

- 1999 Purchase of school furniture for the Govt. Boys and Girls School in 9 villages.
- 2000 Construction of computer lab and science laboratory in Govt. Post Graduate College in Kohat; Construction of educational rooms and water tank in Govt. Girls Middle School in Sherkot.
- 2001 Construction of an eight-bed-room hospital in village Gurguri with complete furnishing.
- 2002 Construction and furnishing of an examination hall to accommodate 100 students in Govt. Boys School in Gurguri.
- 2003 Drilling of one water well at Gurguri. Trial bores at village Urbashi for drinking water.
- 2004 Construction of a complex Drinking Water Supply Scheme for Tehsil Hospital Banda Daud Shah.
- 2005 Scholarships for 10 students until 2007 in Tehsil Banda Daud Shah. Construction of Basic Health Unit at Makori.

- 2006 Repair works on two mosques in Gurguri and Urbashi. Foundation of Intermediate Scholarships for 15 students until 2008 in District Karak, Kohat and Hangu. Financial contribution to the Water Supply Scheme for Gurguri and Urbashi villages.

- 2007 Foundation of Technical Training Scholarship for 16 students of secondary schools until 2008 in the vicinity of the area of our operation. Financing of Water Supply Scheme for four villages located in the adjacent area.

Actually, MOL plans and prepares various support activities for 2008: we will continue the scholarship programmes initiated previously. MOL will help to construct water supply systems in further six villages, and the acquisition of an X-ray equipment will be installed in the clinic of Terri village. We plan to give contributions to the complete restoration and costs of internal equipments and facilities in three schools. During the second phase of the Central Processing Facility investment we will construct a sports ground (for cricket and track and field) to be used by the inhabitants free of charge.

Employees' safety

Considering the fact that the TAL Block is situated in the vicinity of the border of Afghanistan, as well as the recent developments of the internal politics, it is essential to secure the conditions of safe work and the protection of the employees' personal security. The headcount of the company exceeds 200, of which 50% are working at the rig sites and the gas plant. The field workers are protected round the clock: continuous patrols are combing out the areas inside and outside the fence, the gates are guarded and the traffic between the premises is secured by a special escort unit. There are 280 armed guards on duty in the area. The entrance of the Islamabad office is also guarded by security staff.

Our main objectives and clear guiding core values form the basis of MOL governance and operations. 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.

Our position taken

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

Our core values in SD

- Based on the interdisciplinary approach, we strive to integrate and balance between economic, environmental and social considerations in our decision-making and everyday operations management.
- We strive to maximise improvement and follow the precautionary principle in environmental and social issues so that any negative impact arising from our operation is kept to the minimum.
- We assume full responsibility for our actions at every level and follow our commitment to ensure equal opportunities for present and future generations.
- We employ the multi-stakeholder approach and long-term thinking in our operations and in decision-making processes.
- We pioneer in developing and implementing innovative solutions to support the development of sustainable operation.
- We undertake the responsibility to continuously increase the awareness of our employees and other stakeholders with regards to sustainable development.

We want to achieve these by

- translating global challenges into local solutions
- incorporating sustainable development principles and best practices into our business strategy and processes as well as into our corporate culture using a systemic approach
- adopting a proactive approach to managing risk and to grasping opportunities
- analysing available solutions and selecting those that best establish an optimum balance between environmental, social and economic factors
- increasing stakeholder involvement and enhancing transparency.

In 2005, in its 2006-2010 business strategy, MOL Group announced its commitment to sustainable development. To support this ambitious commitment, 7 Group-level strategic SD initiatives were identified, to take place up to 2010, based on key areas identified during the first Company sustainability screening exercise.

These initiatives, with precisely measurable targets, and covering 25 topics such as climate change, product stewardship and the need to attract talented recruits, embrace all the Company's activities and are indeed considered to be "key success factors" in the achievement of our strategic corporate business objectives. "Strategy" implies action; therefore MOL Group Business and Functional Units have conceived almost 100 projects that will bring the Company closer to its long-term goal: sustainable operations.

Strengthen good governance and risk management (I.)

MOL corporate governance is a multi-faceted concept. It deals with the way the company is directed, administered and controlled. It involves the implementation of guidelines and mechanisms to ensure transparency, accountability and good behaviour throughout MOL Group.

Good governance cannot exist without effective risk management. To enhance the culture of risk awareness and to facilitate decision-making at different levels, a new framework, Enterprise Risk Management (ERM), has been launched in MOL to handle different classes of risk, using a common methodology. Ethical issues are strongly related to good governance and proper risk management. Our Code of Ethics supports the recognition of basic human values and rights at all levels and in all geographical areas and covers such issues as the stamping out of bribery and corruption, the provision of equal opportunities and diversity, under-pinned by a monitoring system to ensure on-going compliance.

Focus on future portfolio steering to increase competitiveness (II.)

The striving for long-term economic viability is the driving force behind future product portfolio navigation. This is all related to

strategic decisions and opportunities in our core businesses, and covers, inter alia, the proper balance between the management of oil & gas reserves and production, the increase in share of renewables in energy production and use, as well as the production of cleaner fuels. In 2005, MOL started the production and marketing of exclusively sulphur-free fuels that already met stringent EU 2009 standards. The company has also taken important steps in the area of biofuels including the blending of bio-components in its fuel products as well as participation in the construction of a bio-diesel plant in Hungary.

Focus on internal and external customer relations (III.)

One of MOL Group's most important objectives is to satisfy its customer needs to the highest possible degree. All issues related to customer services, customer satisfaction and feedback as well as performance monitoring and the consequent integration of results into development projects belong to the sphere of Customer Relationship Management (CRM). Keeping the "customer in focus" is a key feature of our business strategy and to serve our customers best we have to segment them so as to recognise and meet their different needs effectively – the core of CRM. Tracking our Brand Equity and further increasing brand loyalty is the responsibility of strong strategic Brand Management.

Enhance trust & credibility among stakeholders (IV.)

All companies need to pay close attention to stakeholder dialogue, which involves identifying those affected, in one way or another, by Company operations. It is about continuously keeping them informed, listening to their points of view, and then integrating the results into the decision-making process. This leads to increased transparency as a basic principle in achieving success in this vital area. Accordingly, MOL Group is committed to the ongoing process of multi-stakeholder dialogue i.e. open and transparent communication with our stakeholders. We would like our stakeholders to perceive us through the quality of the products and services we offer and the values we hold dear. In addition, through our Social Investment Programmes, we constantly strive to preserve the cultural heritage and diversity of local and national communities and make every effort to be a reliable partner by supporting public activities, outstanding programmes, children, those in need, and talented people.

Reduce our environmental footprint (V.)

The protection of the environment has become one of the most impassioned issues of the 21st century. As a direct result, MOL Group needs urgently to identify all those areas where it can make a difference and

To support our commitment to sustainable development, seven Group-level SD strategic initiatives were identified, to take place up to 2010.

take measures to reduce the environmental footprint of its production facilities and products. Emissions reduction, water and waste management and the protection of natural resources are some of the areas where we can and where we must act each year in line with international best practices to satisfy the energy demands of society whilst minimising our environmental footprint. To offer a speaking example, in 2002, MOL Group, in line with our commitment to reduce our environmental impact, adopted the concept of "carbon thinking" and has integrated it into each of our investment projects, ever since. In addition, the Company has implemented a very effective greenhouse gas emission management strategy, with the ultimate goal of decreasing carbon-dioxide emissions.

Manage opportunities, risks & liabilities in the value chain (VI.)

Product stewardship is the never-ending responsibility of all those involved in product life cycles to share accountability for minimising the environmental and social impacts of products. It is closely related to the implementation of lifecycle management, where the potential negative impact of a product is monitored and mitigated from "womb to tomb" and covers product development, biodiversity impact, health and safety issues and procurement process standards. MOL Group, as a producer and retailer, recognises its responsibility to

reduce the environmental and social impact of its products. Thus, we are committed to integrating the stewardship concept into our management processes by adopting the best available methods. By re-thinking the characteristics of our products, 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, but less impact.

Capitalize on human resources (VII.)

The long-term success of a company depends to a large degree on the quality and commitment of its workforce. Attracting, developing and retaining the most talented individuals are activities of the highest priority in MOL's efforts to strengthen its market position and to progress further towards sustainable operations. Therefore to maximise employee engagement, MOL Group makes every effort to develop its human capital and provide employees with challenging tasks and opportunities as well as the best available working conditions and compensation in all its operating areas. In addition, our regular employee job satisfaction survey and the monitoring of human-resources related indicators give us continuous feedback on our performance in this vital area and help us identify future development opportunities.

Governing integration



Governance structure of MOL Group SDMS

Our main objective of integration requires a proper governance system that provides guidance and an efficient control of the implementation of sustainable development principles and strategic initiatives. Therefore, MOL Group set up a clear structure with dedicated responsibilities at all level of the organisation.

In the Sustainable Development Management System (SDMS), the most senior body in MOL, the Sustainable Development Committee of the Board of Directors, is chaired by MOL Group's CEO, with three non-executive members, thus ensuring the highest commitment to and representation of sustainability issues, both in internal and external MOL Group relations.

The implementation of SDMS objectives is carried out by the Sustainable Development Working Team, made up of MOL Business and Functional Unit representatives, thus guaranteeing the integration of sustainability into day-to-day Group-level operations and the development of new behavioural patterns throughout the company. In addition, the Working Team sets targets, proposes development opportunities, coordinates assessments and monitors results achieved. Working team members are selected based on their position and professional competencies to ensure that Units are properly represented at Group-level and that the promotion of sustainable development is efficiently managed at Unit-level. Unit-level performance is evaluated quarterly in the normal business review process and annual performance is reviewed during the regular annual workshop of the Working Team. Actions related to SD issues and defined within the SDMS are integrated into the annual business planning process of the company.

The SD Chief Advisor is responsible for coordinating and guiding the Teams' activities, and for reporting on its operations to the SD Committee, therefore acting as a bridge between Management and the Business and Functional Units.



Sustainable Development Management System

The SDMS task is based on the principle that SD should be an integral part of MOL's day-to-day operations.

Based on its commitment, the Company set up its own Sustainable Development Management System (SDMS) in 2006, 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. This new framework provides MOL with an effective monitoring system and a soundly-based and appropriate planning and decision making-process.

The SDMS task is based on the principle that SD should be an integral part of MOL's day-to-day operations, which implies that it should be integrated into prevailing business strategies and recognised as a normal part of our business operations, embracing environmental and social considerations not just economic ones. There is, therefore, no such article as a "sustainability strategy" or "sustainability budget" since every business strategy and budget should comprises all issues related to sustainable development.

As part of this new system, MOL now carries out an annual Company screening. It assesses current practices to identify existing and missing elements based on international best practices in the oil and gas industries; benchmark documents; the basic requirements of international conventions – all to see "where we are".

The SDMS ensures the efficient achievement of our clearly stated strategic objectives and specific goals and, furthermore, acts as a powerful stimulus for ongoing MOL Group and Unit-level research and development efforts, as well as for the strengthening of sustainability awareness and greater transparency.

Working of the system

The core of the system's operation is a cycle of several important steps which lead to the integration of the three SD pillars and the implementation of Sustainability principles in day-to-day operations.

The continuous interaction between Units and the outside environment produces information about best practices, international trends, important issues and events, changes in regulations or policies as well as stakeholder needs. This information is collected and sent to the Working Team.

Team members analyse and discuss issues surfaced by the information, consider development opportunities and solutions, compare them with international trends and available options and propose the best available and effective options to the

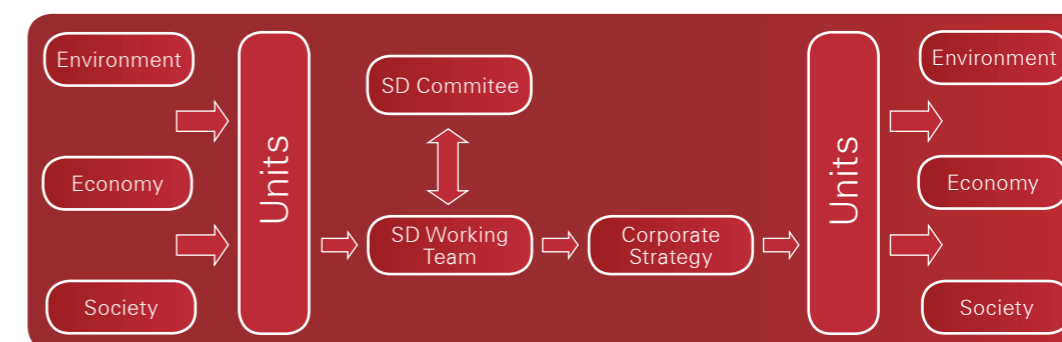
management. The final action plan is presented to the SD Committee and integrated to the normal annual business plan of the company and directly pursued through development programmes at Unit-level.

