NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 DECEMBER 2014

1. GENERAL

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 on the transformation of its legal predecessor, the Országos Kőolaj- és Gázipari Tröszt (OKGT). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of OKGT were revalued as at that date. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) are involved in the exploration and production of crude oil, natural gas and other gas products, refining, transportation and storage of crude oil and wholesale and retail marketing of crude oil products, production and sale of olefins and polyolefins. The number of the employees in the Group as of 31 December 2014 and 2013 was 27,499 and 28,769, respectively. The registered office address of the Company is 1117 – Budapest, Október huszonharmadika u. 18., Hungary.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are listed on the Luxembourg Stock Exchange and are traded on London's International Order Book and Over The Counter (OTC) market in the USA.

2.1. AUTHORIZATION, STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

i) Authorization and Statement of Compliance

These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 16 March 2015.

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

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

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

ii) Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective on 31 December 2014.
MOL Plc. prepares its statutory unconsolidated financial statements in accordance with the requirements of the accounting regulations contained in Law C of 2000 on Accounting (HAS). Some of the accounting principles prescribed in this law differs from IFRS.

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

The financial year is the same as the calendar year.

iii) Principles of Consolidation

Subsidiaries

The consolidated financial statements include the accounts of MOL Plc. and the subsidiaries that it controls. Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the settlement date. Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of net assets. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

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

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

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

Joint arrangements

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements are divided into two types: joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement in the normal course of business.
If the Company has rights to the assets and obligations for the liabilities relating to the arrangement then the arrangement is qualified as a joint operation The Company's interest in a joint operation are accounted for by recognising its relative share of assets, liabilities, income and expenses of the arrangement, combining with similar items in the consolidated financial statements on a line-by-line basis. When the Group contributes or sells assets to the joint operation, based on the substance of the transaction gain or loss from the transaction is recognized only to the extent of other parties' interest in the joint operation. When the Group purchases assets from the joint operation, the Group does not recognize its share of the profits of the joint operation from the transaction until it resells the assets to an independent party.

If the Company has rights to the net assets of the arrangement then the arrangement is qualified as a joint venture. The Group's investments in joint ventures are accounted for using the equity method of accounting. Investment in a joint venture is recognised initially at cost and it should be subsequently adjusted for the post-acquisition changes in the share of the joint venture's net asset. The Group's share from the profit or loss of the joint venture's operation is included as a single line item in the income statement. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.
The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.
Investments in associates are assessed to determine whether there is any objective evidence of impairment. If there is evidence of impairment the recoverable amount of the investment is determined to identify any impairment loss to be recognised. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

2.2. CHANGES IN ACCOUNTING POLICIES

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

Revision of operational segments

Starting from 1 January 2014, the Group has revised some of its operational segments to reflect changes in organizational responsibilities as well as the approach of the Group's chief operating decision making bodies with respect to resource allocation and performance analysis. As a consequence, the following Upstream service companies: Crosco, Rotary, Geoinform, GES and GES Middle East were reclassified from Upstream to Corporate and other.

Change in subsequent measurement of strategic inventories

The Group re-assessed its accounting for strategic inventories that are held on stock to be able to promptly substitute any damaged major equipment in the production facilities. The Group has previously measured all strategic inventories at cost less accumulated depreciation and impairment. Depreciation was recognised from the date of purchase through the useful life of these inventories or the production facility (whichever is lower).

As of 1 January 2014 the Group has elected to change the method of subsequent measurement of strategic inventories not dedicated solely to specific equipment. With the amendment these inventories are initially recognised as construction in progress and not depreciated until installation. Subsequent to the installation these assets are depreciated during the useful life of the production facility (or if lower the technical useful life of the inventory itself). Based on past practical experiences the Group believes that this new model more effectively demonstrates the value of these inventories. As of 31 December 2014, the amount of strategic inventories recognised as construction in progress was HUF 536 million.

Change in the classification of obligatory stock

The Group decided to change the balance sheet classification of the obligatory level of inventory required by state legislations, believing that the classification as Other non-current asset reflects better the economic substance of this type of assets. These obligatory stocks are not used within the operating cycle of the business meaning that these assets are not available in short-term to be converted into cash. The reclassified amounts should be subject of impairment test, comparing their net book value with their net realisable value based on long-term estimated sale prices (unless the inventory is realised in the next 12 months) reflecting the Company's intention to hold these stocks longer than the normal inventory turnover. The comparative period has been modified, reclassifying current assets in the amount of HUF 30,054 million to the category Other non-current assets in the balance sheet as of 31 December 2013.

IFRS and IFRIC interpretations adopted in current year

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

- *Amendments to IFRS 10, IFRS 12 and IAS 27 relating to Investment Entities*
- *IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*
- *IFRIC 21 Levies*
- *Amendments to IAS 36 Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets*
- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting*
- *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*
- *Annual improvements 2010-2012 Cycle*
- *Annual improvements 2011-2013 Cycle*

The principal effects of these changes are as follows:

Amendments to IFRS 10, IFRS 12 and IAS 27 relating to Investment Entities

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Group.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. This interpretation is effective for annual periods beginning on or after 1 January 2014 and has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Amendments to IAS 36 Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the requirement to disclose recoverable amount of those CGUs to which goodwill or other intangibles with indefinite useful lives had been allocated when there was no impairment or reversal of impairment recognised on the related CGU. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and do not have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and do not have material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

2.3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. As the members of Group are parties in several joint operations and considering the Group's active portfolio management, the financial statements could be impacted by these amendments.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Presentation Currency

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

ii) Business Combinations and Goodwill

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is recognised in profit or loss.
Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition, only if they qualify as period measurement adjustments and occur within 12 months from the acquisition date. All other subsequent changes in the fair value of contingent consideration are accounted for either in profit or loss or as changes to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

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

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

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

iii) Investments and Other Financial Assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months from the balance sheet date and are not held with the primary purpose of being traded. In this case all payments on such instruments are classified as non-current. As of 31 December 2014 the Group presents financial assets designated as at fair value through profit and loss in the amount of HUF 221,646 million reflecting the fair value of the Euro denominated sovereign securities held by MOL Plc.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale financial investments

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

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

Fair value

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

iv) Classification and Derecognition of Financial Instruments

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

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

v) Derivative Financial Instruments

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

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

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

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

- the economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- a hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current year net profit.

vi) Hedging

For the purpose of hedge accounting, hedges are classified as

- fair value hedges
- cash-flow hedges or
- hedges of a net investment in a foreign operation.

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

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

Fair value hedges

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

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

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

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

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

Cash-flow hedges

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

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

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

Hedges of a net investment

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

vii) Impairment of Financial Assets

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

Assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial investments

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

viii) Cash and Cash Equivalents

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

ix) Trade Receivables

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

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

x) Inventories

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

xi) Property, Plant and Equipment

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

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

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

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

xii) Intangible Assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method. The amortisation period and the amortisation method are reviewed annually at each financial year-end. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash generating unit level.

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

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

xiii) Depreciation, Depletion and Amortisation

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

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

Depletion and depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system using the unit of production method, based on proved and developed commercially recoverable reserves. Recoverable reserves are reviewed on an annual basis. Transport systems used by several fields and other assets are calculated on the basis of the expected useful life, using the straight-line method. Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance costs are depreciated until the next similar maintenance takes place. The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment, and, if necessary, changes are accounted for in the current period.

xiv) Impairment of Assets

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

The Group assesses at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor is higher than its carrying amount net of depreciation, had no impairment loss been recognised in prior years.

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

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

xv) Oil and natural gas exploration and development expenditures

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

Licence and property acquisition costs

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

Exploration expenditure

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

When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment.

Development expenditure

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

xvi) Interest-bearing loans and borrowings

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

xvii) Provisions

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

Provision for Redundancy

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

Provision for Environmental Expenditures

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

Provision for Decommissioning

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

Provision for Retirement Benefits

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

xviii) Greenhouse gas emissions

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

xix) Share-based payment transactions

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

Equity-settled transactions

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

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

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

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

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

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

Cash-settled transactions

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

xx) Leases

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

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

xxi) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

xxii) Reserves

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

Translation reserves

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

Fair valuation reserves

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

Equity component of debt and difference in buy-back prices

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

xxiii) Treasury Shares

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

xxiv) Dividends

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

xxv) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed. Having assessed the probability of receiving economic benefits from sales activities in Group's operations in Kurdistan the management decided to recognise revenue on a cash basis on export sales in Kurdistan and recognise revenue on accrual basis for all other export and domestic sales.

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

xxvi) Borrowing Costs

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

xxvii) Income Taxes

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are never taxable or deductible or are taxable or deductible in other years. The Group's current income tax is calculating using tax rates that have been enacted or substantively enacted by the end of the reporting year.
Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

xxviii) Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

xxix) Foreign Currency Transactions

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

Foreign exchange differences on monetary items with a foreign operation are recognised in other comprehensive income if settlement of these items is neither planned nor likely to occur in the foreseeable future.

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

In case of a partial disposal of a subsidiary without any loss of control in the foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other disposals such as associates or jointly controlled entities not involving a change of accounting basis, the proportionate share of accumulated exchange differences is reclassified to profit or loss.
Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

xxx) Earnings Per Share

Basic earnings per share are calculated by decreasing the net profit for the period attributable to ordinary shareholders adjusted with the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity; and divided by the weighted average number of ordinary shares outstanding during the period, after deduction of the average number of treasury shares held over the period.

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

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxxi) Segmental Disclosure

For management purposes the Group is organised into three major operating business units: Upstream, Downstream, Gas Midstream. The business units are the basis upon which the Group reports its segment information to the management who is responsible for allocating business resources and assessing performance of the operating segments.

xxxii) Contingencies

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

2.5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements in applying the accounting policies

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

Revenue recognition for oil and gas activities and impairment of assets in Syria

Consequent to the political turmoil started in 2011 and the sanctions posed by US and EU on Syria, treatment of revenues from operations therein requires judgement. Having assessed the probability of receiving economic benefits from sales activities in Group's Syrian operations, including counterparty risk associated with GPC, the Syrian National Oil Company, the management decided that criteria set out in IAS 18 – Revenue Recognition were not met from early 2011. Therefore, beginning from this date, revenue was recognized only if cash has been received from GPC though until 26 February 2012 INA regularly issued invoices, the last invoice being issued for February 2012. August 2011 was the last month for which INA invoices were paid in full. INA's unrecorded revenues until February 2012 accumulate to approximately USD 372.5 million.

On 22 February 2012 Croatia adopted EU/UN sanctions towards Syrian Arab Republic, hence INA d.d. declared Force Majeure as from 26 February 2012. By declaring Force Majeure, INA d.d. suspended all its petroleum activities in Hayan and Aphamia blocks as per Production Sharing Agreement (Hayan/Aphamia) and recalled all its local and expatriate employees. Although the production in Hayan Block is still ongoing, the Group has not recognised production volumes since the announcement of Force Majeure. Due to inadequate operating condition and lack of regular maintenance the physical deterioration of surface facilities is reflected in depreciation charge calculated based on an average residual useful life of 3.5 years. Depreciation charge for 2014 and 2013 was recognised in amount of HUF million 12,355 and HUF 21,465 million, respectively.