Such programmes, for example, may comprise emission reduction, development of sustainable procurement, investment in renewable energy, monitoring of employee commitment, or the strengthening of stakeholder involvement.

All the actions thus taken have a direct or indirect impact on the outside world, in terms of the environment, the economy and society. The outside world, in turn, reacts to such changes and provides new feedback and challenges which MOL has to face time and again.

Additional web content:

http://www.molgroup.hu/en/sd/managing_the_group



Reporting scope

MOL Group reports annually 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. Our first SD Report based on the GRI guidelines, was published in 2003 and the last one in 2007 covering the performance of the company in 2006.

Thus MOL reports, therefore, on even more topics and data than in previous SD Reports to stay level with international best practice. MOL strives to report on all topics and issues that are not only relevant from the point of view of the company but also important from the point of view of its stakeholders.

There are two important changes made in MOL reporting practices compared to previous years. The publication covers only topics and information that are relevant for the given year or changes that occurred

in basic or general issues. The Corporate Sustainability page on MOL Group internet site covers all general, structural or operational issues that are basically not subject to change from one year to another. 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. The website contains also publications like MOL Group Code of Ethics, HSE policy or country brochures.

The other important change is the inclusion of a new "spotlight" part into each major chapter of the SD Report. The aim of this part is to highlight one or two very important topic, project or area in the life of MOL Group. This helps the readers to have a closer look and better understanding of how sustainable development is implemented within the company.

This fifth issue of the MOL Group SD Report includes MOL Group member companies' performance, development, and challenges faced during calendar year 2007. Aggregated data are reported for the past five years for MOL Group-controlled companies (MOL Plc., Slovnaft a.s., TVK Plc. and their consolidated Subsidiaries), regardless of the area of operation. MOL Group HSE has 3 years to integrate the new acquisitions to its reporting system, therefore HSE performance data does not necessarily contain the figures of the acquisitions carried out in the given year. In terms of economic/financial data yearly average exchange rate of National Bank of Hungary was applied. Every deviation from the general rule is indicated throughout the report.

Detailed disclosure on economic or financial issues can be found in the Annual Report. Moreover, detailed information on major acquisitions and changes in the operations of the company, as well as the list of MOL Group member companies are included in the Annual Report.

The reporting of MOL Group (publication and website) is dedicated to all stakeholders interested in the performance of the company. Therefore we strive to use a language and style which is understandable for a broader public and not just for professionals. We consider our major readers to be our shareholders, customers, business partners, official institutions, professional and academics.

Principles & practices

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. Besides complying with the G3 Guidelines, we also take several basic reporting principles into consideration when preparing our reports.

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.

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.

We developed a general structure of our reports that we follow each year to ensure the comparability of our disclosure in time and we only change this structure or data content if it is necessary due to an important change in our operations or data collection systems.

Finally, to support and ensure the improvement of our reporting processes and the reliability of content, MOL Group disclosure is verified by an independent external party.

The sustainability of our business model

MOL is well aware of the crucial importance of sustainable development, which is ultimately the precondition of long-term business success and maximisation of stakeholder value. The Company therefore produces and sells products of outstanding quality whilst continuously developing its asset base and the technology used in its operations, with SD in mind. It also continuously seeks to maintain good relationships with its customers and other business partners based on high quality service, reliability and trust.





Economic and financial sustainability

Sustainable development's economic pillar is vitally important to companies operating in market economies. Strengthening market share and financial positions as well as the maintenance of customer trust and investor credibility together provide the solid base leading, "pace-setter" companies build upon to achieve their objectives as "good corporate citizens".

Such companies – and MOL belongs to them – carefully analyse the long-term sustainability of their businesses in terms of the impacts of economic, technological, regulatory and competitive trends may have on future operations. Based on these, they position themselves in their marketplaces, set long-term targets and establish clear visions for the future. At the same time, their approach must be flexible enough to cater for significant changes in the external business environment, so targets and actions plans may be amended accordingly.

These factors clearly indicate that sustainable development has increasingly become an important aspect of business life. The SD approach must be deeply integrated into strategy, all kinds of operations and into the overall thinking of senior management.

Over the last decade, MOL has achieved outstanding results by any international comparison. The Company's leading position is the result of several factors: its well-designed and up-to-date asset base, developed over decades, its deftly timed investments, its efficient operations, its outstanding management and highly skilled operational staff. MOL has achieved a very solid position for future growth, which will be based on several principles.

Growing by acquisition in its core businesses is a very important element of MOL strategy. By seeking such opportunities, MOL focuses on strategic and operational fit with existing activities and long-term value creation. Furthermore, based on possible synergies, the Company also explores possibilities for diversification. In enacting its strategy, MOL also considers opportunities for partnership which could broaden its expertise and spread business risk. Beside acquisition and diversification, MOL also uses its own resources to achieve organic growth, based on opportunities in the marketplace, as well as on existing assets and other strong capabilities.

The Solomon study

This study, which has included MOL refineries since 2000, provides us with very useful information and ranks our performance as the basis for further and continuous growth.

Solomon's Fuels Study Comparative Performance Analysis focuses on the manufacturing performance of petroleum refineries. Although some of the study's data relate to transportation, logistics, marketing, and capital projects, they are primarily collected to understand how these business aspects affect manufacturing specifically. The study's financial performance metrics evaluate refinery margins and return on investment as well as upstream production, transportation assets, downstream distribution and marketing assets. The study's operating performance metrics evaluate refinery expenses, utilisation, energy efficiency, productivity, maintenance, and reliability in like manner. Solomon issues its report every 2 years, the last being issued in 2007. Key results included:

- Cash Basis ROI - The returns on projects implemented at our Duna Refinery are continuously among those of the best performing refineries
- Process utilisation - Processing volumes of

particular refineries and production units are determined by MOL Group-level optimisation, meaning that unit capacity utilisation is subordinated to Group-level interests to achieve greatest possible overall capacity utilisation. This has been continuously improving over the past few years

- Maintenance cost index - Thanks to rationalisation of technological advances and maintenance processes over the past 5-10 years, in terms of special maintenance costs, we tend to be in the first quartile of refinery performance
- Energy Intensity Index - The unit cost of energy consumption is improving due to energy rationalisation projects being carried out at our refineries. Since we fully intend to continue such projects, further positive developments may be expected
- Non-Energy Operating expenses - Thanks to on-going cost control (e.g. that of chemicals and catalysts) and to cost reduction projects (e.g. Global-5), our unit operational costs place us among the most efficient refineries
- Operating efficiency - The excellent operating efficiency of our units has been eroded by certain uncharacteristic events. Our aim now is to offset such events in future by examining their causes and returning to the optimum in 2008
- Personnel index - With regard to the personnel index, we managed to enter the second quartile of refineries in 2006, thanks to continuous headcount optimisation (including on-going improvements to operations and organisational structure). The task of the coming years will be to improve our position further, partly through the centralisation of our control centres.

MOL Group Logistics participated in the Solomon study in the area of pipeline systems and terminal operations, for the second time. Based on previous study results, a Risk-Based Work Selection (RBWS) system was introduced for Logistics maintenance activities and a proposal put forward to automate pipeline systems and terminals even further.

The effort to achieve long-term economic viability is the driving force behind future navigation of our product portfolio. In addition, long-term business thinking strengthens our ability to adapt to changes affecting our core activities. This is all related to strategic decision-making and seizing business opportunities in our core businesses, and covers, inter alia, the proper balance between the management of oil & gas reserves and production, the increase in share of renewables in energy production and use, as well as the production of cleaner fuels.

Geothermal energy projects

According to scientific assessment, only 6% of Hungary's geothermal potential is currently being used by existing operations. When developing its medium-term geothermal concept, MOL set such utilisation at 90% as the overall aim. The goal of its first pilot project therefore was to examine the potential of two abandoned hydrocarbon wells for thermal water production and injection by testing the selected wells' water flow rates.

To prepare for work to be carried out in 2007 as the first part of project implementation, MOL established a consortium with Icelandic and Australian partners who both had experience in the exploration and production of geothermal energy, to carry out necessary well completions and tests. The pilot project was designed to examine the feasibility of a geothermal power plant or a direct thermal supply unit. Due to the geothermal energy utilisation aspect of the project, it was also supported by the Global Environment Facilities Fund, under the supervision of the World Bank.

In early 2007, near Iklódbördőce (Zala County), MOL Plc. – as consortium operator – carried out well completions as well as thermal water production and injection tests. Since this was a pilot project, when testing the wells the consortium also made the maximum number of measurements possible and tested some new technology at the same time.

The technological processes were followed by complex data acquisition and in-depth analyses. Participating in this work, MOL Geothermal Team specialists ascertained that the thermal energy available at Iklódbördőce would not be sufficient to set up a geothermal power plant. One of the two abandoned hydrocarbon wells tested, however, may be suitable for heat supply for direct utilisation purposes. A geothermal power plant of 0.7-1.0 MW capacity could be established in the region but would not be a profitable proposition in the prevailing regulatory environment. A complex geothermal model was created and proved that it would be technically possible to build small geothermal power plants and direct heat supply units.

Having executed and evaluated the pilot project, preparation of two new thermal energy research projects (North Zala, Fábíánsebestyén) was started expressly aimed at building geothermal power plants,

using the so-called "cascade" technology in co-operation with investors from agricultural concerns.

In a recent landmark development, the legislative environment of geothermal exploration will be changed in 2008, hopefully in a favourable direction. The provisions of Mining Act will create new background regarding the enforcement of rights and the professional, financial and legal conditions required for geothermal exploration and production. We hope that it will provide positive incentive to potential investors, but, at the same time, will exclude mere speculators.

If the exploration phases of our geothermal projects - planned to start in this more favourable legal environment in 2008 – were accomplished successfully, the first MOL geothermal energy supply facilities could be established early in the 2010's. They, within a targeted more environmental-friendly energy structure, would in the end produce electricity or heat only using domestic, renewable energy sources.

Biofuels at MOL Group

Reducing the impact motor fuels have on the environment plays an important part in new product development strategy. After the introduction of sulphur-free fuels, MOL started producing, blending and marketing motor fuels containing bio-components in 2005.

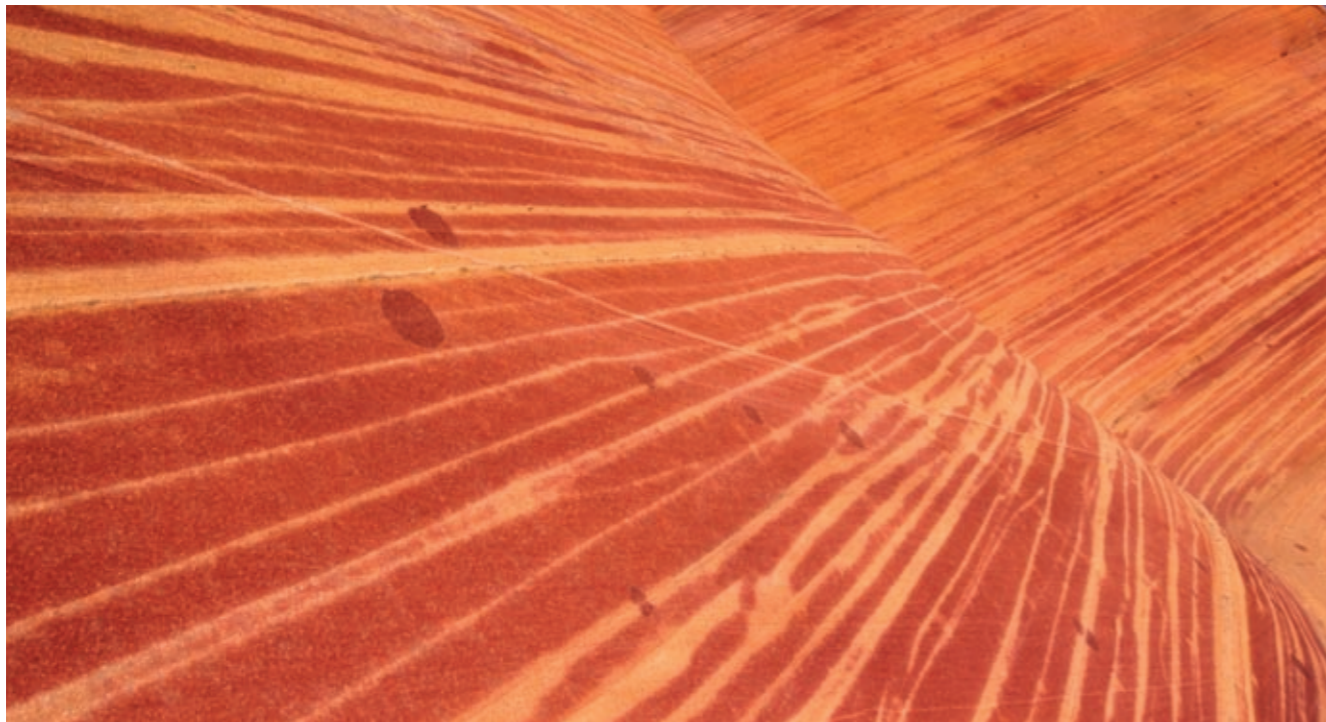
Significant innovation and technical work had to take place before the introduction of bio-components blended with gasoline and diesel products. In the area of direct bio-ethanol blending, we carried out a 10-month test to check and monitor the quality of bio-ethanol blended gasoline when transported by pipeline. As it turned out, E5 gasoline can be transported by pipeline without any negative changes in fuel quality, and therefore in future MOL can use the much more

economic method of pipeline transportation for its E5 product, a unique solution in the oil industry.

In accordance with recent laws, E5 gasoline, sulphur-free and containing 4.4% bio-ethanol, was introduced to the Hungarian market by MOL Plc. on 1st July, 2007, and MOL will similarly launch B5 gas oil, sulphur-free and containing 4.4% bio-diesel (FAME), from 1st January, 2008. The main quantities FAME will be produced by two MOL Group partly-owned joint ventures. By Q4, 2007, one of the biggest bio-diesel component production plants in the region was established in Leopoldov, Slovakia, and another at MOL's Hungarian premises in Komárom. The annual capacities of the new plants (150,000 tonnes/year in Komárom and 100,000 tonnes/year in Leopoldov) are significant, even on a European scale. The introduction of E5 and B5 products to the Hungarian market by MOL Plc. will result in Hungarian CO₂ emissions being reduced by about 320,000 tonnes, annually.

The next phase in bio-fuel product development will be to increase further the bio-component content of our engine fuels, a move necessitated by the EU Bio-fuel Directive. MOL Group is committed to the development of second generation bio-fuels. The greatest advantage of such second generation technology is that it expands the range of possible feedstock used in the production of bio-ethanol, alcohol of higher carbon number and bio-diesel itself.

Our first success in second generation bio-fuel development was when a consortium led by MOL Plc. won a grant of HUF 500 million to research into second generation bio-diesel components and the development of environmentally-friendly production technology. The project was launched in January, 2007, and several excellent results were achieved during the first year of R&D activity.



Exploration & Production activities

In 2007, we continued and further expanded our international exploration & production operations. We started field development work at the Manzalai field, in addition to pursuing ongoing exploration operations in several other blocks in Pakistan (Tal, Margala and Margala North). In the Central & East European region, we carried out the Podravska Slatina-Zaláta project in partnership with INA and discovered hydrocarbon reserves. We also developed further MOL-INA cooperation in the exploration of the Novi Gradac-Potony block.

We were able to expand our Russian portfolio of various interests in the ZMB and BaiTex production companies and in the Surgut-7 exploration block with a newly-acquired unit, the Matjushkinskaya Vertical company, a West Siberian company holding nearly 6 million bbl proven and probable reserves and an exploration block of more than 3,200 km².

With the aim of entering a prolific exploration area and expanding our activities to offshore shallow-water exploration, we acquired a 40% non-operating interest in the Ngosso Permit, off Cameroon, in October, 2007. The transaction is now subject to government approval.

In November, 2007, in Northern Iraq (Kurdistan region), the wholly-owned MOL Plc. subsidiary, Kalegran Limited acquired an 80% interest and the role of operator in the Akre-Bijeel Block and a 20% interest in the Shaikan Block.

Growing by acquisition in its core businesses is a very important element of MOL strategy.

A hydrocracking project at our Duna Refinery

The emerging challenge for EU refinery businesses is the growing imbalance created by rapidly increasing diesel demand compounded by a decline in gasoline sales. The strategic response of industry players has been to install new conversion units that maximise diesel yields and lower increases in gasoline production.

To follow strong dieselisation trends in MOL target markets (to produce a 12 Mt/year deficit by 2016) investment in a new (hydrocracking) conversion package at our Duna Refinery is the only feasible way to achieve organic growth in our Refining & Marketing activities. The business case delivers strong economic advantages and is the best strategic fit to enable us to market 1.3 Mt/year more middle-distillate from an incremental 1.3 Mt/year crude processing with no increase in gasoline production.

Leveraging our commercial skills and outstanding track record in asset development and refinery operations, we believe we can profitably capture this fast emerging diesel growth opportunity.

Proposed investment would yield an additional 1.3 Mt/year middle-distillate (kerosene/diesel oil/heating oil) capacity and would:

- increase crude oil processing capacity by 1.3 Mt/year to assure higher processing quantities of REB type crude plus supplement declining domestic crude oil production
- increase refinery conversion levels by building a new VGO hydrocracking unit with 1.5 Mt/year capacity
- upgrade the existing Delayed Coker unit with an incremental 300 kt/year capacity.

The total capital budget of this investment programme is estimated to be in the range of HUF 77.6 billion and would go on-stream by year end, 2010.

The IES Acquisition

MOL has expanded to a new European market through the acquisition of Italiana Energia e Servizi (IES). IES is a privately-owned oil refining and marketing company based in north-east Italy, with 600 employees.

This acquisition, now subject to regulatory approval, will enable MOL to build a strong presence in northern Italy and represents an important step towards helping the Group achieve its 2010 downstream growth targets. MOL also intends to transfer its best-in-class operating standards to improve IES refining and retailing activity profitability.

The acquisition of IES represents an exciting opportunity to extend our geographic footprint to a new region and use our industry-leading expertise to add value to new assets. The move will allow MOL to deliver growth through both acquisition and organic development and maintain our track record of value-creating expansion.

IES is a well-respected company in northern Italy with a refinery in Mantova and a network of 176 retail outlets. The retail network is spread out across the entire country, but the main cluster of outlets is around the Mantova refinery. MOL Retail's ambition is to grow its share of the Italian retail market, which is still in the consolidation phase, still further, to provide additional expansion opportunities. MOL considers Italy to be a prosperous market where the introduction of MOL's Customer Value Proposition (CVP) elements could also result in profitable synergies.

IES area of operations is adjacent to key current MOL markets in Croatia, Austria and Slovenia. This factor could provide MOL with opportunities both to expand its downstream presence in north-east Italy and adjacent markets and supply the Italian market from the INA refinery in Rijeka, Croatia.

The Tifon acquisition

MOL has purchased 100% of Tifon, the Croatian fuel retail and wholesaling company which has a retail network of 36 filling stations and ambitious expansion targets in the premium segment of the Croatian fuel market. Tifon sells fuel supplied by MOL and always according to the highest quality standards. Customers associate the Tifon brand with high service quality and innovation. With MOL's financial clout and retail know-how, the current premium status of the Tifon brand will be further strengthened and network expansion continued. Selectively applying well-proven MOL business methods at Tifon could create even more prosperous business results.

MOL will invest in the establishment of more than 20 filling stations by 2010, which will almost double our presence in the Croatian market.

MOL has created a dedicated integration programme which will also serve as a knowledge-exchange platform between the two companies.

The strategic alliance with CEZ

The agreement signed with the CEZ Energy Company on 20th December, 2007, is a significant milestone in the history of MOL Group. Gas-fired power plants, built in cooperation between the companies, will provide safe and cost-effective steam and power supplies to our Bratislava and Százhalombatta refineries. The volume of electricity produced will provide MOL the chance to enter the highly attractive regional electricity market, and acquire significant market share. Such entry and future market share as well as know-how gained will provide further growth opportunities in this industry, mainly in Central and South East European markets.

CEZ and MOL will create a joint venture, which will focus on gas-fired power generation in the Central and South East European countries of Slovakia, Hungary, Croatia and Slovenia. The first major investment will be the planned construction of combined cycle gas turbine power plants (CCGTs) at the refineries in Bratislava (Slovakia) and Százhalombatta (Hungary). In both locations, installed capacity will be 800 MW. In addition, in Bratislava, the existing thermal plant will be modernised and its capacity increased to 160 MW. Expected investment for both projects will total approximately EUR 1.4 billion.

Additional web content:

www.molgroup.hu/en/sd/economy/business_development



Supply security

Energy and transportation are vital factors in a modern economy and are indispensable to consumer welfare. However, there is a significant knock-on effect - that of 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 fuel and natural gas to be our primary responsibility.

Crude oil supply security

As a major energy supplier, MOL Group is committed to fully maintaining the operating conditions necessary to ensure crude oil supply security and has made significant investments in the development of its refineries.

MOL Group operates two high complexity refineries with a total capacity of 14.2 Mt/year. MOL Group refinery crude oil needs must be secured, mainly from imports. Historically, the main supply route has been the existing pipeline between the Russian oil fields and the Central-European market with direct connections to our refineries. MOL Group has long-term supply contracts designed to meet required supply security standards with the Druzhba pipeline.

MOL Group considers supply security of fuel and natural gas to be its primary responsibility.

If there were any interruptions to supplies or instability surrounding the Druzhba pipeline, the alternative option would be to use the Adria pipeline to supply our two refineries, from the Mediterranean sea. MOL has a Frame Agreement covering crude oil transportation with Janaf which allows us to transit crude oil via the Omisalj-Virje route.

Should there be any force majeure interruption to crude oil supplies for an extended period, Hungarian and Slovakian state reserves of hydrocarbon products, both managed by their respective stockpiling associations, could ensure 90 day reserves.

Gas supply security

MOL Energy Trade Ltd. currently provides gas to the whole of MOL Group thus creating maximum shareholder value. The company also looks for new customers in the Hungarian gas market, by optimising its imported and domestic long-term gas portfolio.

To assure security of gas supplies, MMBF Plc. has started to build underground gas storage facilities with a strategic capacity of 1.2 billion m³ and a commercial capacity of 0.7 billion m³. This strategic gas storage capacity, in line with legal provisions, would enable the draw-down of 20 million m³/day for a period of 45 days.

As part of its gas strategy, MOL has already started the expansion of its Hungarian imports by 30 million m³/day. MOL also plans the interconnection of the East Hungarian transmission system with the Romanian and Croatian transmission systems. Furthermore, MOL is now participating in international gas pipeline investment projects such as Nabucco and Blue Stream.

Additional web content:

www.molgroup.hu/en/sd/economy/business_development/supply_security

Product stewardship

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 and our relationships with the supply chain and with the ultimate customer, we have become more and more capable of providing better products and services from a sustainability point of view.

Product Development

Fuel quality development is driven by efforts to protect the environment whilst providing high quality products to our customers. In line with EU regulations and market demand, producers must further reduce emissions 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 already reached full compliance with 2009 fuel quality standards in 2005. Nevertheless, MOL continuously strives to develop higher value fuels with outstanding features to strengthen customer satisfaction. In 2007, the EVO premium fuel brands were reformulated. Both gasoline and diesel products now contain a minimum 4.4v/v% of 1st generation bio-components. The new EVO NEO Gasoline and EVO NEO Diesel products not only fulfil European fuel norm requirements but meet car manufacturer requests for special additivity as defined in their Worldwide Fuel Charter (2006 edition).