Since the announcement of Force Majeure no revenue has been accounted for. These circumstances also gave rise to an impairment indicator with respect to the Group's Syrian assets. The Group performed an impairment test on its Syrian non-current assets of Hayan Block, being a separate cash generating unit (see Note 5). Such impairment calculation requires an estimate of the recoverable amount of the cash generating unit, that is, the higher of fair value less costs to sell and value in use. Value in use has been determined on the basis of discounted estimated future net cash flows and of multiple scenarios with respect to return to normal production. The most significant variables in determining cash flows are discount rates, the period for which cash flow projections are made, probabilities relating to different scenarios as well as the assumptions and estimates used to determine the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), the incremental rebuilding costs, operating expenses and future annual production volumes. While such cash flows reflect the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. The possible impacts of multiple probability weighted settlement scenarios on Group's operation in Syria representing:

I.) Havaria: the properties are subject to physical damage as a result of targeted or accidental attacks.

II.) Return to operation: after crisis settlements and full or partial removals of sanctions the Group expects to return to operations within 3 to 10 year time horizon.

III.) No return: the Group is disabled returning at all and the assets are lost.

For estimation of future production volumes the proved developed reserves derived from business plans prior to Force Majure were used. Asset-specific discount rates were derived from the USD-based weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.3% (see note 5). Based on multiple-scenario DCF calculations the Group has recorded impairment in 2014 and in 2013 in amount of HUF 50,429 million and HUF 34,905 million on non-current assets and of HUF 1,997 million and HUF 1,968 million on current assets in Hayan Block, respectively.

On the basis of technical information available prior to Force Majeure and of uncertainties over the possible date of return to operation the Group also recorded impairment on the Syrian Aphamia Block related to the prior years' drillings in amount of HUF 8,460 million in 2013.

Scope of environmental and field abandonment provision

The Group recognised significant amount of provisions in connection with its operations having environmental impact. Regulations, especially environmental legislation do not exactly specify the extent of remediation work required or the technology to be applied. Management uses its previous experience and its own interpretation of the respective legislation to determine the scope of environmental and field abandonment provisions. The amount of environmental provision is HUF 77,005 million and HUF 71,533 million, while field abandonment provision amounts to HUF 265,273 million and HUF 198,372 million as of 31 December 2014 and 2013, respectively (see Note 20).

Application of Successful Efforts method of accounting for exploration and evaluation assets

Management uses judgement when capitalized exploration and evaluation assets are reviewed to determine capability and continuing intent of further development. Carrying amount of exploration and evaluation assets is HUF 260,994 million and HUF 221,002 million as of 31 December 2014 and 2013, respectively (see Note 4).

Sources of estimate uncertainty

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

Calculation of the fair values of financial instruments

Fair valuation of financial instruments (especially the conversion option embedded in the perpetual exchangeable capital securities issued by a special purpose entity, Magnolia Finance Ltd, see Note 17) is performed by reference to quoted market prices or, in absence thereof reflects the market's or the management's estimate of the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates, and in case of the conversion option volatility of MOL share prices and dividend yield. Considering the worldwide financial crisis in the near past, current difficulties of the euro-zone and risks attributed to Central-Eastern-European economies, such fair value measurements contain an increased uncertainty. In case of the conversion option embedded in MOL's perpetual exchangeable capital securities, valuation was performed with reference to prices on the market of convertible instruments. Further details of financial instruments are described in Note 33.

Quantification and timing of environmental and field abandonment liabilities

Management estimates the future cash outflow associated with environmental and decommissioning liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash flows reflects managements' current assessment of priorities, technical capabilities and urgency of such obligations. Both the amounts and the timing of these future expenditures are reviewed annually, together with expectations on the rates used to discount these cash flows. Long-term nominal discount rates are expected to be between 3.5% and 4.5% (2013: 3.5%). Consequently, the carrying amount of these obligations (in case of environmental liabilities HUF 77,005 million and HUF 71,533 million, in case of field abandonment provision HUF 265,273 million and HUF 198,372 million as of 31 December 2014 and 2013, respectively, (see Note 20) is exposed to uncertainty.

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products. While such cash flows for each non-current asset or investment reflects the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of falling oil prices (considered as impairment indicator), the economic difficulties experienced worldwide, in the euro-zone and also in the Central-Eastern European region where the Group operates. In addition, recent turmoil in North-African and Middle-East countries add a further uncertainty to the recoverability assumptions of non-current assets therein. Discount rates were derived from the USD-based weighted average cost of capital for the Group (8.0%). In each case these rates are adjusted for segment-, country- and project-specific risks, as applicable. Impairment recorded in the consolidated income statement amounts to HUF 91,030 million and HUF 237,708 million in 2014 and 2013, respectively. These charges include an impairment loss of HUF 15,274 million on intangible assets (2013: HUF 56,141 million), mainly for exploration and evaluation assets written-off in amount of HUF 15,211 million (2013: HUF 44,498 million, and impairment loss of HUF 9,504 million on goodwill), an impairment loss of HUF 79,421 million (2013: HUF 182,538 million) and a reversal of impairment of HUF 3,665 million (2013: HUF 971 million) on property, plant and equipment. Carrying amount of goodwill is HUF 38,388 million and HUF 36,382 million as of 31 December 2014 and 2013, respectively (see Note 4).

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

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of such recognized deferred tax assets was HUF 140,879 million and HUF 67,090 million as of 31 December 2014 and 2013, respectively (see Note 30).

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Provision for retirement benefit is HUF 23,184 million and HUF 17,664 million at 31 December 2014 and 2013, respectively (see Note 20).

Outcome of certain litigations

MOL Group entities are parties to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses judgement when probability of future outflow of economic benefits is determined and estimations when the most likely outcome of these actions is assessed and provision is recognized on a consistent basis. Provision for legal claims is HUF 24,610 million and HUF 18,713 million at 31 December 2014 and 2013, respectively (see Note 20 and 34).

2.6. CORRECTION OF AN ERROR

MOL has not recognised (net) deferred tax asset for the deductible and taxable temporary differences on provision for field abandonment liabilities and the corresponding increase in assets values, since deferred tax assets and liabilities for temporary differences, which arise from the initial recognition of an asset or liability in a

transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss cannot be recognised. However, a net deductible temporary difference arose after the initial recognition once the assets started to depreciate, which was not recorded by the Group so far.
The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

	1 JANUARY 2013	31 DECEMBER 2013	1 JANUARY 2014
	HUF million	**HUF million**	**HUF million**
Consolidated statement of financial position			
Deferred tax assets	17,805	18,264	18,264
Total non-current assets	17,805	18,264	18,264
TOTAL ASSETS	17,805	18,264	18,264
Reserves	17,805	17,805	18,264
Profit/(loss) for the year attributable to equity holders of the parent	-	459	-
Equity attributable to equity holders of the parent	-	459	-
Total equity	17,805	18,264	18,264
TOTAL EQUITY AND LIABILITIES	17,805	18,264	18,264
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Income tax expense	-	(459)	-
Profit/(loss) for the year	-	459	-
Attributable to equity holders of the parent	-	459	-

Impact on basic and diluted earnings per share (EPS) was only HUF 5 (restating from HUF 160 to HUF 165) for the period ended on 31 December 2013. The change did not have an impact on Other Comprehensive Income for the period or the Group's operating, investing and financing cash flows.

3. SEGMENTAL INFORMATION

2014	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**
Net Revenue						
Sales to external customers	198,112	4,399,575	206,717	62,203		**4,866,607**
Inter-segment sales	315,980	10,896	26,089	155,017	(507,982)	-
Total revenue	**514,092**	**4,410,471**	**232,806**	**217,220**	**(507,982)**	**4,866,607**
Results						
Profit/(loss) from operations	75,275	(31,579)	23,532	(43,525)	16,377	**40,080**
Net finance costs						**104,464**
Income from associates				18,902		**18,902**
Profit before tax						**(45,482)**
Income tax expense/(benefit)						**5,384**
Profit for the year						**(50,866)**

2013	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**
Net Revenue						
Sales to external customers	176,218	4,834,553	348,478	41,168		**5,400,417**
Inter-segment sales	432,040	13,416	37,044	159,841	(642,341)	-
Total revenue	**608,258**	**4,847,969**	**385,522**	**201,009**	**(642,341)**	**5,400,417**
Results						
Profit/(loss) from operations	142,432	(169,659)	34,009	(62,351)	36,941	**(18,628)**
Net finance costs						**58,344**
Income from associates				20,062		**20,062**
Profit before tax						**(56,910)**
Income tax expense/(benefit)						**(37,959)**
Profit for the year						**(18,951)**

ASSETS AND LIABILITIES

31 DECEMBER 2014	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment	1,005,780	1,143,875	236,538	136,124	(9,303)	**2,513,014**
Intangible assets	285,701	65,729	2,196	26,326	(8,716)	**371,236**
Inventories	21,102	336,493	3,858	23,650	(20,512)	**364,591**
Trade receivables	28,102	381,710	28,538	46,669	(34,034)	**450,985**
Investments in associated companies and joint ventures	-	-	-	165,776	-	**165,776**
Not allocated assets						**783,923**
Total assets						**4,649,525**
Trade payables	69,735	350,792	11,168	44,095	(34,137)	**441,653**
Not allocated liabilities						**2,012,134**
Total liabilities						**2,453,787**

OTHER SEGMENT INFORMATION

2014	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
Capital expenditure:	**368,563**	**174,835**	**6,063**	**18,573**	**-**	**568,034**
Property, plant and equipment	274,620	173,415	5,945	9,495	-	**463,475**
Intangible assets	93,943	1,420	118	9,078	-	**104,559**
Depreciation and amortization	**210,509**	**127,091**	**13,488**	**20,016**	**(2,820)**	**368,284**
From this: impairment losses recognized in income statement	75,730	19,095	196	1,007	(1,333)	**94,695**
From this: reversal of impairment recognized in income statement	(1,872)	(1,793)	-	-	-	**(3,665)**

ASSETS AND LIABILITIES

31 DECEMBER 2013	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment	842,854	1,039,541	243,855	134,024	(7,347)	**2,252,927**
Intangible assets	245,271	62,470	2,948	20,455	(7,498)	**323,646**
Inventories	18,767	426,824	39,586	17,345	(37,016)	**465,506**
Trade receivables	156,583	449,471	40,907	37,292	(171,669)	**512,584**
Investments in associated companies and joint ventures	-	-	-	128,220	-	**128,220**
Not allocated assets						**976,269**
Total assets						**4,659,152**
Trade payables	71,390	468,284	160,651	25,888	(171,669)	**554,544**
Not allocated liabilities						**1,925,087**
Total liabilities						**2,479,631**

OTHER SEGMENT INFORMATION

2013	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
Capital expenditure:	**140,727**	**93,778**	**7,988**	**11,868**	**-**	**254,361**
Property, plant and equipment	85,139	92,375	6,720	5,164	-	**189,398**
Intangible assets	55,588	1,403	1,268	6,704	-	**64,963**
Depreciation and amortization	**224,573**	**278,151**	**21,921**	**20,150**	**(5,109)**	**539,686**
From this: impairment losses recognized in income statement	81,236	157,314	259	1,830	(1,960)	**238,679**
From this: reversal of impairment recognized in income statement	(385)	(504)	-	(82)	-	**(971)**

Impairment (net of reversal) recorded in the consolidated income statement amounts to HUF 91,030 million and HUF 237,708 million in 2014 and 2013, respectively. Impairments (including goodwill) recognised in 2014 decreased profit/(loss) from operation by HUF 73,858 million in Upstream, by HUF 17,302 million in Downstream, by HUF 196 million in Gas Midstream segment and by HUF 1,007 million in Corporate segment.

The operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. Upstream transfers crude oil, condensates and LPG to Downstream and natural gas to the Gas Midstream segment. The subsidiaries of Corporate segment provide maintenance, insurance and other services to the business segments. The internal transfer prices used are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

GEOGRAPHIC INFORMATION

ASSETS BY GEOGRAPHIC AREAS

31 DECEMBER 2014	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES
	HUF million	HUF million	HUF million
Hungary	56,810	724,166	26,039
Croatia	102,623	798,244	
Slovakia	6,027	470,600	1,601
Rest of European Union	64,404	318,694	3,297
Rest of Europe	15,459	74,280	
Rest of world	125,913	127,030	134,839
Total	**371,236**	**2,513,014**	**165,776**

31 DECEMBER 2013	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES
	HUF million	HUF million	HUF million
Hungary	56,023	699,847	21,451
Croatia	102,125	803,948	-
Slovakia	6,103	405,701	1,670
Rest of European Union	23,385	80,614	4,802
Rest of Europe	33,298	118,489	-
Rest of world	102,712	144,328	100,297
Total	**323,646**	**2,252,927**	**128,220**

SALES BY GEOGRAPHICAL AREA

	2014	2013
	HUF million	HUF million
Hungary	1,366,520	1,457,589
Croatia	593,352	705,369
Italy	434,215	613,574
Austria	430,718	511,723
Slovakia	424,889	421,268
Czech Republic	321,988	329,536
Romania	295,561	313,261
Poland	172,367	202,061
Germany	151,376	151,829
Bosnia-Herzegovina	129,439	131,657
Serbia	90,487	88,015
Slovenia	85,165	72,080
Switzerland	82,554	115,138
United Kingdom	37,928	21,426
Russia	22,097	39,703
Rest of Europe	99,150	107,549
Rest of Central-Eastern Europe	34,461	32,191
Rest of the World	94,340	86,448
Total	**4,866,607**	**5,400,417**

The Group had no single major customer the revenue from which would exceed 10% of the total net sales revenues in the years ended 31 December 2014 and 2013.

4. INTANGIBLE ASSETS

	RIGHTS	SOFTWARE	EXPLORATION AND EVALUATION ASSETS	GOODWILL	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January 2013					
Gross book value	136,347	48,773	264,270	86,769	**536,159**
Accumulated amortization and impairment	(74,170)	(38,549)	(36,462)	(41,028)	**(190,209)**
Net book value	62,177	10,224	227,808	45,741	**345,950**
Year ended 31 December 2013					
- additions	18,194	6,053	52,066	-	**76,313**
- acquisition of subsidiary	-	-	-	-	**-**
- amortization for the year	(8,157)	(3,108)	(1,469)	-	**(12,734)**
- impairment	(2,044)	(95)	(44,498)	(9,504)	**(56,141)**
- reversal of impairment	-	-	-	-	**-**
- disposals	(10,979)	(21)	(28)	-	**(11,028)**
- revaluation of emission quotas	(481)	-	-	-	**(481)**
- disposal of subsidiaries	(2,921)	(58)	(725)	-	**(3,704)**
- exchange adjustment	(483)	87	(5,702)	163	**(5,935)**
- transfers and other movements	(1,754)	(372)	(6,450)	(18)	**(8,594)**
Closing net book value	53,552	12,710	221,002	36,382	**323,646**
At 31 December 2013					
Gross book value	129,762	54,173	274,930	86,243	**545,108**
Accumulated amortization and impairment	(76,210)	(41,463)	(53,928)	(49,861)	**(221,462)**
Net book value	53,552	12,710	221,002	36,382	**323,646**
Year ended 31 December 2014					
- additions	15,036	5,969	91,673	-	**112,678**
- acquisition of subsidiaries	-	80	-	-	**80**
- amortization for the year	(7,380)	(3,318)	(1,174)	-	**(11,872)**
- impairment	(42)	(21)	(15,211)	-	**(15,274)**
- disposals	(6,276)	(34)	-	-	**(6,310)**
- revaluation of emission quotas	278	-	-	-	**278**
- disposal of subsidiaries	(6)	-	(10,657)	-	**(10,663)**
- exchange adjustment	2,663	383	18,267	2,006	**23,319**
- transfers and other movements	3,451	(5,191)	(42,906)	-	**(44,646)**
Closing net book value	61,276	10,578	260,994	38,388	**371,236**
At 31 December 2014					
Gross book value	153,001	47,321	308,690	91,226	**600,238**
Accumulated amortization and impairment	(91,725)	(36,743)	(47,696)	(52,838)	**(229,002)**
Net book value	61,276	10,578	260,994	38,388	**371,236**

Exploration and evaluation assets

Impairment in 2014 mainly related to exploration activities qualified unsuccessful in Hungary (HUF 9,046 million), to the write-off of unsuccessful SK-1 well in Kazakhstan (HUF 2,652 million) and Novomatjushkinskaya-103 and Zapadno-Kedrovskaya-121 wells in Russia (HUF 1,938 million). Impairment in 2013 also related to exploration activities qualified unsuccessful in Hungary (HUF 6,536 million), to the write-off of unsuccessful Gulak and Bekhme wells in Kurdistan (HUF 10,326 million), Haw-1 well in Oman (HUF 6,498 million), Hayan block in Syria (HUF 9,717 million), Aphamia block in Syria (HUF 8,460 million) and Disouq block in Egypt (HUF 3,922 million).

Transfers from exploration and evaluation assets represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment (see Note 2.3 *xv.*). In addition to these exploration and evaluation assets, a further HUF 15,951 million and HUF 8,780 million exploration expenses were incurred in 2014 and 2013, respectively, which were not eligible for capitalization. Consistent with the successful effort method of accounting they were charged to various operating cost captions of the consolidated income statement as incurred.

Goodwill

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

	2014			2013		
	NET BOOK VALUE BEFORE IMPAIRMENT	IMPAIRMENT	NET BOOK VALUE	NET BOOK VALUE BEFORE IMPAIRMENT	IMPAIRMENT	NET BOOK VALUE
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Downstream	**35,099**	**-**	35,099	**42,772**	**9,504**	33,268
- Roth Group	8,013	-	**8,013**	7,556	-	**7,556**
- Romanian retail network	4,612	-	**4,612**	4,353	-	**4,353**
- IES Group	-	-	**-**	9,439	9,439	**-**
- Croatian retail network	15,302	-	**15,302**	14,487	-	**14,487**
- Czech retail network	6,695	-	**6,695**	6,395	-	**6,395**
- TVK	477	-	**477**	477	-	**477**
- TVK Polska*	-	-	**-**	65	65	**-**
Upstream	**3,289**	**-**	**3,289**	**3,114**	**-**	**3,114**
- Rotary (former DrillTrans)	3,289	-	**3,289**	3,114	-	**3,114**
Total goodwill	**38,388**	**-**	**38,388**	**45,886**	**9,504**	**36,382**

* TVK Polska was closed in 2013

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

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

Roth Group

On 31 December 2014 goodwill of HUF 8,013 million (2013: HUF 7,556 million) was allocated to the wholesale activities of Roth Group operating mainly on the Austrian wholesale market, forming a separate cash generating unit within Downstream business segment. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the following years based on an estimated growth rate of 1%. This rate does not exceed the average long-term growth rate for the relevant Austrian markets. The rates used to discount the forecast cash flows reflecting risks specific to the Downstream segment vary between 8% and 9% in the years considered.
For the wholesale activities of Roth Group, there are reasonably possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. The implications of the key assumptions on the recoverable amount are discussed below:

– Discount rate assumptions – Management assessed discount rates based on the current and expected risk-free interest rate and the risks specific to the current activities of the unit. Even an increase of approximately 5.6 percentage points in this rate would give a value in use equal to the carrying amount of Roth Group's wholesale activities.

Romanian retail network

On 31 December 2014 goodwill of HUF 4,612 million (2013: HUF 4,353 million) was allocated to the Romanian retail network of the Group. For goodwill allocation purposes, the Romanian filling stations' network as a whole (being a group of cash generating units) is considered. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the whole network and extrapolates cash flows for the average residual useful life of the filling stations assuming no growth rate in gross margin, reflecting a competitive position. The rates used to discount the forecast cash flows reflecting risks specific to retail activities vary between 11% and 13% in the years considered.
With regard to the assessment of value in use of the Romanian retail network, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

IES Group

In 2013, as a consequence of the unfavourable economic environment that the refining business faces in Italy, after detailed assessment of the long term sustainability of the Mantova operations of IES the Group decided to convert the refinery into a products logistics hub. The Group performed an impairment test on its non-current assets including goodwill. As a result, the Group recognised full impairment charge of HUF 9,439 million against goodwill. For goodwill allocation purposes, the Mantova refinery and its wholesale activity (being a single cash generating unit) were considered.

Croatian retail network

On 31 December 2014 goodwill of HUF 15,302 million (2013: HUF 14,487 million) was allocated to the Croatian retail network comprising of filling stations under INA and Tifon brands. For goodwill allocation purposes, the Croatian filling stations' network as a whole (being a group of cash generating units including the Tifon and INA brands) is considered. For the network cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management and extrapolated cash flows for the average residual useful life of the filling stations based on an estimated growth rate which varies between 2% and 4% in the long-term. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 10% and 13% in the years considered.

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

Czech retail network

On 31 December 2014 goodwill of HUF 6,695 million (2013: HUF 6,395 million) was allocated to the Czech retail network comprising of filling stations under PapOil and Slovnaft brands. For goodwill allocation purposes, the Czech filling stations' network as a whole (being a group of cash generating units including the PapOil and Slovnaft brands) is considered. For the network cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management and extrapolated cash flows for the average residual useful life of the filling stations based on an estimated growth rate which varies between 2% and 4% in the long-term. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 11% and 12% in the years considered.

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

Rotary

Subsequent to an impairment test performed at the end of 2014, no impairment has been recognized on the goodwill relating to the activities of Rotary, drilling subsidiary of INA d.d. Discounted cash flow was calculated using a pre-tax discount rate of 9.5% (2013: 9.97%).

TVK Polska

The dissolution of TVK Polska finished on 28 February 2013 and the allocated goodwill was derecognised.

Intangible assets with indefinite useful life

In addition to goodwill, MOL Group has acquired the INA brand in 2009 which has an indefinite useful life, since practically the entire population in Croatia knows it and is perceived as a market leader with an extensive network of filling station. The Group does not intend to terminate this brand in the foreseeable future. The carrying amount of the INA brand was HUF 14,153 million as of 31 December 2014. Since the brand is an integral part of the Croatian filling station network, it has been included in the carrying value of the group of cash generating units to which the corresponding goodwill has been allocated and has been tested for impairment accordingly (see above).

5. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January 2013					
Gross book value	2,642,054	1,933,770	119,305	223,766	**4,918,895**
Accumulated depreciation and impairment	(1,056,256)	(1,162,656)	(90,264)	(1,344)	**(2,310,520)**
Net book value	**1,585,798**	**771,114**	**29,041**	**222,422**	**2,608,375**
Year ended 31 December 2013					
- additions and capitalizations	70,996	68,901	8,869	42,323	**191,089**
- acquisition of subsidiaries	622	62	47	-	**731**
- depreciation for the year	(153,577)	(127,104)	(8,563)	-	**(289,244)**
- impairment	(44,326)	(130,001)	(2,243)	(5,968)	**(182,538)**
- reversal of impairment	865	53	37	16	**971**
- disposals	(686)	(186)	(72)	(50)	**(994)**
- disposal of subsidiaries	(70,591)	(16,041)	(42)	(1,112)	**(87,786)**
- exchange adjustment	2,245	3,090	242	(1,084)	**4,493**
- transfers and other movements	17,394	(9,545)	2,034	(2,053)	**7,830**
Closing net book value	**1,408,740**	**560,343**	**29,350**	**254,494**	**2,252,927**
At 31 December 2013					
Gross book value	2,609,960	1,930,528	125,018	260,091	**4,925,597**
Accumulated depreciation and impairment	(1,201,220)	(1,370,185)	(95,668)	(5,597)	**(2,672,670)**
Net book value	1,408,740	560,343	29,350	254,494	**2,252,927**
Year ended 31 December 2014					
- additions and capitalizations	87,220	170,998	8,462	195,997	**462,677**
- acquisition of subsidiaries	12,238	1,120	-	54	**13,412**
- depreciation for the year	(143,996)	(113,485)	(7,901)	-	**(265,382)**
- impairment	(37,991)	(33,817)	(202)	(7,411)	**(79,421)**
- reversal of impairment	3,278	209	178	-	**3,665**
- disposals	(564)	(14)	(712)	(345)	**(1,635)**
- disposal of subsidiaries	(21,086)	(2,141)	(28)	(1,652)	**(24,907)**
- exchange adjustment	47,255	44,894	989	17,201	**110,339**
- transfers and other movements	42,180	(3,926)	3,949	(864)	**41,339**
Closing net book value	**1,397,274**	**624,181**	**34,085**	**457,474**	**2,513,014**
At 31 December 2014					
Gross book value	2,885,967	2,150,910	173,618	468,715	**5,679,210**
Accumulated depreciation and impairment	(1,488,693)	(1,526,729)	(139,533)	(11,241)	**(3,166,196)**
Net book value	**1,397,274**	**624,181**	**34,085**	**457,474**	**2,513,014**

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

North Sea asset acquisition from Wintershall and Premier Oil UK Limited

The Group has executed Share Purchase Agreements with Wintershall Norge AS for acquiring shareholding interest of Wintershall's UK North Sea basin off-shore assets in 14 licences in line with the Group's active portfolio development strategy. The portfolio includes non-operated equity stakes in the Broom (29% Working Interest), Catcher (20% WI), Cladhan (33.5% WI), Scolty and Crathes fields (50% WI). The transaction was completed on 24 March 2014. The deal is treated as asset acquisition and an addition of HUF 106,796 million was recognised as Property, plant and equipment and Intangibles.
As of 19 December 2014, MOL completed the acquisition of shareholding interest in 6 licences from Premier Oil UK Limited located in the UK Central North Sea area. The portfolio includes non-operated equity stakes in Scott (21.84% unitised Working Interest "WI"), Rochelle (15% unitised WI) and Telford (1.59% unitised WI) producing fields, as well as participating interest in exploration licences including the Rochelle Upper Jurassic deep prospect. The acquisition is estimated to increase MOL's 2P reserves by 14 MMboe, while prospective resources (7 MMboe, unrisked) provide an additional upside potential. The deal is treated as asset acquisition and an addition of HUF 82,755 million was recognised as Property, plant and equipment. Key assets (Scott, Telford and Rochelle) are operated by Nexen, one of the largest and most reputable and experienced operators in the region.

Impairment, net of reversal

Changes in estimates

In 2014 based on the requirements of IAS 16 the Group has performed an annual revision of useful lives of property, plant and equipment and intangibles, having HUF 257 million positive effects on the consolidated profits.

Impairment test of non-current assets in Syria

Changes in revenue recognition in Syria (see Note 2.5 on critical judgements) are considered as an impairment indicator, therefore the Group performed an impairment test on its Syrian non-current assets (including exploration and evaluation assets, see Note 4), qualifying as a cash generating unit. Such impairment calculation requires an estimate of the recoverable amount of the Syrian cash generating unit, that is, the higher of fair value less costs to sell and value in use. Value in use has been determined on the basis of discounted estimated future net cash flows and of multiple scenarios with respect to return to normal production. The most significant variables in determining cash flows are discount rates, the period for which cash flow projections are made, probabilities relating to different scenarios as well as the assumptions and estimates used to determine the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), the incremental rebuilding costs, operating expenses and future annual production volumes. While such cash flows reflect the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. Asset-specific discount rates were derived from the USD-based weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.3% (17.5% in 2013). Based on multiple-scenario discounted cash-flow calculations the Group has recorded impairment in amount of HUF 50,429 million and HUF 43,365 million in Syria in 2014 and in 2013, respectively (of which HUF 50,327 million and HUF 25,188 million relates to PP&E). After recognizing impairment the book value of total Group assets in Syria as at 31 December 2014 was HUF 30,348 million (31 December 2013: HUF 89,647 million).
The management regularly monitors and, if needed, re-assesses impairment calculations based on latest developments in the country

Impairment test on refining and wholesale assets of IES

In 2013, as a consequence of the unfavourable economic environment that the refining business faces in Italy, after detailed assessment of the long-term sustainability of the Mantova operations of IES the Group decided to convert the refinery into a products logistics hub. The Group performed an impairment test on Italian refining and wholesale assets, qualifying as a cash generating unit. Since the refinery operation abandoned as of the end of 2013 all related assets were written off. For the wholesale activity cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management. Based on the calculation, the Group recognised an impairment charge of HUF 114,393 million against Property, plant and equipment and Intangibles (excluding Goodwill) in 2013. Currently, the book value of total Group refining and wholesale assets in Italy as at 31 December 2014 was HUF 11,748 million (as at 31 December 2013: HUF 6,015 million).

Impairment test on refining and wholesale assets of INA

As a consequence of the unfavourable economic environment, after detailed assessment of the long-term sustainability of the Sisak and Rijeka refining operations of INA the Group performed an impairment test on Croatian refining and wholesale assets, qualifying as cash generating units. For the refining and wholesale activity, cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management. Based on the calculation, the Group recognised an impairment expense of HUF 15,990 million and HUF 27,709 million in 2014 and 2013, respectively against Property, plant and equipment, of which HUF 15,990 million relates to assets in operation in 2014 (2013: HUF 26,745 million). After recognizing impairment the book value of total Group refining and wholesale non-current assets in Croatia as at 31 December 2014 was HUF 141,232 million (31 December 2013: HUF 153,157 million).

Other impairment expenses

Impairment expense of HUF 252 million and HUF 3,325 million were recorded with respect to the revision of field abandonment provision of maturing and suspended oil and gas producing fields in Hungary in

2014 and 2013, respectively. Impairment expense of HUF 1,163 million and HUF 1,988 million was recognised related to Hungarian oil and gas producing fields in 2014 and 2013. Impairment expense of HUF 3,752 million was recognised as write-off of unsuccessful wells in Croatia (for IKA and Čepelovac blocks, presented as construction in progress). Impairment expense of HUF 1,053 million was recorded with respect to filling stations and retail sites (2013: HUF 4,556 million). Other individually non-material impairment loss of HUF 3,219 million and HUF 4,408 million have been recognized in 2014 and 2013, respectively.

Leased assets

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

	2014	2013
	HUF million	HUF million
Cost	7,415	9,759
Accumulated depreciation	(3,540)	(5,008)
Net book value	3,875	4,751

Borrowing Costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of certain assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 5,139 million and HUF 4,196 million in 2014 and 2013, respectively. In 2014 and 2013 the applicable capitalisation rates (including the impact of foreign exchange differences) were 5.2% and 4.8% respectively.

Government Grants

Property, plant and equipment include assets with a value of HUF 11,957 million and HUF 12,477 million in 2014 and 2013 financed from government grants (See Note 25). The total amount reflects mainly the assets of FGSZ, which were partly financed via a European Union grant for the construction of the Hungarian-Romanian and the Hungarian-Croatian natural gas interconnector and transformation of nodes, and the assets of SLOVNAFT a.s. which were financed by the grant received from Slovakian government in order to serve State Authorities in case of state emergencies.

Pledged Assets

Assets with an aggregate net book value of HUF 22,318 million have been pledged by the Group of which HUF 13,070 million as collateral for loans utilized by IES, HUF 8,349 million by TVK-Erőmű Kft. and HUF 899 million by Tisza WTP Kft. As of 31 December 2013 the net book value of pledged assets was HUF 22,954 million, the majority of which relating to the assets of IES S.p.A.