Through our unique efforts to support sustainable development in the non-fuel field, we have developed a rubber-modified bitumen product which uses crumb rubber from used tyres. A successful refinery production test has been performed and trial roads built in Veszprém.

Controlling hazards - chemicals management

Since the beginning of 2006, MOL Group has been engaged in implementing EU chemical safety regulations (REACH). Action programmes focusing on technical preparation and approved by Group management, have been developed. MOL Group wishes to comply

fully with REACH requirements and manage the issues raised, since REACH goals are identical with MOL principles in the areas of environmental protection and product stewardship.

The MOL Group-level HSE organisation is responsible for providing legal interpretation, supported by the legal department. In addition, it coordinates the work of expert Task Forces which are responsible for mapping the substances concerned (inventory preparation), securing compliance with new Safety Data Sheet requirements, Chemical Safety Evaluation tasks and classification labelling, coordination of the external and internal communications team, as well as for developing the IT support required.

We participated, as a CONCAWE member, in testing the LEO-concept IUCLID5, a software mandatory for registration, on invitation from the European Commission, before it was made available to the general public. In 2007, we started designing the IT system that will support the MOL Group-level REACH concept.

Marketing processes at R&M

Customer Relationship Management

In 2007, the Commercial department further improved customer relationship management through both process and technical development of the SAP Customer Relationship Management (CRM) module. In the course of our on-going business re-engineering process, we have been able to entirely integrate complaints handling, to track and evaluate lost/regained and potential customers, and make

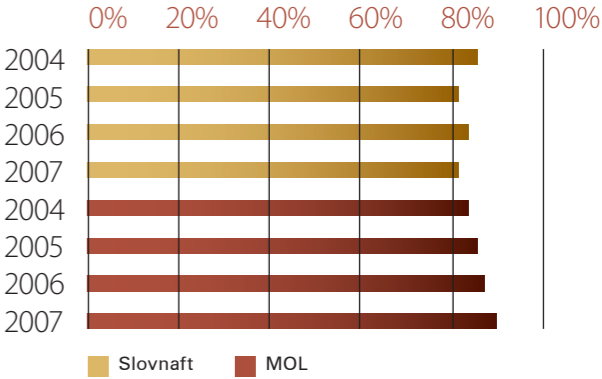
pricing information automatically available. Improvements in standard reporting provided a solid basis upon which to improve response times and acquire more detailed knowledge of customer needs. Besides more in-depth use of the system, access has been extended so that nowadays the Commercial department, Logistics Distribution and even HSE have been able to obtain fast and reliable information. We also started to assess customer value last year. Approval of basic principles and methods was sought and plans are afoot to extend them to all subsidiaries' commercial departments to define the measurable, comparable and actionable value and importance of our various key customer groups.

In 2007, the number of HSE-related customer enquiries about our products significantly increased - partly due to REACH, the new chemicals legislation. We aim to contribute to answering such queries with a CRM-workflow function in the SAP system. This workflow function is supported by an HSE Knowledge Base, where we will record previous enquiries and answers and other HSE-related information on our products. The implementation of the process is being completed at MOL Plc, and will start up at MOL Lubricants Division.

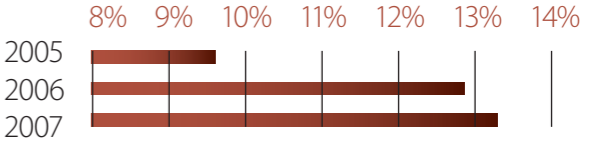
Wholesale Customer Satisfaction

MOL Wholesale has been conducting customer satisfaction surveys since 2003 to understand customer expectations, their decision-making processes and their evaluation of our company's performance. All related stakeholders are involved in the process. Customer satisfaction measurement involves a questionnaire-based quantitative research approach. Besides satisfaction, customer priorities are also identified.

Average wholesale customer satisfaction level



Customer loyalty at Petrochemicals



Customer satisfaction surveys were conducted in Hungary and Slovakia last year using standard questionnaires, evaluation and action-planning processes. We have started to integrate our subsidiaries into this process by providing general guidelines and support in using their own local knowledge and practices.

In 2007, the sample size grew by 24%, while the number of questionnaires returned rose by 20%. Reliability levels were notably improved by increasing the number of interviews. Average customer satisfaction in Hungary and Slovakia reached 88% and 83% respectively. Excellent results were also recorded for: good relations with our sales representatives - MOL 92%/Slovnaft 86%; reliability - MOL 88%/Slovnaft 84%; product quality - MOL 89%/Slovnaft 84%.

Internal development

Sales representatives were given training courses to improve their fundamental marketing knowledge, HSE competence and in specific product standards with emphasis on changes in fuel quality to launch bio-components in the marketplace, in line with different countries' legislation and commercial strategies.

Marketing at Petrochemicals

Customer satisfaction

In the last quarter of 2007, Petrochemicals conducted customer satisfaction research with a sample size of 399, chosen from among TVK's and SPC's (Slovnaft Petrochemicals) most important Hungarian and European business partners. Research objectives were to identify company strengths, areas in need of development and to track trends.

Both TVK and SPC show improvements compared to previous years. Even in low-performing areas identified in earlier surveys, there are positive trends in how customers evaluate the two companies' activities. New product development, constantly criticized over the years, now shows a positive trend. The same can be said for discount policy. Punctuality of deliveries, badly perceived last year, has managed to improve and reach its former high level. Evaluation of SPC was similar to that of TVK with the company's service levels getting stronger. Many respondents no longer see any difference between the two firms. SPC has managed to improve nearly in all areas, particularly in the area of customer service.



As a result of the 2006 customer satisfaction survey, we launched a service-level differentiation system in 2007. The aim was to focus our resources on serving those customers who really deserve and appreciate it to improve customer loyalty, acquire new business and save costs through this more focused and effective method.

Improving our sales system

We have opened new sales offices in Kiev and in Bucharest to provide higher service levels to our customers in Romania and Ukraine, and to increase sales in the CEE region. With these two new offices, MOL Group Petrochemicals is present in 11 countries through its own sales network.

Product portfolio

We constantly seek to optimise our product portfolio. One of the guiding principles of the product portfolio development project was to harmonise SPC and TVK production through the introduction of a new portfolio designed to meet customer requirements more efficiently. Developing the portfolio accordingly improves customer loyalty and helps to build up a stable and reliable customer base.

Marketing at Retail

The Retail Division, operating a filling station network across 9 countries, aims to bring its customers high quality fuel products and a wide variety of services that exceeds their expectations and satisfies their daily needs.

The main communication channels are the stations themselves where we focus strongly on POS materials. Customer loyalty is encouraged in the form of two loyalty card systems that we use to enhance customer retention. Regular consumer promotions are organised and advertised in conventional and non-conventional forms of media.

Key achievements in 2007:

- A streamlined fuel portfolio
- Re-launch of the premium product EVO NEO fuel range
- Bold marketing initiatives to bring our brand concepts closer to our customers - the award-winning Body Wash concept, for example

Customer satisfaction

MOL Group's Retail Division measures customer engagement and satisfaction levels, every year. Having used a standard research methodology since 2001, based on personal interviews with drivers in three countries - Hungary, Slovakia and Romania - the sample size exceeds 1000 persons and is therefore fully representative.

Naturally, with the same methodology, MOL performance may be compared year-on-year. Main research topics include perceived brand presence and usage, customer engagement, image and satisfaction with fuels, shops, services and staff behaviour. Research results are then used to evaluate performance and define areas requiring future improvement.

Marketing at MOL Lubricants

Our main marketing focus in 2007 was on the replacement of the down-market MADIT brand by the successful introduction of the premium MOL Dynamic brand in the Czech Republic and Slovakia and its re-launch in Hungary and Romania. We have renewed our entire product portfolio. Not only the design has been up-dated, but product performance has been enhanced to meet the newly-issued regulations. Business development continued successfully in our non-core markets. In Serbia, a new direct sales team was established, the benefits of which will be first realised in 2008. Our Ukrainian business developed according to plan. Good business relations were established with two Italian companies, which resulted in significantly higher sales results.

Customer satisfaction, measured each year up to 2007, showed very positive trends. In 2007, management decided it could not accurately measure this year's performance since the new brand launch only took place in the last quarter of the year. A new questionnaire will be developed to measure the success of this launch and sent to customers in 2008.

Additional web content:

www.molgroup.hu/en/sd/economy/product_stewardship



Caring for the environment

MOL Group is committed to decreasing any impact on the environment caused by its operations and use of its products. Therefore, 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 to 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 which we continuously aim to reduce. Environmentally-aware thinking and sustainability principles are firmly integrated into the long-term strategy of the Group.

Having fulfilled IPPC directive requirements by November 2007, we can now focus on the other determining pillar of environmental protection, the precautionary principle.

REACH regulations entered into force on 1st June, 2007, intended to ensure a higher level of protection of human health and the environment, primarily on the basis of precautionary principle.

To monitor the quality of the environment, we started the implementation of a biodiversity approach in 2007, to contribute to the principles of sustainability.

To decrease our ecological footprint, we also pay close attention to greenhouse gas emissions. Thereafter we initiated an effective greenhouse gas emission management strategy, with the ultimate goal of decreasing emissions and increasing energy efficiency.

Climate change is widely agreed to be the major threat to the sustainability of our environment in its current form. European countries have committed themselves to GHG reduction targets and set up an Emission Trading Scheme (ETS), which creates market incentives to reduce CO₂ 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 driven by the trading scheme.

Our strategy

MOL Group senior management has approved an effective greenhouse gas emission 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 only rely on trading, but also focus on technological measures to decrease CO₂ emissions, increase energy efficiency and we look for potential Joint Implementation projects, supported by administrative actions necessary for compliance, not just for the current, but the next trading period as well.

Emission trading and MOL

The first trading period ended in 2007. MOL Group estimates given during preparation of National Allocation Plans 2005-2007 were very close to the actual emissions verified during the first trading period (2-3% difference).

Conclusions drawn from the first trading period:

- GHG strategy and energy strategy must be linked
- Improvement of energy efficiency is a must
- From August 2007, we started calculating CO₂ emissions as a cost in MOL Business Unit financial planning.

At the end of 2007, we started preparation for the verification of our CO₂ reports, carried out by authorised verifiers, selected through tendering. We prepared CO₂ reports for all installations covered by ETS, and then provided the auditors with all necessary support and collaboration.

Apart from these internal steps, we have been active in negotiating with national authorities and discussing ways and means to develop the National Allocation Plans (NAP) for the second trading period (2008-2012). Member companies also participated in various working groups focused on NAP preparation.

MOL Group started the preparation for the implementation of the fuel life-cycle directive, and plays active role in various national and international working groups.

Carbon capture & storage

The development and application of CCS technology (Carbon Capture and Storage) as a potential method for reducing emissions into the atmosphere is receiving more and more attention, including its rigorous requirements.

Viewing CO₂ capture and storage as an interesting new possibility, MOL made significant in-house R&D efforts in the area of carbon storage: Firstly, our CCS Task Force was established to investigate the possible CO₂ storage of MOL Group's hydrocarbon

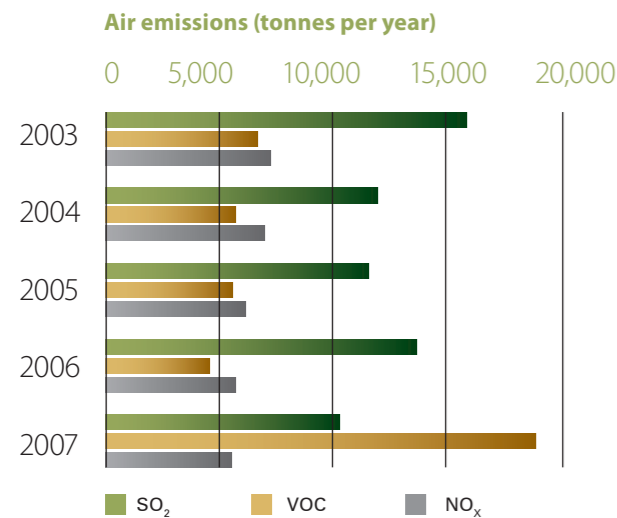
reservoirs and secondly we established a scientific partnership with the Eötvös Lóránd Institute of Geophysics. Our first findings report has now been issued. Thirdly, we joined an international consortium - the ECCO project (European value Chain for CO₂) – to investigate carbon capture and storage opportunities. The EU evaluated this initiative with excellent results and direct negotiations were started at end of January, 2008.

The MOL Group-level working team, set up in 2005 to manage these tasks, co-ordinate implementation of legislation related to greenhouse gases and to establish a monitoring and reporting system, started to review our greenhouse gas emissions strategy in 2007.

Investments in CO₂ reduction

It is worth mentioning the investments MOL Group has made to reduce CO₂ emissions, apart from the ones already mentioned:

- Modernisation of steam generation at the Duna Refinery
- Improvement of energy efficiency at the Duna and Bratislava Refineries
- Improvements in the efficiency of the Natural Gas Transmission installation at Mosonmagyaróvár, Hungary
- Measurement of instrument reconstruction that ended in 2007 (at 8 Hungarian installations covered by the EU ETS)
- Optimisation of energy use at Füzesgyarmat, Hungary, started in 2007



EU-wide efforts to reduce negative impacts on health from air pollution also continued in 2007, with on-going stakeholder dialogue on national emission ceilings proposals, IPPC directive revision and revision of air quality-related directives. All these legislative proposals aim to deliver improvements in air quality that are feasible and do not undermine competitiveness of EU industry, globally.

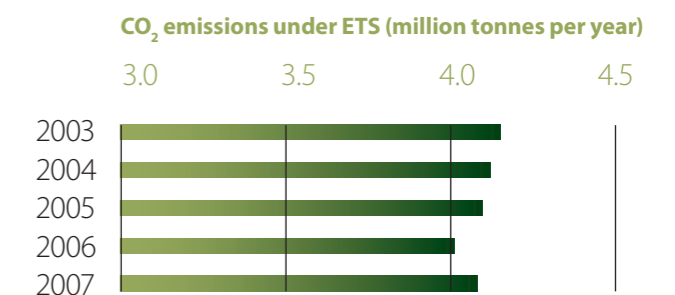
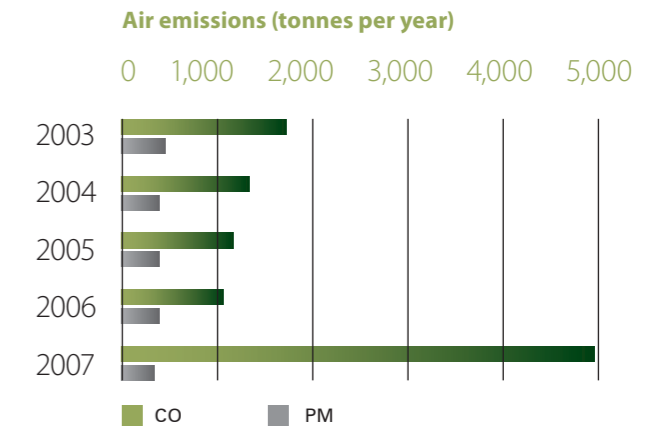
In 2007, we enhanced our reporting scope with our Russian upstream company ZMB, therefore absolute emission figures are higher in comparison to 2006 in case of VOC and CO emissions.

The Slovnaft power plant is still the largest source of emissions in MOL Group. Thanks to the fact that during 2007 only de-sulphurised fuel was used there, sulphur-dioxide emissions were reduced by 25%.

Main factors contributing to reduction in SO₂ emissions were:

- Shut-down of the Waste Incinerator and reconstruction of the Sludge Incinerator; start of WWTP off-gas thermal destruction Unit trial operations by Slovnaft; mild winter weather and improved energy intensity of production processes.
- Completion of a three-year project for our Upstream Division in the Transdanubian region.
- Building of a new Claus-6 Plant, with the parallel shut-down of the outdated Claus-3 Plant; modernisation of the Claus-4 tail gas treatment unit to increase de-sulphurisation efficiency at Duna Refinery.

VOCs are typical oil industry emissions that are major contributors to the creation of ground-level ozone. Therefore we focused our emission-reduction efforts particularly on this type of pollutant, implementing several projects, such as:



- Wet (glycol) technology VRUs replaced by dry technology ones at Csepel and Székesfehérvár base depots (HU), and at Tiszaújváros (HU) Automatic Tanker Loading facility
- Equipping of Százhalombatta Bottom Rail Loading unit with a VRU
- Construction of VRUs at our Logistics depots at Stožok and Hronský Beňadik (SK).

In 2007, we started or continued several projects aimed at reducing air pollutant emissions:

- Low-NO_x burner and PM abatement technology installation at Slovnaft Petrochemicals
- An energy efficiency improvement programme at Upstream for the replacement of steam boilers by hot -water boilers
- Installation of an electrostatic dust precipitator for the in Duna Refinery.

Imission measurements taken around Duna Refinery have shown a decreasing trend for the last few years, due to the modernisation work carried out.

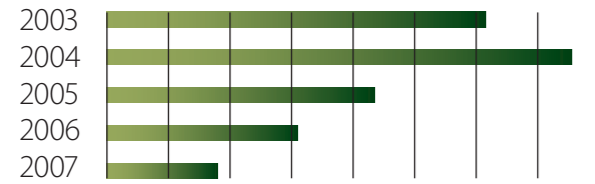
We also implemented a project at Kiskunhalas, Hungary to reduce air-polluting substances which enabled us to decrease volume of gas to be flared off. In 2008, we shall burn nearly 1.5 million m³ less gas as a result of replacing a compressor, which increased former 300 m³/hour compressor capacity up to 1,000 m³/hour.

We will further look for cost-effective opportunities for air pollutant emission reduction at our installations. We see strong synergies between reduction of greenhouse gases, especially CO₂ and basic air pollutants. We are confident that construction of two new combined heat and power (CHP) units at Slovnaft and Duna Refineries in a joint venture with the Czech utility company CEZ, will further contribute to achieving best practices in abatement of air pollution.

Water management

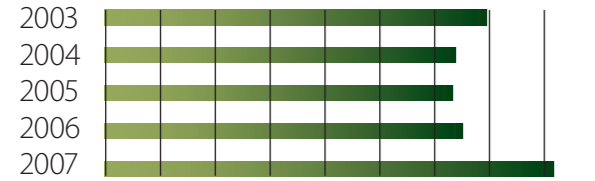
TPH discharges (tonnes per year)

0 20 40 60 80 100 120 140 160



Total water consumption (mn m³)

0 10 20 30 40 50 60 70 80 90



We also followed the principle of sustainability in our water management activities in 2007, and continued balancing profitability with technical ecological factors. Rational reduction of freshwater consumption and wastewater emissions remained a key MOL Group environmental objective since through this we can contribute to the protection of the quality of natural waters and the biological diversity of wetlands.

We emitted fewer effluents and wastewaters from our refineries into surface waters than in the previous year and quality fully complied with statutory standards. As a result of technological development and actions implemented over the past few years the volume of hydrocarbons emitted into surface waters significantly decreased. We were able last year to reduce TPH load figures by more than 40% by improving oil separation efficiency at the Slovnaft Bratislava Refinery.

Favourable trends seen in the past period continued at the Duna Refinery, where we reduced organic materials unloaded into the river Danube, caused by wastewater emissions, by more than 10%. As a result of improved efficiency in our biological treatment processes, present emissions of phenol compounds is at a minimum level. From the second half of the year onwards, we were also able to start treating rainwater collected in various areas in our biological treatment plant, in addition to wastewaters produced by the refinery, and were thus able to reduce the risk of accidental pollutant emissions.

We were able to improve water management at our logistic depots primarily through developments in wastewater treatment technology. We completed transformation of the communal wastewater system at the Csepel base depot, and installed a container-based biological treatment unit, which can be further expanded in the future. At Szajol, a gravitation-type soil water drainage system and a pressurised water lifting unit were installed to remove water from depot yards and other

areas. At Pécs, we identified a way to update collection of rainwater, as part of the reconstruction of the railway loading bay. In Slovakia, we modernised wastewater treatment units at our Hronský Beňadik and Horný Hričov base depots. In Kapušany, we reconstructed the drainage system together with the development of a wastewater management system.

We installed storage vessels deployed behind oil trap units to secure sustainable and high quality treated wastewater at those of our filling stations in Hungary which operate in areas especially sensitive to the need for protection of water quality. We developed emergency shut-down plans for 41 filling stations in Slovakia in case of emergencies in our water treatment processes. We also constructed 30 emergency storage facilities to avoid emissions of effluents that may cause serious pollution to the environment.

Over the past two years we have replaced steam boilers (over-sized in relation to current production volumes) in six Exploration & Production Division sites in Hungary with hot water boilers to improve energy efficiency. As a result of this we were able to reduce significantly both freshwater consumption and wastewater emissions at these sites.

We installed on-line measuring equipment to ensure on-going monitoring of technological wastewater streams, as they imposed peak-type load of organic compounds onto the operability and safety of the TVK wastewater treatment system. In case of extreme pollution, the new system can now automatically direct wastewater into a buffer storage tank, thus ensuring protection of the treatment process technology. Since 2007, we have also been able to control the quality of wastewater emitted into the river Tisza using equipment that measures organic compound content.



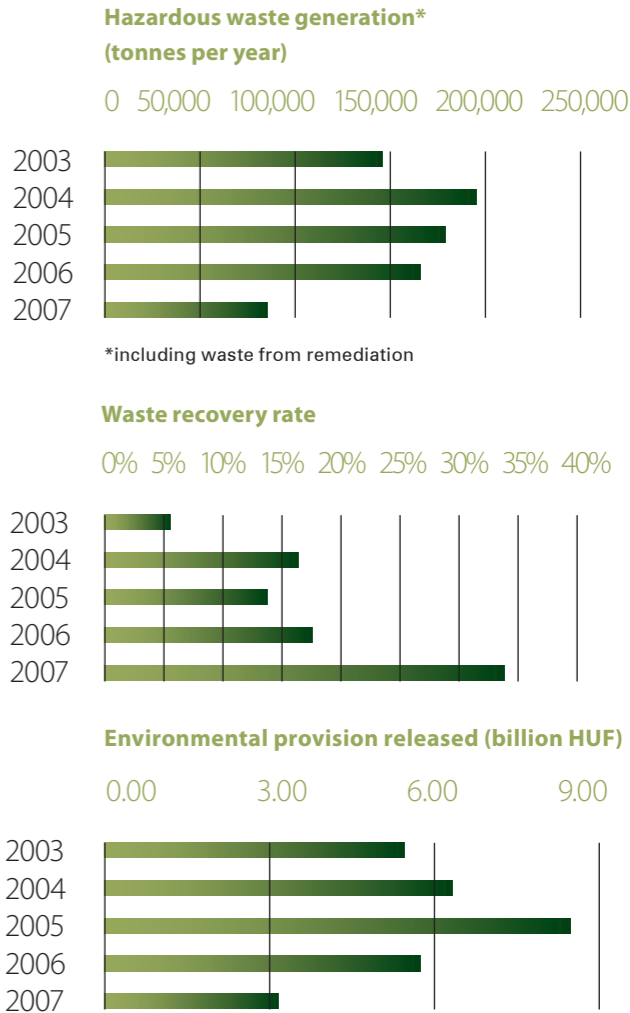
Our long-term waste management strategy is characterised by the Reduce-Reuse-Recycle (“RRR”) principle which aims at cutting back the negative effects waste can have on the environment. To ensure these principles are integrated into our day-to-day operations, we prepare action plans with both MOL Group-level and Divisional sections. Finding ways to reduce waste generation is a primary goal for all MOL Group activities, although there are operations and processes in which waste generation cannot be avoided. We therefore make constant efforts to reuse or recycle such waste, since disposal is the least-preferred solution to ensuring safe treatment.

In 2007, waste resulting from past operations was mainly made up of oil-contaminated soil, while the operation and maintenance of our plants and equipment discharged waste water, oil separator sludge, tank bottom sludge, non-hazardous drilling mud and spent catalysts. Emergencies were caused by oil spills that resulted in the contamination of 5,400 tons of soil by petroleum, still a volume to reduce but already 30% less when compared to 2006. Following the steadily decreasing number of oil leakages in recent years, 2007 saw MOL Logistics units with no emergency oil spills at all.