6. SUBSIDIARIES AND JOINT ARRANGEMENTS

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2014	OWNERSHIP 2013
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	49%	49%
Upstream				
Adriagas S.r.l.	Italy	Pipeline project company	49%	49%
BHM OIL-Invest Ltd.	Cyprus	Exploration investment management	b)	100%
BMN Investment Ltd.	Cyprus / India	Exploration and production activity	b)	100%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	65%	54%
CEGE Geothermikus Koncessziós Kft.	Hungary	Geothermal energy production	65%, g)	-
EMSZ Első Magyar Szénhidrogén Koncessziós Kft.	Hungary	Geothermal energy production	100%, g)	-
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd.	United Kingdom	Exploration and production activity	49%	49%
Kalegran Ltd.	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
Ménrót Kft.	Hungary	Exploration investment management	100%	100%
Karpinvest Kft.	Hungary	Exploration investment management	100%	100%
KS EP Investment B.V. (joint operation)	Netherlands	Exploration investment management	49%	49%
Karpovskiy Severniy LLP (joint operation)	Kazakhstan	Exploration and production activity	49%	49%
MH Oil and Gas BV.	Netherlands	Exploration investment management	100%	100%
MK Oil and Gas BV.	Netherlands	Exploration investment management	51%	100%
BaiTex LLC	Russia	Exploration and production activity	51%	100%
MNS Oil and Gas B.V.	Netherlands	Exploration financing	100%, g)	-
MOL ENERGY UK LTD	Netherlands	Exploration and production activity	100%, g)	-
MOLGROWEST (I) Ltd.	United Kingdom	Exploration and production activity	100%, g)	-
MOLGROWEST (II) Ltd.	United Kingdom	Exploration and production activity	100%, g)	-
MOL OPERATIONS UK LTD	United Kingdom	Exploration and production activity	100%, g)	-
MOL UK FACILITIES LTD	United Kingdom	Exploration and production activity	100%, g)	-
MOL Cameroon B. V.	Netherlands	Exploration financing	100%, g)	-
MOL Caspian Oil and Gas Ltd.	Cyprus / Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd. (joint operation)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil Group Ltd. (joint operation)	Kazakhstan	Exploration and production activity	28%	28%
MOL Central Asia Oil and Gas Co. B.V.	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%
MOL Group International Services BV	Netherlands	Exploration financing	100%, g)	-
MOL (MV) Russia B.V.	Netherlands	Exploration financing	100%, g)	-
MOL Matjushkinskaya B.V.	Netherlands	Exploration financing	100%, g)	-
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
MOL Oman Ltd. (former: Lamorak Enterprises Ltd.)	Cyprus / Oman	Exploration and production activity	d)	100%
MOL Pakistan Oil and Gas Co. B.V.	Netherlands / Pakistan	Exploration and production activity	100%	100%
MOL-RUSS Ooo.	Russia	Management services	100%	100%
MOL West Oman B. V.	Netherlands	Exploration financing	100%, g)	-
MOL Yemen Oil and Gas (Cyprus) Ltd.	Cyprus / Yemen	Exploration and production activity	b)	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Platounko Investments Ltd.	Cyprus	Exploration financing	100%	100%
Silverdale	Cyprus	Exploration financing	b)	100%
Surgut Trading Ltd.	Russia	Trade of crude oil	50%	50%
Pronodar Ltd.	Cyprus / Cameroon	Exploration and production activity	c)	100%
Pyrogol Ltd.	Cyprus	Exploration and production activity	100%	100%
RUSI Services Ltd.	Cyprus	Exploration financing	100%	100%
Theatola Ltd.	Cyprus	Exploration investment management	100%	100%
Greentrade Ltd.	Cyprus	Exploration investment management	100%	100%
USI Ltd.	Cyprus	Exploration investment management	100%	100%
UBA Services Ltd.	Cyprus / Russia	Exploration investment management	b)	100%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2014	OWNERSHIP 2013
Gas Midstream				
CROPLIN, d.o.o.	Croatia	Natural gas trading	49%	49%
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
Prirodni plin d.o.o.	Croatia	Natural gas trading	e)	49%
Downstream				
Dunai Gőzfejlesztő Kft. (former: MOL-CEZ European Power Hungary Kft.)	Hungary	Steam and hot water supply	100%, g)	50%, f)
CM European Power Slovakia s.r.o.	Slovakia	Operation of thermo-power plant	50%, a)	50%, a)
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	50%	50%
Holdina (Guernsey) Ltd.	United Kingdom	Trading of oil products	49%	49%
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
IES SpA	Italy	Refinery and marketing of oil products	100%	100%
Batec S.r.l	Italy	Refinery and marketing of bitumen products	100%	100%
Greengas S.r.l.	Italy	Hydrogen plant operation	49%, a)	49%, a)
Nelsa S.r.l.	Italy	Trading of oil products	74%	74%
Panta Distribuzione S.r.l.	Italy	Trading of oil products	100%	100%
INA d.o.o.	Serbia	Trading of oil products	49%	49%
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA BL d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Crna Gora d.o.o.	Montenegro	Trading of oil products	49%	49%
INA Kosovo d.o.o.	Kosovo	Trading of oil products	49%	49%
INA Maziva Ltd. (former: Maziva Zagreb d.o.o.)	Croatia	Lubricants production and trading	49%	49%
INA-Osijek – Petrol d.d.	Croatia	Trading of oil products	49%	49%
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	49%	49%
Interina d.o.o. Skopje (under liquidation)	Macedonia	Trading of oil products	h)	49%
Leodium Investment Kft.	Hungary	Financial services	100%, g)	-
MOL Serbia d.o.o. (former: Intermol d.o.o.)	Serbia	Retail trade of fuels and lubricants	100%	100%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
Roth Heizöle GmbH	Austria	Trading of oil products	100%	100%
Rumpold Festbrennstoffe GmbH	Austria	Trading of solid fuels and other products	100%	100%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany GmbH (former: MK Mineralkontor GmbH)	Germany	Trading of oil products	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL-LUB Russ LLC	Russia	Production and trade of lubricants	100%	100%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2014	OWNERSHIP 2013
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Slovenija d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting of energetical products	100%	100%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail trade	100%	100%
MOL Retail Česká Republika s.r.o.	Czech Republic	Retail trade	100%, g)	-
MOL Ukraine LLC (former: TVK Ukrajna t.o.v.)	Ukraine	Wholesale and retail trade	100%	100%
MULTIPONT Program Zrt.	Hungary	Marketing agent activity	83%	83%
Pap Oil s.r.o. (former: Pap Oil Cerpaci Stanice s.r.o.)	Czech Republic	Retail trade	100%	100%
Petrol d.d.	Croatia	Trading of oil products	41%	41%
Polybit d.o.o. (under liquidation)	Croatia	Production and trading	49%	49%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	99%	99%
Apollo Rafinéria s.r.o.	Slovakia	Wholesale and retail trade	99%	99%
MOL Slovensko s.r.o.	Slovakia	Wholesale and retail trade	99%	99%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	99%	99%
Slovnaft Trans a.s.	Slovakia	Transportation services	99%	99%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
VÚRUP a.s. (former: Slovnaft VÚRUP a.s.)	Slovakia	Research & development	99%	99%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	99%	99%
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
TVK Plc.	Hungary	Petrochemical production and trading	95%	95%
Tisza-WTP Kft.	Hungary	Feed water and raw water supply	0%, a)	0%, a)
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	25%, a)	25%, a)
TVK France S.a.r.l. (under liquidation)	France	Wholesale and retail trade	95%	95%
TVK Italia S.r.l.	Italy	Wholesale and retail trade	100%	100%
Corporate and other				
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	49%	49%
CorteCros d.o.o.	Croatia	Production of anticorrosion products	29%	29%
Crosco B.V.	Netherlands	Oilfield services	49%	49%
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	49%	49%
Crosco International d.o.o. (Slovenia)	Slovenia	Oilfield services	49%	49%
Crosco International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	49%	49%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNER-SHIP 2014	OWNER-SHIP 2013
Crosco International Ltd.	United Kingdom	Oilfield services	49%	49%
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	49%
Mideast Integrated Drilling & Well Services Company LLC	Oman	Integrated drilling and completion services	24%	24%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
EMS Management Services Ltd. (under liquidation)	Cyprus	Management services	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Hungary	Fire service, ambulance service	100%	100%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
GES Kft. (under liquidation)	Hungary	Geophysical surveying and data processing	100%	100%
Geophysical Services Middle-East LLC (under liquidation)	Oman	Geophysical surveying and data processing	70%	70%
Hostin d.o.o.	Croatia	Tourism	49%	49%
ITR d.o.o.	Croatia	Car rental	49%	49%
Magnolia Finance Ltd.	Jersey	Financial services	0%, a)	0%, a)
MOL Group Finance S.A.	Luxemburg	Financial services	100%	100%
MOL Investment Kft.	Hungary	Financial services	100%, g)	-
MOL Reinsurance Ltd.	Cyprus	Captive insurance	100%	100%
MOL Vagyonkezelő Kft. (former: Hermész Tanácsadó Kft.)	Hungary	Consultancy	100%	100%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance services	99%	99%
STSI integrirani tehnički servisi d.o.o.	Croatia	Repairs and maintenance services	49%	49%
Ticinum Kft.	Hungary	Asset management	100%	100%
Top Računovodstvo Servisi d.o.o.	Croatia	Accounting services	49%	49%
TVK Ingatlankezelő Kft.	Hungary	Real estate management	95%	95%

a) Consolidated as required by "IFRS 10 - Consolidated Financial Statements"
b) Merged into Platounko Investments Ltd in 2014
c) Merged into MOL Cameroon B.V. in 2014
d) Merged into MOL West Oman B.V. in 2014
e) Merged into INA d.d. in 2014
f) Form of the joint operation as required by "IFRS 11 Joint Arrangements" from 2013
g) Fully consolidated from 2014
h) Divested in 2014

7. BUSINESS COMBINATIONS, TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisitions in 2014

MOL-CEZ European Power Hungary Kft.

As of 31 October 2014 MOL Plc. became the sole shareholder of the MOL-CEZ European Power Hungary Kft. (hereinafter MCEPH). Net cash consideration for acquisition of 50% in MCEPH was HUF 829 million. In the comparative period, the entity was presented as joint venture, reflecting the Group's share of 50% from the entity. As per IFRIC 4 – Determining whether an Arrangement contains a Lease the boiler farm owned by MCEPH was controlled by the Company, presenting 100% of the asset value in the consolidated balance sheet of the Group.

MOL Retail Ceska Republica s.r.o.

As of 3 December 2014 the Group successfully completed the take-over of the business activities of LUKOIL Czech Republic s.r.o. in the Czech Republic, including 44 service stations. This step will significantly contribute to improve MOL Group's market position and the intention of becoming a regional leader in selling fuel and non-fuel goods. MOL Group currently operates 192 service stations under Slovnaft, Pap Oil, and Lukoil brands in the Czech Republic, which are planned to be united in the course of 2015 under two strong brands.

The carrying amounts and provisional fair values of the assets and liabilities are the following:

MOL RETAIL CESKA REPUBLICA S.R.O.	HEADQUARTERS	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES (%)	CONSIDERATION TRANSFERRED
	Czech Republic	Retail trade	3 December 2014	100%	13,601

	CARRYING AMOUNT	PROVISIONAL FAIR VALUE ADJUSTMENT	PROVISIONAL FAIR VALUE ON ACQUISITION
	HUF million	**HUF million**	**HUF million**
Current assets			
Inventories	863	-	863
Trade and other recivables	1,554	-	1,554
Other current assets	362	-	362
Prepaid taxes	8	-	8
Cash and cash equivalents	1,522	-	1,522
Non-current assets			
Intangible assets	80	-	80
Property, plant and egiupment	7,609	5,803	13,412
Other non-current assets	642	-	642
Current liabilities			
Trade payables	(4,158)	-	(4,158)
Taxes and contributions	(132)	-	(132)
Other current liabilities	(368)	-	(368)
Non-current liabilities			
Long-term debt, net of current portion	-	-	-
Provisions	(803)	-	(803)
Deferred tax liabilities	1,033	(1,103)	(70)
	8,212	**4,700**	**12,912**
Goodwill arisen on acquisition			
Fair value of consideration transferred excluding cash held on escrow account			**12,912**
Less: fair value of identifiable net assets aquired			(12,912)
Goodwill arising on acquisition			-
Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash			13,601
Less: cash and cash equivalent balances acquired			(1,522)
			12,079

Acquisition in 2013

Croplin

Pursuant to the Purchase Agreement INA d.d. acquired 50% of equity in the entity Croplin d.o.o. from E.ON Hungaria Zrt. for HUF 371 million. At 3 September 2013 Commercial Court in Zagreb changes the ownership, and INA d.d. becomes the sole shareholder of Croplin d.o.o. Following the acquisition of 100% ownership, a total investment amounting to HUF 1,817 million and impairment of investments in the amount of HUF 967 million is transferred from investments in associates to investments in subsidiaries.

CROPLIN D.O.O.	HEADQUARTERS	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES (%)	CONSIDERATION TRANSFERRED
	Zagreb, Croatia	gas, distribution network of gas fuels	3 September 2013	50%	371

	CARRYING AMOUNT	PROVISIONAL FAIR VALUE ADJUSTMENT	PROVISIONAL FAIR VALUE ON ACQUISITION
	HUF million	HUF million	HUF million
Current assets			
Cash and cash equivalents	68	-	68
Trade and other receivables	132	-	132
Other current assets	269	-	269
Prepaid expenses and accrued income	31	-	31
Non-current assets			
Property, plant and equipment	1,064	(333)	731
Investments in associates and joint ventures	235	(235)	-
Investments in other companies	945	(945)	-
Current liabilities			
Trade payables	(2)	-	(2)
Taxes and contributions	(13)	-	(13)
Other current liabilities	-	-	-
	2,729	**(1,513)**	**1,216**
Goodwill arisen on acquisition			
Fair value of consideration transferred			371
Fair value of the previously held interest			845
Total consideration			**1,216**
Less: fair value of identifiable net assets acquired			(1,216)
Goodwill arising on acquisition			-
Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash			371
Less: cash and cash equivalent balances acquired			(68)
			303

8. DISPOSALS

Disposals in 2014

Partial disposal of BaiTex

The Group has sold 49% share of BaiTex LLC ("BaiTex") to the Turkish Petroleum Corporation ("TPAO"). BaiTex is the holder of the hydrocarbon licenses for Baituganskoye field and Yerilkinsky block in the Volga-Ural region, Russia. After receiving the approval of Russian Federal Anti-Monopoly Services, the deal had been completed in the first quarter of 2014. The disposal is in line with the Group's long-term portfolio management and risk sharing strategies. As 51% owner of Baitex, the Group remains the operating shareholder, and recognises 51% of its assets and liabilities due to consolidation of Baitex as Joint Operation. As the market value of the remaining net assets of Baitex is close to the book value, no valuation difference arose as a result of the transaction.

The carrying amounts of 49% of the assets and liabilities of BaiTex as of 31 March 2014 are the following:

	BAITEX
	HUF million
Intangible assets	10,663
Tangible assets	24,907
Other non-current assets	1,236
Inventories	202
Trade receivables	470
Other current assets	48
Prepaid taxes	49
Cash and cash equivalents	1,049
Total assets	**38,624**
Provisions and contingent liabilities	1,013
Deferred tax liabilities	3,952
Trade and other payables	2,649
Total liabilities	**7,614**
Net assets sold	**31,010**
Cash consideration received	42,278
Other correction item*	1,411
Net gain on disposal	**12,679**
The analysis of cash inflow on sales	
Net cash disposed of during the sale	(1,049)
Cash consideration received in 2013 (advance payment)	1,097
Cash consideration received in 2014	42,230
Net cash inflow	**42,278**

*As above presented Net assets sold are converted at transaction date HUF/USD rate, and historical asset values were applied for determination of net gain on disposal, the effect of recycling of cumulative foreign exchange difference was a gain of HUF 8,058 million.

Disposals in 2013

Russian operations (ZMB and MOL Western Siberia)

MOL has executed Share Purchase Agreements for the divestiture of MOL's 50% stake in OOO Zapadno-Malobalykskoye in line with the company's portfolio optimization. This company is the holder of the Zapadno-Malobalykskoye (ZMB) hydrocarbon license in Russia. The transaction was closed on 12 August 2013. MOL in line with the company's portfolio optimization has successfully divested its 100% stake in OOO MOL Western Siberia. The divested company owns the exploration license for the Surgut-7 block, which is strongly linked to the infrastructure of the Zapadno-Malobalykskoye field and thus it is part of a favourable package deal. The transaction was completed as of 3 September 2013.

The carrying amount of disposed assets and liabilities of ZMB and MOL Western Siberia as of 31 July 2013 and analysis of cash flows of the sale are the following:

	ZMB	WESTERN SIBERIA
	HUF million	HUF million
Intangible assets	-	1,652
Tangible assets	11,209	33
Deferred tax asset	750	473
Other non-current assets	100	-
Inventories	681	-
Trade receivables	2,550	-
Other current assets	1,322	195
Cash and cash equivalents	772	16
Total assets	**17,384**	**2,369**
Provisions and contingent liabilities	2,401	32
Trade and other payables	2,522	249
Current tax payable	63	30
Total liabilities	**4,986**	**311**
Net assets sold	**12,398**	**2,058**
Cash consideration received	29,294	4,468
Recycling of cumulative foreign exchange loss	(8,482)	(317)
Net gain on disposal	**8,414**	**2,093**
The analysis of cash inflow on sales		
Net cash disposed of during the sale	(772)	(16)
Cash consideration received	29,294	4,468
Net cash inflow	**28,522**	**4,452**

MMBF

MOL has signed a Share Purchase Agreement on 7th of October 2013 with the Hungarian Hydrocarbon Stockpiling Association (MSZKSZ) and MFB Hungarian Development Bank Zrt. (MFB) on the divestment of its stake held in MMBF Zrt.
The parties have agreed that the Hungarian State acquires 51% shareholding in MMBF from MOL through MFB. After the transaction MFB has 51% shareholding in MMBF. The remaining 21.46% stake of MOL is purchased by MSZKSZ which company was already a minority shareholder of MMBF.

As agreed in the Letter of Intent on divesting MOL's stake in MMBF Zrt, signed in March 2013, the transaction price was based onto the asset valuation prepared by independent valuation experts, including the full settlement of loans between MOL and MMBF. The transaction is fully cash-based, cash consideration for the shares was split into two parts (end of December 2013 and beginning of January 2014), settlement of loans occurred after the Balance Sheet Date.The closing of the transaction was on 30 December 2013.

The carrying amount of disposed assets and liabilities of MMBF as of 31 December 2013 and analysis of cash flows of the sale are the following:

MMBF	
	HUF million
Intangible assets	2,052
Property, plant and equipment	76,544
Deferred tax assets	11,485
Inventories	113
Trade receivables	2,086
Prepaid taxes	48
Other current assets	412
Cash and cash equivalents	1,095
Total assets	**93,835**
Long-term debt, net of current portion	33,697
Provisions	1,236
Other long-term liabilities	117
Trade and other payables	8,431
Short-term debt	-
Current portion of long-term debt	46,007
Total liabilities	**89,488**
Minority interest	13,665
Net assets sold	**(9,318)**
Consideration received	33,010
Recycling of cumulated exchange gain	84
Net gain on disposal	42,412
Net cash disposed during the sale	(1,095)
Cash consideration received in 2013	22,263
Cash consideration received in 2014	10,747
Net cash inflow	**31,915**

9. MATERIAL PARTLY-OWNED SUBSIDIARIES

INA Group

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2014	2013
INA-Industrija nafte d.d.	Croatia	51%	51%

	2014	2013
	HUF million	**HUF million**
Accumulated balances of material non-controlling interest	378,960	397,263
Profit/(loss) allocated to material non-controlling interest	(18,089)	(44,594)

The summarised financial information of INA-Industrija nafte d.d. are provided below. This information is based on amounts before intercompany eliminations.

SUMMARIZED INCOME STATEMENT	2014	2013
	HUF million	**HUF million**
Total operating income	968,013	1,092,083
Total operating expenses	(1,085,588)	(1,186,047)
Financial (expense) / income, net	(21,691)	(10,926)
Profit before income tax	**(139,266)**	**(104,890)**
Income tax expense	26,558	18,824
Profit for the year	**(112,708)**	**(86,066)**
Total comprehensive income	**(35,525)**	**(87,581)**
Attributable to non-controlling interests	(18,089)	(44,594)
Dividents paid to non-controlling interests	-	(6,818)

SUMMARIZED BALANCE SHEET	2014	2013
	HUF million	HUF million
Current assets	209,729	285,880
Non-current assets	1,056,239	1,090,451
	1,265,968	**1,376,331**
Current liabilities	(281,439)	(318,216)
Non-current liabilities	(240,274)	(277,914)
	(521,713)	**(596,130)**
Total Equity	**744,255**	**780,201**
Attributable to:		
Equity holders of the parent	365,295	382,938
Non-controlling interests	378,960	397,263

SUMMARISED CASH FLOW INFORMATION	2014	2013
	HUF million	**HUF million**
Net cash provided by operating activities	152,280	177,466
Net cash used in investing activities	(59,484)	(84,524)
Net cash provided by / (used in) financing activities	(89,572)	(96,030)
(Decrease) / increase in cash and cash equivalents	**3,224**	**(3,088)**

Magnolia Finance Ltd.

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2014	2013
Magnolia Finance Limited.	Jersey	100%	100%

	2014	2013
	HUF million	**HUF million**
Opening value of equity attributable to non-controlling interests	53,370	63,430
Change (coupon and dividend payments)	(11,121)	(10,060)
Closing value of equity attributable to non-controlling interests	**42,249**	**53,370**

In 2014, holders of the capital securities of Magnolia received a coupon payment of HUF 7,577 million. Coupon payments have been recorded directly against equity attributable (dividend paid) to non-controlling interests.

10. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

COMPANY NAME	COUNTRY	RANGE OF ACTIVITY	OWNERSHIP 2014	OWNERSHIP 2013	NET BOOK VALUE OF INVESTMENT 2014	NET BOOK VALUE OF INVESTMENT 2013
					HUF million	**HUF million**
Investment in associated companies						
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	10%	134,839	100,297
MET Magyarország Energiakereskedő Zrt. (MET)	Hungary	Natural gas trading	40%	40%	21,507	18,548
Mazzola & Bignardi S.r.l.	Italy	Retail trade	50%	50%	1,838	1,553
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40%	40%	1,184	1,078
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	25%	886	1,011
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	715	659
Other associated companies					441	555
Investment in joint ventures						
CM European Power International B.V.	Netherlands	Power plant investment management	50%	50%	-	2,012
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	49%	-	1,672	-
Rossi Biofuel Zrt.	Hungary	Biofuel component production	25%	25%	2,694	2,507
Total					**165,776**	**128,220**

COMPANY NAME	COUNTRY	RANGE OF ACTIVITY	CONTRIBUTION TO NET INCOME 2014	CONTRIBUTION TO NET INCOME 2013
			HUF million	**HUF million**
Investment in associated companies				
Pearl Petroleum Ltd.	Iraq	Exploration of gas	12,859	10,896
MET Magyarország Energiakereskedő Zrt. (MET)	Hungary	Natural gas trading	6,825	9,722
Mazzola & Bignardi S.r.l.	Italy	Retail trade	185	8
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40	(17)
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	23	13
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	42	29
Other associated companies			89	(260)
Investment in joint ventures				
CM European Power International B.V.	Netherlands	Power plant investment management	(1,794)	(880)
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	(11)	
Rossi Biofuel Zrt.	Hungary	Biofuel component production	644	551
Total			**18,902**	**20,062**

Pearl Petroleum Company Limited

On 15 May 2009 MOL signed an agreement to acquire 10% stake in Pearl Petroleum Company Limited (Pearl) from Crescent Petroleum and Dana Gas PJSC. Pearl holds all of the companies' legal rights in Khor Mor and Chemchemal gas-condensate fields in the Kurdistan Region of Iraq. Since the agreement between the shareholders grant MOL a significant influence on Pearl's operations, the company is treated as an associated company and is consolidated using the equity method accordingly.