Whereas drilling activities are widely regarded as waste intensive operations, it is worth noting that present-day technology principally produces non-hazardous waste. In cooperation with local authorities, nearly 26% of total harmless drilling mud produced, nearly 5,325 tons, was used as stabilisation material in the remediation of landfill which had been closed for environmental reasons. As with previous years’ practice, further upstream oil pipelines were replaced to prevent soil contamination caused by corrosion and additional hazardous waste storage facilities were built.

The Duna Refinery’s waste incineration plant was upgraded with a pre-treatment facility aimed at decreasing emission values, increasing work safety and prolonging equipment life. The “Total Waste Management” project, started in 2006 at the Slovnaft Refinery, was finished this year. It has already started fulfilling its goal of achieving maximum efficiency in waste reuse and recovery, to minimise the amount of waste left over for disposal.

MOL filling stations already laid stress on the safe collection of waste in previous years by collecting used oil from customers thus further contributing to public environmental awareness. In 2007, safe collection of expired medicines was organised at 42 filling stations to ensure such hazardous compounds could then be safely treated. To ensure maximum safety prior to final treatment, a programme was started to renew hazardous waste storage facilities at Logistics last year. Three base stations finished implementation in 2006, and an additional three were completed in 2007.



Environmental provision released were HUF 3.23 billion and the company spent nearly HUF 3 billion on remediation projects in 2007. Actual provision released is lower than planned due to a delay occurred in the authority’s process. We have accumulated a huge amount of domestic and international experience in the area of remediation through treatment of damage inherited by MOL Group, and we share this knowledge with our member companies and subsidiaries. Remediation of environmental damage in our Slovakia filling station network is an excellent example of such knowledge-sharing. We were able to implement this work in parallel with network rationalisation efforts, integrating it into the programme, based on useful experience previously gained in Hungary.

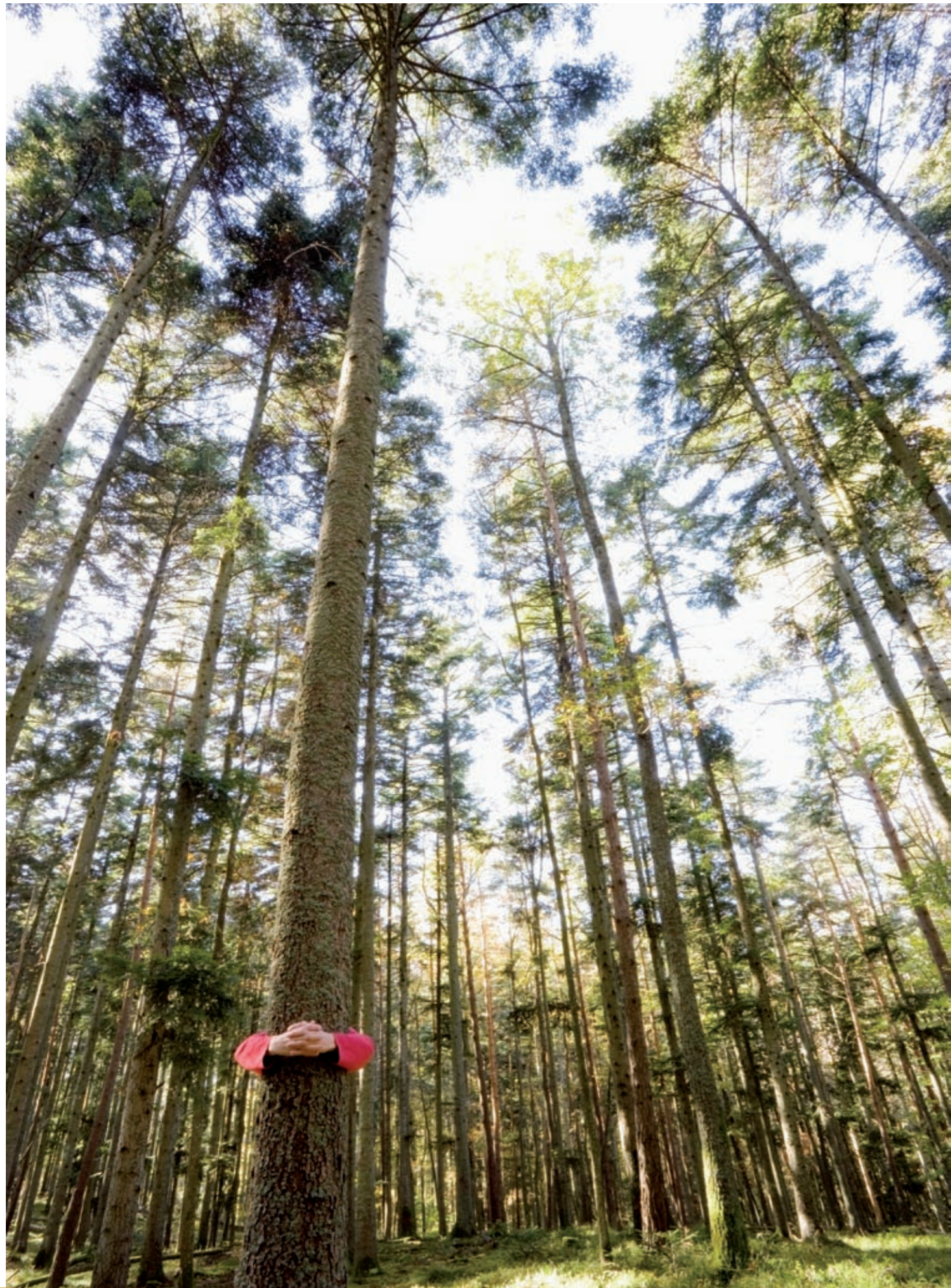
Though requiring enormous effort in the domestic environment, we still critically review relevant strategy at practically every site due for remediation so as to take a risk-based approach. As a result of this experience and our risk-based approach, our member companies and subsidiaries can implement remediation of inherited damage to the environment with significantly less work, time, energy and cost than we had to invest in former times.

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

Focusing on people

Our general commitment to sustainable development requires a new, inter-disciplinary approach, integrating not only economic and environmental 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

We would like our stakeholders to perceive us through the quality of the products and services we offer and the values we hold dear.

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.

The most important groups of 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 environment-related issues, the inter-disciplinary 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.

Additional web content:

www.molgroup.hu/en/sd/society/social_responsibility

Growww 2007 Programme

MOL Group has set itself some very ambitious business targets the achievement of which will require highly qualified, talented and committed employees. That is why the company launched the growww New Graduate Programme. The aim of the programme is to provide job opportunities in a fast-growing organisation, operating in an international environment, to 100 freshly graduated students from Hungary and abroad, with maximum one year's work experience. During the 12-month programme, participants have the chance to undertake challenging tasks which match their qualifications, thereby gaining insight into the operations of one of the leading international business organisations of New Europe, participating in the life of a Business Unit and meeting new people. After the programme, participants and their managers will together decide on possible career paths with MOL Group.

In 2007, MOL Group recruited approximately 100 New Graduates in Hungary and Slovakia to fill the talent pipeline, both in functional and business areas.

The participants in the 1-year programme were selected from close to 800 applicants through tests and our Assessment Centres. The programme itself involves on- and off-the-job training and events to ensure smooth orientation and support in gaining the necessary functional and human competencies needed for successful performance.

Key programme elements were:

- A 2-day induction session at the beginning of the programme to bring managers and fresh graduates together, formally for company and business presentations and informally for evening talks and introductions. Formal team building for the programme participants helped promote networking and a strong sense of team spirit across divisions and companies
- A mentoring system, whereby experienced colleagues are formally appointed and trained to support their new colleagues in everyday work-related situations and to help them integrate into the team
- Performance targets set for every new colleague, with 6-monthly feedback sessions with direct managers to clarify expectations, standards and performance

After the end of the programme, participants automatically became part of the Career Management System for at least 3 years, to

ensure that further, formal attention is paid to their development and advancement.

Take a STEP for your health

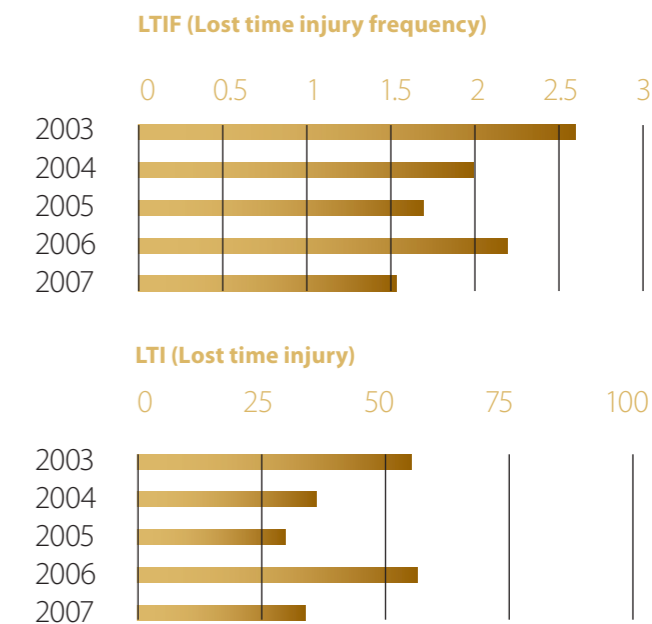
2007 was the first year of the workplace health promotion programme called "Take a STEP for your health", launched to provide additional medical screening beyond normal legal requirements, and the preparation of individual employee health plans on a voluntary basis. The programme also included health promotion actions such as physical exercise, stress management and the provision of healthy food at the workplace. In the first year, almost 1,000 employees seized the opportunity to own individual health plans, and more than 2,000 medical screenings were conducted.

To involve a wider range of our employees in the programme, STEP was presented at many MOL Group events during the year, offering various types of medical screening, different types of sport opportunities, and reached almost 4,000 MOL Group employees.

At canteens and buffets in the workplace, we provide healthy food that complies with up-to-date nutritional norms (STEP menus). Dietetic consultation was also provided during the year for those interested.

Our goal is to achieve 75% participation of MOL Group employees in the health promotion programme by 2010, to help them create healthier life-styles.

We strive to enhance safety awareness among our employees and develop a safety culture at MOL Group.



The approach a company adopts to ensure the safety of its employees clearly shows a company's commitment to human values. Well 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.

In 2007, MOL Group again took a giant leap forward in decreasing the number of work-related injuries among its employees: the number of Lost Time Injuries (LTI) dropped by 30% to 37 from 58 in 2006. This means a nearly equivalent drop in relative terms as well: the frequency of LTI cases measured against one million worked hours (an indicator called LTIF) diminished to 1.52 from 2.2, reaching its lowest ever level and well below the maximum set for 2007.

In spite of hazards associated with the operation of our technology, the main area in which injuries occurred in 2007 was Maintenance, which accounted for 17 out of the 37 LTI cases.

Thanks to our continuous efforts, we have no work-related fatalities among our own staff or contractors to report. However, one serious injury did happen to one of our employees.

The deaths of two individuals not employed by MOL Group (third party) also occurred in 2007. In one case, a private motorist died when in collision with a Slovnaft Trans tanker lorry. Later in the year, a pedestrian was struck by another Slovnaft Trans tanker lorry.

Process Safety Management

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

The new PSM system's basic aim is to adapt and implement a monitoring system for all our hazardous processes, based on international experience and suitable for managing all key factors, including the human factor.

To introduce and develop the PSM system at MOL Group companies, we operate a large, dedicated PS expert network of more than 100 members. As an essential part of successful PSM implementation, in 2007 we have conducted basic PSM training including "Train the Trainer" sessions to provide personnel with the appropriate information, tools and understanding to conduct tasks to meet process safety needs. The MOL Group PSM Manual was created as the basic standard for defining requirements valid for all hazardous operations. The Manual describes the management system, responsibilities, PSM element principles and basic requirements necessary for efficient day-to-day work in operations.

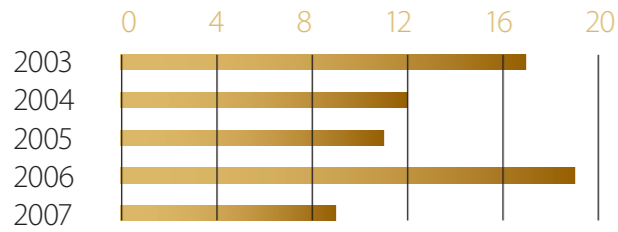
IRIS – the Incident Reporting and Investigation System

IRIS seeks to identify why things have gone wrong so that they can be corrected, and future losses and interruptions to operations prevented by improving the management system and organisational culture that allowed such incidents to occur in the first place.

For this very reason, in 2007, we continued the introduction of Tripod Beta incident investigation & analysis methodology and developed a Group-wide IRIS process regulation. In this regulation, we input all our requirements to IRIS and implemented electronic incident notification in our HSE Info system across the whole of MOL Group.

In line with this new IRIS Group process regulation, we issued the IRIS handbook to introduce IRIS basic information to managers and staff, and support the Investigation & Analysis Team in their important task.

Fire cases



The risk of fire always hangs over the petroleum sector, thus we treat all issues related to fire prevention with the utmost care by securing safe operating conditions that protect our employees and assets, and as well as the indirect, natural or man-made, technical and social environment.

As a result of our efforts to enact our fire prevention strategy, the number of fires has decreased over the past few years, and only our figures for 2006 break this positive trend due to major damage caused by fire, mainly arising from a contractor’s error.

Fire statistics for 2007 match the decreasing trend: there were a total of nine occurrences of fire at MOL Group plants and sites, by far the lowest figure for the past few years. Total damage caused was valued at HUF 26.71 million.

This low number of events was the result of our carefully planned and coherent prevention measures, whereas the basic reason for the low amount of fire damage was due to our effective pool of fire fighting equipment and staff available at short notice at sites hit by the fires.

We also recently announced targets to improve fire protection at our large number of logistics depots through better-organised and more efficient use of our existing professional fire brigades. As a first step, we started organising a full-time fire brigade at Algyő to strengthen fire fighting and emergency response capability at this unit to cover all logistics, storage and production facilities in the region.

Our workforce is our most precious asset, so it makes good sense to take the best care of it we can - not just to comply with legislation, but also to inspire greater commitment, efficiency and productivity. Understanding the relationship between health and the workplace is fundamental to the success of our business. What’s more, with a comprehensive range of occupational health services, we can tackle fundamental health issues to help reduce sick leave and create a healthier, more productive working environment.

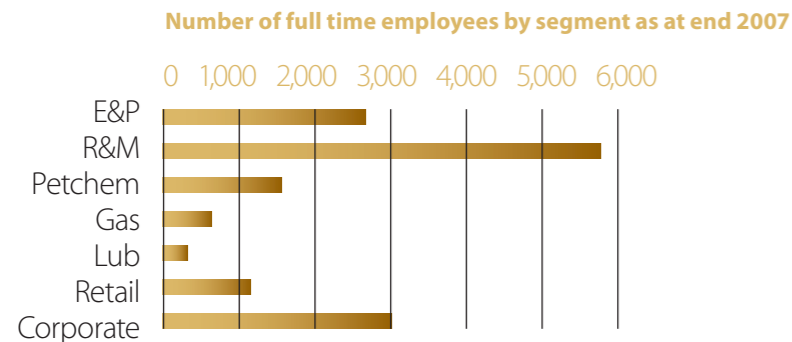
In 2007, we focused on standardising occupational health services provided to our employees, including standardised emergency services, occupational hygiene activities and vaccinations, in Hungary. At the Százhalombatta site, emergency services were updated and from now on high level service is ensured by a new contractor. We plan to implement the same emergency service model at the Tiszaújváros site by 2009, which will support both TVK and Tisza Refinery.

We established supplemental screening (such as blood tests) during health surveillance at our occupational health clinics for the convenience of our employees. The scope of activities requiring vaccination was also defined, and precise vaccination courses will also be defined.

In Slovakia, we introduced methods and practices already successful in Hungary to provide basic occupational health support and enhanced levels of service. Also in Slovakia, we are gradually introducing our standardised test and screening protocols in line with relevant health risks, successfully applied in Hungary and adapted to local conditions.

Additional web content:
[www.molgroup.hu/en/sd/society/health _ and _ safety](http://www.molgroup.hu/en/sd/society/health_and_safety)





Labour practices and decent working conditions

In line with sustainable development principles, MOL makes every effort to develop its human capital and provide optimum working conditions in all operational areas.

Talent attraction and retention

University communities were the focus of 2007. Strategic recruitment and stakeholder management activities accounted for a significant part of student education (including courses and lectures by managers, internships at MOL Group facilities, forums, diploma consulting, student projects, etc.), providing opportunities (scholarships, sponsorship, donations) and direct involvement in corporate life.

Group Talent Management Programme

In 2007, the Group has revised its talent strategy, and defined 3 areas in which formal programmes should be provided to accelerate talent development.

The first, an entry-level programme (growww), currently extends to Hungary and Slovakia, and focuses on Fresh Graduates, providing on- and off-the-job development to almost 100 new colleagues.

The second tier of talent programmes includes formal divisional and local programmes to prepare for first roles in management within given companies or divisions.

The third step supports the transition from local management positions to international or Group-level roles. 15 high potential participants in the Group Talent Management Programme receive formal business and leadership development training and steer Group-level projects to experience practical development and high-level visibility. They also meet formally with senior

management to discuss topics on business, strategy, leadership and MOL culture.

Freshhh 2007

A major effort has been the “freshhh2007” on-line, international competition. The scope of participants covered a dozen countries from all around the world (European countries, Pakistan, etc.) In the competition, 800+ students went through the challenges of a quiz, an oil and gas industry-specific business simulation game, essay writing and a prestigious final round with live presentations and the opportunity to appear before MOL Group top management. As a result, the best teams were offered jobs in MOL Group and the Pakistani students spent their internship in Hungary.

The competition excited significant interest among student communities in MOL Group. It boosted the “Employer Brand”, generated many questions and queries from potential employees and contributed to MOL Group’s image as an international company.

Revision of Hay grades

Significant changes in Mol Group over the past few years as well as differing salary and grading systems in MOL Group companies necessitated the revision of the grading system at MOL Group level, and thus we launched the Hay project in 2005. The aim of the project was to introduce an objective, transparent, credible and internationally

transferable grading system which will enable the company to maintain high-level competitiveness while tightly managing headcount costs. The first phase of the project was the evaluation and grading of management levels which was followed in 2007 by the grading of lower level jobs in MOL Plc. By 2010, all jobs in MOL Group are expected to have been evaluated.

Human capital development

We sincerely believe employee training and development to be an indispensable part of professional advancement, since our colleagues’ individual professional competences are critically important to our success. We therefore regard the development of our employees to be an investment in human resources and pay close attention to the improvement of their skills and knowledge and to maintaining international quality standards among the workforce.

The Group has launched a new leadership competency model and 360 feedback process in 2007 to facilitate and support feedback about the “how” of performance. Existing people processes (performance management, career management, training and development) were redesigned to ensure the integration of this new competency model. Now a formal Annual People Cycle ensures that formal discussion and feedback

about performance, career and development is conducted between manager and employee among critical employee groups.

Working conditions

Maintenance activities ensure that everything needed to carry out day-to-day activities is available and in good working order, and thus support and further improve operational effectiveness. We have therefore established renewal projects in various specialist areas such as architecture, building engineering, building electricity, interior decoration and green areas.

The on-going Facility Management Unit building renewal plan affected 30% of our premises in 2007, as it did in 2006. New long-term investments, pilot projects and real estate career plans all helped to achieve implementation and reduce risk of service shortfalls. The 2007 reconstruction plan

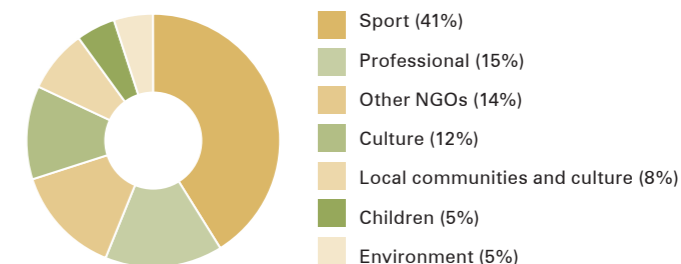
involved more than two hundred projects affecting buildings, laboratories, meeting rooms and a variety of communal areas such as cafeteria for one thousand persons. As a result, the new building renovations and substantial interior refits altogether created more than 500 new workplaces.

These modern computerised workplaces are developed in line with the latest fire and labour safety regulations, are much better designed ergonomically and employ more efficient energy use than the old workplaces ever did. We finished the modernisation of all our premises and have ensured easy access for disadvantaged people throughout. We are developing new project software to track and present these complex projects and their relevancy to sustainable development.

Additional web content:

www.molgroup.hu/en/sd/society/labour_practices

Social Investment by categories*



*IES and Tifon not included

A large company you can rely on

A company such as MOL is present with its products and services in every family's daily life across the region and must naturally take its responsibilities seriously. If we identify the three most important principles behind our donation strategy, they are:

- As a very large and profitable company, to stand beside the smallest and the neediest
- As a company operating in all countries across the region, to build bridges between its nations
- In a region beset with difficulties, to give hope and trust to people, helping them be successful and happy so that we will all have nothing to fear from the future.

An everyday helpmate

We receive numerous requests every day from people asking for help: curing a very sick child can involve huge expense, as can the development, education, of an especially talented young person. Besides families, local communities often approach us, since cost often makes it impossible to put good ideas in practice, be it a cultural programme or a sports event. MOL, apart from achieving great success in the region, also finds opportunities to give valuable help to some of those who turn to the company for assistance.

When we developed the "May I help you?" concept, we took many factors into account. We wanted to provide practical solutions to people's problems, but at the same time we felt it important the decisions be made by experts, letting them select from the applications for help. We placed strong emphasis on making the application process transparent, regulated and fair. Large companies tend to look at things from the business point of view, thus we decided to involve civil organisations in the task. Eventually, not the least aim of the endeavour was to set a precedent, to exhort smaller companies to follow our example.

We have already won many awards with the "May I help you?" concept. Applications for help flow in from beyond Hungary, in Romania and

Social investment



Slovakia too and it is now time to bring in other countries of the region. We help talented children in two categories: firstly young, successful sports people – the champions of the future – as well as students of science and the performing arts. Secondly, we help sick children with our paediatric invitation to apply, through associations which have been committed for years to the rehabilitation of little ones in desperate need of help, whose programmes are based on expertise and humanity.

Under our “May I help you?” Talent Support Programme, the New Europe Foundation supported 127 young people and their teams in 2007 in the sports category, while in the Arts and Sciences category, 56 young artistes and scientists gained financial support. The Child Healing Programme helped the activities of 31 NGOs working in rehabilitation and reaching about 15,000 chronically-ill children.

We enjoyed similar success with our invitation to local communities in three countries to enrich their immediate environments with green areas. Under the Green Belt programme, more than 50 small communities which we successfully helped create – through recognised local partner organisations – the building of parks, tree planting and environmental rehabilitation.

A link among nations

Perhaps we are the only company in the corporate world to place great emphasis on easing stress among peoples caused by historical conflict by building bridges between them. By gradually spreading our initiatives to additional countries, we demonstrate our commitment to our neighbours.

We realise, for example, that the language of music and the arts is the same for all of us, so the success of the Budapest exhibition of well-known Austrian artist Hundertwasser's works and the best-known Hungarian painter,

Mihály Munkácsy's exhibition in Romania were not accidental. Both exhibitions only took place with our support. We gladly supported Kaláka's appearance in Vojvodina, Serbia, as well as the Ghymes Festival in Slovakia. By 2007, a really outstanding programme finished, one which linked the theatrical life of 9 countries and made possible guest performances from Prague to Bucharest, and from Zagreb to Vienna.

An interesting experiment was one in which we made possible the display of museum leaflets in Slovakian, Hungarian and English, close to the Slovakian-Hungarian border, in the spirit of bridge-building.