The Group's interest (10%) as of 31 December 2014 in Pearl was as follows:

	2014	2013
	HUF million	**HUF million**
The associate's balance sheet:		
Non-current assets	178,672	154,322
Current assets	528,110	305,124
Non-current liabilities	(64,286)	(54,538)
Current liabilities	(25,312)	(10,506)
Net assets	**617,184**	**394,402**
Proportion of the Group's ownership at year end	10%	10%
Group's share of assets	61,718	39,440
Fair value adjustment	73,121	60,857
Carrying amount of the investment	**134,839**	**100,297**
The associate's income statement:		
Net revenue	143,849	128,703
Profit from operations	121,967	105,083
Net income attributable to equity-holders	128,589	108,963
Group's share of profit for the year	**12,859**	**10,896**

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

MET Magyarország Energiakereskedő Zrt. (MET)

The Group's interest (2013: 40%)as of 31 December 2014 in MET was as follows:

	2014	2013
	HUF million	**HUF million**
The associate's balance sheet:		
Non-current assets	12,988	861
Current assets	208,442	204,853
Non-current liabilities	3,951	651
Current liabilities	160,346	155,982
Net assets	**57,133**	**49,081**
Proportion of the Group's ownership at year end	40%	40%
Carrying amount of the investment	**21,507**	**18,548**
The associate's income statement:		
Net Revenue	1,100,593	879,064
Profit from operations	17,182	28,508
Net income attributable to equity-holders	16,837	24,313
Group's share of profit for the year calculated by proportion %	6,735	9,725
Group's net share of profit for the year recorded as income from associates *	**6,825**	**9,722**

* The difference between the calculated Group's share of the profit and the actual result recorded as income from associate are due to the foreign exchange difference arising in both years.

In 2014 and 2013 the Group received dividend on its 40% interest held in MET in the amount of HUF 4,887 million and HUF 22,968 million, respectively.

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

11. AVAILABLE-FOR-SALE INVESTMENTS

	NET BOOK VALUE OF INVESTMENT 2014	NET BOOK VALUE OF INVESTMENT 2013
	HUF million	**HUF million**
Quoted - Jadranski Naftovod d.d.	17,021	10,520
Other ordinary shares – unquoted	3,775	4,116
Total	**20,796**	**14,636**

MOL Group's investment in Jadranski Naftovod d.d. (JANAF), operator of Adria pipeline represents 12% of JANAF's outstanding shares. The value of the equity share in JANAF was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2014. Investments in other unquoted equity instruments of certain non-core entities are carried at cost less accumulated impairment losses, since determination of fair value is not practicable at this stage.

12. OTHER NON-CURRENT ASSETS

	2014	2013
	HUF million	**HUF million**
Long-term bank deposit	31,489	-
Obligatory level of inventory required by state legislations	30,832	30,054
Loans given (see Note 33)	12,159	10,937
Advance payments for assets under construction	5,380	15,524
Prepaid mining royalty	3,127	4,164
Advance payments for intangible assets	2,052	2,503
Prepaid fees of long-term rental	1,548	2,722
Net receivable from currency risk hedging derivatives as fair value hedge (see Note 33)	-	114
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 33)	-	864
Other	15,105	71
Total	**101,692**	**66,953**

MOL Plc. made long- term deposit of EUR 100 million with 2 years maturity and interest rate of 6M EURIBOR + 2,3% in June 2014.

The obligatory level of inventory required by state legislations are classified as Other non-current asset because they are not used within the operating cycle of the business i.e. these assets are not available in short-term to be converted into cash (see 2.2 Changes in Accounting Policies).

Loans given primarily contain the HUF 5,991 million shareholder loan acquired with respect to Pearl Petroleum Company, the purpose of which is to finance the field exploration and development activities of the associate. The loan has a market-based interest rate of LIBOR + 2%.

Mining royalty of HUF 20,000 million in 2005 was prepaid for fixing the level of mining royalty payable in the future and for the extension of exploration rights at certain Hungarian upstream concessions. The prepayment is amortized to the income statement beginning from January 2006 based on the expected production level of the fields until 2020. Amortization in 2014 and 2013 was HUF 1,038 million and HUF 1,163 million, respectively, and is expected to maintain a similar pattern in the forthcoming years.

13. INVENTORIES

	2014 AT COST	2014 LOWER OF COST OR NET REALISABLE VALUE	2013 AT COST	2013 LOWER OF COST OR NET REALISA-BLE VALUE
	HUF million	**HUF million**	**HUF million**	**HUF million**
Work in progress and finished goods	252,103	229,694	300,692	295,402
Other raw materials	72,409	55,531	74,727	60,282
Purchased crude oil	67,133	55,137	86,170	82,418
Other goods for resale	26,621	24,229	22,124	20,965
Purchased natural gas	-	-	8,674	6,439
Total	**418,266**	**364,591**	**492,387**	**465,506**

Impairment of HUF 25,907 million was recorded in 2014, mainly on refinery products (HUF 16,717 million) and raw materials (HUF 9,339 million). In 2013 HUF 7,229 million was recorded as impairment of inventories.

14. TRADE RECEIVABLES

	2014	2013
	HUF million	HUF million
Trade receivables	489,652	548,787
Provision for doubtful receivables	(38,667)	(36,203)
Total	**450,985**	**512,584**

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

Movements in the provision for doubtful receivables were as follows:

	2014	2013
	HUF million	HUF million
At 1 January	36,203	26,596
Additions	13,937	19,935
Reversal	(13,386)	(8,301)
Amounts written off	(2,234)	(2,398)
Currency differences	4,147	371
At 31 December	**38,667**	**36,203**

As at 31 December 2014 and 2013 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2014	2013
	HUF million	HUF million
Neither past due nor impaired	398,771	469,507
Past due but not impaired	52,214	43,077
Within 90 days	32,034	29,719
91 - 180 days	3,452	5,322
Over 180 days	16,728	8,036
Total	**450,985**	**512,584**

15. OTHER CURRENT ASSETS

	2014	2013
	HUF million	HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	57,281	75,421
Receivables from commodity hedging derivatives as cash flow hedge (see Note 32 and 33)	19,867	3,396
Receivables from joint venture partners	16,845	6,026
Advances paid	11,678	6,044
Receivables from closed derivative transactions	8,369	2,000
Prepaid expenses	5,614	4,727
Margining receivables	2,423	-
Receivables from financial instruments at fair value through profit and loss (see note 33)	1,754	437
Current portion of loans given, net* (see Note 33)	1,410	83,123
Security deposits	1,348	486
Interest receivable	744	6,196
Consideration receivable from disposal	-	10,514
Other	16,919	21,511
Total	**144,252**	**219,881**

* Current portion of loans given includes HUF 79,940 million receivable from MMBF in 2013. The loan was fully repaid in January 2014 as part of the MMBF disposal.

Analysis of loans given

	2014	2013
	HUF million	HUF million
Current portion of loans given	1,421	83,133
Provision for doubtful loans receivable	(11)	(10)
Total	**1,410**	**83,123**

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

	2014	2013
	HUF million	HUF million
At 1 January	10	75
Additions	-	3
Reversal	-	(69)
Currency differences	1	1
At 31 December	**11**	**10**

16. CASH AND CASH EQUIVALENTS

	2014	2013
	HUF million	HUF million
Cash at bank – HUF	29,130	77,961
Cash at bank – EUR	69,826	49,698
Cash at bank – USD	23,119	20,669
Cash at bank - HRK	9,728	10,743
Cash at bank – CZK	7,905	7,359
Cash at bank – PLN	286	3,127
Cash at bank – RON	5,893	2,185
Cash at bank – RUB	1,410	1,347
Cash at bank – other currencies	8,239	8,160
Short-term bank deposits – EUR	12,785	286,401
Short-term bank deposits – USD	23,323	41,862
Short-term bank deposits – HUF	212	28,272
Short-term bank deposits – other currencies	4,385	18,963
Cash on hand – HUF	1,301	1,393
Cash on hand – other currencies	5,669	5,632
Cash equivalents	532	398
Total	**203,743**	**564,170**

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

	2014	2013
Current accounts		
EUR	0.00% - 0.48%	0.00% - 0.29%
USD	0.01% - 0.25%	0.01% - 0.07%
HUF	0.55% - 2.63%	1.57% - 6.30%
Short-term bank deposits		
EUR	0.01% - 2.70%	0.01% - 1.82%
USD	0.03% - 2.00%	0.02% - 2.10%
HUF	0.60% - 3.30%	1.70% - 6.50%

17. SHARE CAPITAL

There was no change in the number of issued shares in 2014. As of 31 December 2014, the issued share capital was HUF 104,519 million, consisting of 104,518,484 series "A", one series "B" and 578 series "C" shares. Outstanding share capital as of 31 December 2014 and 2013 is HUF 79,229 million and HUF 79,215 million, respectively.

Ordinary shares of the series "A" have a par value of HUF 1,000 and ordinary shares of the series "C" have a par value of HUF 1,001. Every "A" class share with a par value of HUF 1,000 each (i.e. one thousand forint) entitles the holder thereof to have one vote and every "C" class share with a par value of 1,001 each (i.e. one thousand one forint) entitles the holder to have one and one thousandth vote, with the following exceptions. Based on the Articles of Association, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares.

Series "B" share is a voting preference share with a par value of HUF 1,000 that entitles the holder thereof to preferential rights as specified in the Articles of Association. The "B" series share is owned by MNV Zrt., exercising ownership rights on behalf of the Hungarian State. The "B" series share entitles its holder to one vote in accordance with its nominal value. The supporting vote of the holder of "B" series of share is required to adopt decisions in the following matters pursuant to Article 12.4. of the Articles of Association: decision on amending the articles regarding the B series share, the definition of voting rights and shareholder group, list of issues requiring supermajority at the general meeting as well as Article 12.4. itself; further, the "yes" vote of the holder of "B" series of share is required to adopt decisions on any proposal not supported by the Board of Directors in the following matters: election and dismissal of the members of the Board of Directors, the Supervisory Board and the auditors, decision of distribution of profit after taxation and amending of certain provisions of the Articles of Association.

Based on the authorization granted in the Article 17.D of the Articles of Association the Board of Directors is entitled to increase the share capital until April 23, 2019 in one or more instalments by not more than HUF 30 billion in any form and method provided by the Civil Code.