Talents with regional success

During one's work, one often meets disappointed, apathetic people who just don't believe it is possible to be successful in this part of the region. But there are great success stories, since Central & Eastern Europe is full of talented and clever people. We can prove this by pointing to sportsmen who have won world-wide fame with their inborn talents, hard work and partly with our support. One of them is Gábor Talmácsi, who rode into a whole country's heart in 2007 to prove to us - just like a fabled prince – that the word “impossible” doesn't exist. Kayakers and Slovakian ice-hockey players are the same, gaining great successes with their victories and giving their countries wildly exciting days at the same time. They are the forerunners of New Europe where the countries of today achieve far more than their ancestors ever could or did.

MOL's success is our country's success – as we announced to our country and the world, in our 2007 image campaign. We hope that many receiving our support will see the truth of this motto.

Additional web content:

www.molgroup.hu/en/sd/society/social_investment



Economic Performance data

Economic data	2003	2004	2005	2006	2007
Earnings – local currency (HUF bn)	100.0	208.6	244.9	329.5	257.8
ROACE – % (NOPLAT based)	10.7	23.2	26.4	32.8	22.6
Total shareholder return – % MOL Plc.	21.4	102.2	58.3	9.9	15.8
Corporate taxes (HUF mn)	(32,476)	47,817	29,158	39,623	81,853
Total processed crude oil volume (Mt/year)	6.3	12.0	12.4	12.5	13.3
Total processed petrochemical feedstock volume (Mt/year)	1.627	1.796	2.385	2.273	2.497
Total gasoline sales volume (Mt/year)	1.6	3.2	3.1	3.0	3.1
Total diesel sales volume (Mt/year)	2.5	4.8	5.2	5.6	6.2
Total bio-ETBE sales volume* (kt/year)	n.a.	1.67	10.90	39.82	82.46
Total bio-Ethanol sales volume* (kt/year)	n.a.	n.a.	n.a.	0.23	28.50
Total FAME sales volume* (kt/year)	n.a.	n.a.	n.a.	53.74	100.69
Average wholesale customer satisfaction level** – %	MOL: 85	MOL: 84 SN: 86	MOL: 86 SN: 83	MOL: 87 SN: 84	MOL: 88 SN: 83
Brand expenses* (HUF bn)***	n.a.	2.93	2.18	2.18	3.14
Average retail customer satisfaction level **** – %	41	43	44	34	39
Hazardous and selective waste collection service at FSs – % *****	n.a.	3	30	31	42
Retail justified complaint-level – % *****	0.967	1.057	1.076	1.004	1.055

* IES and Tifon not included for 2007 ** SN=Slovnaft *** amount restated, including market surveys, advertising and sponsorship **** covers MOL Plc., Slovnaft a.s., MOL Romania ***** covers MOL Plc.

Environmental Performance data

Air (tonnes)	2003	2004	2005	2006	2007
CO ₂	4,366,655	4,747,120	5,937,252	5,929,380	5,676,603
CO ₂ under ETS	4,137,872	4,114,750	4,090,175*	4,004,973*	4,087,457*
SO ₂	15,721	11,768	11,333	13,455	10,059
VOC	6,591	5,535	5,395	4,394	18,685
NO _x	7,103	6,915	6,027	5,555	5,450
CO	1,727	1,323	1,136	1,052	4,980
PM	431	392	405	412	336

* figures scrutinised by authorised verifier

Water	2003	2004	2005	2006	2007
TPH (tonnes)	123	151	87	62	36
COD (tonnes)	3,274	2,921	3,196	2,018	1,945
BOD (tonnes)	236*	214*	522	498	490
SS (tonnes)	1,011	765	657	605	703
Drinking water consumption (mn m³)	3.31	2.84	2.71	3.34	3.00
Technological water consumption (mn m³)	69.49	63.83	63.3	64.74	81.47
Spills over 1 m³ (cases)	13	11	7	8	3

* MOL Plc. and TVK Plc. not available

Waste*	2003	2004	2005	2006	2007
Hazardous (tonnes)	146,945	196,966	180,885	167,589	87,764
Other (tonnes)	124,834**	150,032	76,544	143,856	161,630
Disposed (tonnes)	101,303**	306,292	180,018	256,429	74,959
Reused/Recycled (tonnes)	15,045**	56,911	35,261	55,016	96,324

* including waste from remediation ** MOL Plc. not available

HSE related expenditures	2003	2004	2005	2006	2007
CAPEX (HUF mn)	7,133	9,033	18,133	12,755	16,986
Provisions released (HUF mn)	5,650	6,294	8,380	5,874*	3,229
HSE related penalties (HUF mn)	30.79	70.17	95.91	140.97	95.4

* amount restated

Energy efficiency – Refining*	2003	2004	2005	2006	2007
Total energy purchased (PJ)	20.72	20.10	18.76	16.53	14.32
Total energy produced** (PJ)	43.80	45.02	46.84	43.36	35.52
Total energy used (PJ)	63.69	64.22	64.65	58.93	47.35

* including Slovnaft Petrochemicals until July 2006, IES not included for 2007 ** energy produced is partly sold to third parties

Energy efficiency – Petrochemicals*	2003	2004	2005	2006	2007
Total energy purchased** (PJ)	5.68	7.18	8.46	9.07***	10.58
Total energy produced (PJ)	0.47	0.31	0.23	2.82***	5.75
Total energy used (PJ)	5.12	6.37	7.61	10.78***	15.19

* including Slovnaft Petrochemicals from July 2006 ** energy purchased is partly sold to third parties *** amount restated

Social Performance data

Health & safety*	2003	2004	2005	2006	2007
LTIF	2.6	2.0	1.7	2.2	1.52
LTI	56	40	33	58	37
TROIF	0.08	0	0.08	0	0
Number of fires	17	12	11	19	9
Fire damage – (HUF mn)	151.77	99.04	0.09	387.23	26.71

* IES and Tifon not included for 2007

Employees	2003**	2004***	2005	2006	2007
Total headcount – MOL Group	15,866	15,465	14,660	13,861	15,058
Represented by trade unions – %	99.71*	98.97*	97.77*	97.34*	85.5
Women in managerial positions – %	16.8*	15.55*	11.72*	14.1*	18.5
Average annual employee compensation (EUR/headcount)	13,692	15,487	17,500	19,034	20,324
Employee turnover rate**** – %	13	10	8	15	17.3
Women in total workforce – %	27*	27*	26*	26*	24.6
Number of employees laid off	1,535 *	1,051 *	768 *	707 *	1,544

* covers MOL Plc., Slovnaft a.s., TVK Plc., MOL-Lub Ltd. and MOL Gas Business ** corrected with TVK Plc. *** with Slovnaft a.s., as from April 1st **** including retiring employees

Other social	2003	2004	2005	2006	2007
Donations* (HUF mn)	n.a.	759.4	708.6	665.1	540.2

* IES and Tifon not included for 2007



Sustainable Development Committee of the Board of Directors

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.

György Mosonyi

Group CEO and member of the Board of Directors since 19th July, 1999, Chairman of the Sustainable Development Committee and Chairman of TVK Plc.

From 1974 onwards, Mr. Mosonyi worked for the Hungarian Agency of Shell International Petroleum Co. and from 1986 he held the position of commercial director. In 1991 he worked at Shell's headquarters in London. Between 1992-1993 he was Managing Director of Shell-Interag Ltd. and between 1994-1999 Chairman and Chief Executive Officer of Shell Hungary Plc. During this period he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998. Mr. Mosonyi is also Honorary President of the Association of Joint Ventures and Vice-Chairman of the Hungarian Chamber of Commerce & Industry.

Michel-Marc Delcommune

MOL Group Chief Financial Officer between 11th October, 1999 and 1st September, 2004, he was Group Chief Strategic Officer until 1st July 2006, and member of the Board of Directors since 28th April, 2000 and member of the Sustainable Development Committee.

Mr. Delcommune joined the PetroFina Group in 1972. From 1990, he was primarily responsible for Corporate Finance and Insurance as Senior Vice-President and Chief Financial Officer. Mr. Delcommune served as Director – Human Resources from 1999, handling the successful merger of PetroFina with Total. Mr. Delcommune is a member of the International Advisory Board of Cornell University Business School and also a Board member of TVK Plc. Mr. Delcommune is a Belgian citizen.

of Deloitte & Touche Hungary and one of the leading managers in the Central & East European Region between 1992-2001 as well as a member of the Council of the Hungarian National Bank between 1992-1998. Dr. Kemenes also contributes to the preparation of country reports for the OECD, EU and IMF. He is a Supervisory Board member at B.I.L. Ltd. and Reneal Ltd.

Iain Paterson

Dr. Ernő Kemenes

Member of the Board of Directors since 11th October, 2002 and member of the Finance and Risk management Committee and the Sustainable Development Committee.

Dr. Kemenes was a lecturer, then head of the department at Budapest University of Economic Sciences & Public Administration from 1963. He held various senior positions in the National Planning Office, the Ministry of Education & Culture, and the Office of the Prime Minister between 1968-1997. He was also head of the National Planning Office between 1987-1990. He was head

Member of the Board of Directors since 24th February, 1999, member of the Finance and Risk management Committee and the Sustainable Development Committee.

From 1970 onwards, Mr. Paterson held various positions at British Petroleum Plc. in Great Britain, USA and the Middle East. Between 1984 and 1998, he was with Enterprise Oil Plc., serving from 1991 as a Main Board member with responsibility for international activities. He is currently also Chairman of ITE Group Plc., Chairman of Plebble Loyalty Limited, and a non-executive director of Hunting Plc. and ArmorGroup International Plc. Mr. Paterson is a British citizen.





At MOL Group management request, the Supervisory Board has carried out a review of the Company's sustainable development disclosure for calendar year 2007. 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 and the Corporate Sustainability internet site's content and the SD Chief Advisor's detailed account. In addition, our review process was supported by independent external verification 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 and includes more detailed information.

There are two important changes made in MOL reporting practices compared to previous years. The publication covers only topics and information that are relevant for the given year or changes that occurred in basic or general issues. The Corporate Sustainability page on MOL Group internet site covers all general, structural or operational issues that are basically not subject to change from one year to another. The other important change is the inclusion of a new "spotlight" part into each major chapter of the SD Report. The aim of this part is to highlight one or two very important topic, project or area in the life of MOL Group. This helps the readers to have a closer look and better understanding of how sustainable development is implemented within the company.

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. Detailed financial data and information can be found in the Company's consolidated Annual Report.

This is the second 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 disclosure 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 disclosure, both now and in the future. The economic, environmental and social data and information presented in this Report and internet page 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, 31st of March, 2008

Dr. Mihály Kupa
Chairman of the Supervisory Board



Deloitte Ltd. Co. has completed the verification of MOL Group's report titled "Sustainable Development Report 2007". 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 limited review 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 2007, 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 2007", 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 2007".

Audit.Tax.Consulting.Financial Advisory.

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 limited review and our discussions with the employees responsible for the "Sustainable Development Report 2007", we make the following recommendations:

- we suggest improving the operational practice of the organization, and reviewing and adapting the regulation of the practice;
- we suggest further reinforcing the internal sustainability related communication;
- 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 recommend to review the data collecting and management procedure of the data presented in the "Sustainable Development Report 2007" and insert control points in it;
- we suggest for considerations centralizing the data collecting system connected with the "Sustainable Development Report 2007" supported by the controlling and maintaining the responsibility of the divisions' leaders;
- we suggest for considerations performing a sustainability related survey among the stakeholders of the MOL Group.

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 Ltd. Co.

Péter Oszkó
Hungary Country Leader

dr. Judit Ladó
Partner

Róbert Reiniger
Environmental Director

Budapest, March 31, 2008

Member of
Deloitte Touche Tohmatsu

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)

– ETBE 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.

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.

Leading indicator

– leading indicators are used to monitor the effectiveness of control systems and give advance warning of any developing weaknesses before problems occur.

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).

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)

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.

ROACE (Return on Average Capital Employed)

– operating profit after taxation divided by average capital employed (average capital employed – opening value/2 + closing value/2; capital employed – total assets – long-term financial investments - work in process – securities – cash and cash equivalents - total current liabilities + short term debts + current portion of long-term debts).

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 surface 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



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