Treasury share transactions

Option agreements with ING Bank, UniCredit Bank and CA-CIB

The option rights arising out of the share option agreement concluded between MOL and ING Bank N.V. ('ING') on 27th November, 2012, regarding 5,220,000 MOL Series "A" Ordinary shares was cash settled in respect of all the shares on 27th November, 2013. The strike price for both call and put options was EUR 61.5060 per share.

Simultaneously, MOL and ING signed a share option agreement on 22nd November, 2013. As a result of the transactions, MOL received an American call option and ING received a European put option regarding the 5,220,000 MOL Series "A" Ordinary shares. The maturity of both options was 1 year. The strike price of both call and put option was EUR 49.38623 per one share. The strike price for both the call and the put options was amended to EUR 47.4444 per share in June 2014.

The option rights arising out of the share option agreement concluded between MOL and ING Bank N.V. on 22nd November, 2013, regarding 5,220,000 MOL Series "A" Ordinary shares was cash settled in respect of all the shares on 27th November, 2014. The strike price was EUR 47.4444 per share.

Simultaneously, MOL and ING signed a share option agreement on 24th November, 2014. As a result of the transactions, MOL received an American call option and ING received a European put option regarding the 5,220,000 MOL Series "A" Ordinary shares. The maturity of both options is 1 year with an additional 1 year extension possibility. The strike price of both call and put option is USD 50.92842 per one share.

Based on the agreement between MOL and UniCredit Bank AG ('Unicredit'), the option rights under the share option agreement in relation to the 3,561,053 MOL series "A" Ordinary shares concluded between UniCredit and MOL on 7th February, 2012 was cash settled in respect of all the shares on 13th February, 2013. The strike price for both, call and put options was EUR 70.36 per share.

MOL and UniCredit concluded a share purchase agreement in respect of 519,443 shares and a share option agreement in respect of 4,080,496 shares. As a result of these transactions, MOL received an American call options and UniCredit received European put options regarding the 4,080,496 number of shares on 13th February, 2013. The maturity of both the put and call options was one year, such maturity being subject to yearly extensions of one year, up to a total tenor of three years. The strike price of both call and put options was EUR 61.2671 per share. The strike price for both the call and the put options was amended to EUR 61.2656 per share in June 2013.

On 23rd December, 2013 MOL has agreed with UniCredit to an extension of the option agreements that it concluded with UniCredit on 7th February, 2013 in respect of a total of 4,080,496 pieces of MOL Series "A" Ordinary shares by one year. The effective date of the extension was 10th February, 2014. MOL continued to hold American call options and UniCredit continued to hold European put options in respect of a total of 4,080,496 Shares. The expiration of both the call and the put options is one year from the previous expiration, such maturity being subject to an option for a further extension by one additional year. The strike price of both the call and put options remained unchanged at EUR 61.27 per share.

Based on the share option agreement relating to 4,080,496 Series "A" MOL Ordinary shares concluded on 7th February, 2013 with UniCredit Bank A.G. and extended for 1 year as of 10th February, 2014. The strike price for both the call and the put options was changed to EUR 60.75697 per share in June 2014.

MOL entered into a share purchase and a share option agreement with Credit Agricole Corporate and Investment Bank ('CA CIB') on 3rd December, 2013. As a result of this transaction, CA CIB owned a total number of 2,129,666 MOL Series "A" ordinary shares. Under the share option agreement MOL had an American call option and CA CIB a European put option in relation to such shares. Both options maturity was in one year. The strike price for both the call and the put options was EUR 46.9557 per share. The strike price for both the call and the put options was amended to EUR 44.9987 per share in May 2014.

The option rights arising out of the share option agreement concluded between MOL and CA CIB on 3rd December, 2013, regarding 2,129,666 MOL Series "A" Ordinary shares, was cash settled in respect of all the shares on 9th December, 2014. The strike price was EUR 44.9987 per share.

Simultaneously, MOL and CACIB signed a share option agreement on 4th December, 2014. As a result of the transactions, MOL received an American call option and CACIB received a European put option regarding the 2,129,666 MOL Series "A" Ordinary shares. The maturity of both options is 1 year. The strike price of both the call and the put options is USD 48.0967 per one share.

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

Strategic Alliance with CEZ

On 20 December 2007 CEZ and MOL signed an agreement to create a joint venture. To strengthen the strategic alliance, CEZ purchased 7,677,285 pieces of "A" series MOL shares (7% stake) at HUF 30,000 which was financially closed and settled on 23 January 2008. MOL also purchased an American call option for the shares with a strike price of EUR 78.7 per share which could be exercised until 2014. The transaction became unconditional upon approval by the relevant competition offices on 18 June 2008. The call option has been recorded as a derivative financial asset, measured at its fair value, determined by applying the binomial valuation model.

Fair value of the option as of 31 December 2013 was nil (see Note 22 and 33), determined by applying the binomial valuation model. Spot market price (HUF 14,475 per share), implied volatility (21.7%) and no expected dividend have been used as input to the model.

CEZ option transaction expired in January 2014, without excercising the call option by MOL.

Share swap agreement with OTP

After the lending of 5,010,501 pieces of MOL shares to OTP has been terminated on 16 April 2009, MOL and OTP entered into a share – exchange and a share swap agreement. Under the agreements MOL transferred 5,010,501 "A" series MOL ordinary shares to OTP in return for 24,000,000 pieces OTP ordinary shares. The original expiration of the share-swap agreements was on 11 July 2012. During 2012 the expiration has been extended to 11 July 2017; until that date each party can initiate a cash or physical settlement of the deal.

Fair value of the share swap agreement amounted to HUF 1,401 million as at 31 December 2014 which has been recorded as derivative financial liability (see Note 22 and 33). As at 31 December, 2013 the fair value of the swap was HUF 979 million which was recorded as derivative financial liability (see Note 22 and 33).

Termination of, and entering into share lending

On 23 May 2013 the individual share lending agreement concluded with OTP Bank Plc. ('OTP'), on the bases of the effective share-lending framework agreement, regarding 371,301 "A" series MOL shares was terminated and the shares were credited on MOL's securities account.

On 3 June 2013 according to the effective share-lending framework agreement concluded with OTP, 371,301 pieces series "A" MOL ordinary shares have been lent to OTP.

On 23 May 2014 the individual share lending agreement concluded with OTP, on the bases of the effective share-lending framework agreement, regarding 371,301 "A" series MOL shares was terminated and the shares were credited on MOL's securities account. The ratio of the acquired share of the registered capital was 0,36%.

On 2 June 2014, 371,301 pieces series "A" MOL ordinary shares were lent to OTP under the individual share lending agreement came into effect according to the effective share-lending framework agreement concluded with OTP.

On 4 September 2014 the individual share lending agreement concluded with OTP under the share-lending framework agreement regarding 371,301 "A" series MOL shares was terminated and the shares were credited on MOL's securities account.

Issuance of exchangeable capital securities

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

Magnolia issued EUR 610 million of perpetual exchangeable capital securities (the "Capital Securities"), exchangeable into the Series "A" Ordinary Shares of MOL between 20 March 2011 and 12 March 2016 ("Exchange Period"), to international financial investors outside the United States, Canada, Jersey, Japan, Hungary and Poland. Capital Securities were sold at nominal value and with a fixed coupon payment of 4.00% per annum for the first ten years, based on an exchange rate of HUF 26,670 per share.

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

MOL does not have any direct or indirect equity interest in or control rights over Magnolia, but consolidates Magnolia for IFRS purposes in line with the requirements of IFRS 10 – Consolidated Financial Statements.

The issuance of Capital Securities by Magnolia resulted in an increase of equity attributable to non-controlling interest of HUF 121,164 million, net of transaction costs. Holders of the capital securities of Magnolia received a total coupon payment of HUF 7,577 million and HUF 7,284 million in 2014 and 2013, respectively. Coupon payments have been recorded directly against equity attributable to non-controlling interest.

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

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

The fair value of this derivative financial liability upon inception has been HUF 37,453 million. The fair value of the conversion option as of 31 December 2014 and 2013 was HUF 2,431 million and HUF 3,032 million respectively (see Note 21 and Note 33).

The fair valuation impact of the option was HUF 601 million gain and HUF 271 million loss in 2014 and 2013, respectively, recorded as finance income and finance expense in the accompanying consolidated income statement.

CHANGES IN THE NUMBER OF ORDINARY, TREASURY AND AUTHORIZED SHARES

SERIES "A" AND "B" SHARES	NUMBER OF SHARES ISSUED	NUMBER OF TREASURY SHARES	SHARES UNDER REPURCHASE OBLIGATION	NUMBER OF SHARES OUTSTANDING	AUTHORISED NUMBER OF SHARES
December 31, 2012	**104,518,485**	**(5,146,955)**	**(20,170,334)**	**79,201,196**	**134,519,063**
Settlement of the option agreement with UniCredit Bank A.G.	-	(3,561,053)	3,561,053	-	-
New option agreement with UniCredit Bank A.G.	-	4,080,496	(4,080,496)	-	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Treasury shares lent to OTP Bank Plc.	-	371,301	(371,301)	-	-
Share distribution for the members of the Board of Directors	-	13,500	-	13,500	-
Settlement of the option agreement with ING Bank N.V.	-	(5,220,000)	5,220,000	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
New option agreement with Credit Agricole Corporate and Investment Bank	-	2,129,666	(2,129,666)	-	-
December 31, 2013	**104,518,485**	**(2,484,346)**	**(22,819,443)**	**79,214,696**	**134,519,063**
Share distribution for the members of the Board of Directors	-	13,500	-	13,500	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Treasury shares lent to OTP Bank Plc.	-	371,301	(371,301)	-	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Settlement of the option agreement with ING Bank N.V.	-	(5,220,000)	5,220,000	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
Settlement of the option agreement with Credit Agricole Corporate and Investment Bank	-	(2,129,666)	2,129,666	-	-
New option agreement with Credit Agricole Corporate and Investment Bank	-	2,129,666	(2,129,666)	-	-
December 31, 2014	**104,518,485**	**(2,842,147)**	**(22,448,142)**	**79,228,196**	**134,519,063**

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

18. DIVIDENDS

The shareholders at the Annual General Meeting in April 2014 approved to pay HUF 60,000 million dividend in respect of 2013, which equals to HUF 590.10 dividend per share. The total amount of reserves legally available for distribution based on the statutory company only financial statements of MOL Plc. is HUF 1,496,794 million and HUF 1,398,419 million as of 31 December 2014 and 2013, respectively.

19. LONG-TERM DEBT

	WEIGHTED AVERAGE INTEREST RATE 2014	WEIGHTED AVERAGE INTEREST RATE 2013	MATURITY	2014	2013
	%	**%**		**HUF million**	**HUF million**
Unsecured bonds in EUR			2015 - 2017	482,730	454,493
Eurobond1	3.96	3.96		238,198	224,415
Eurobond 2	6.15	6.15		244,532	230,078
Unsecured bonds in USD	6.51	6.51	2019	130,422	108,064
Unsecured bank loans in USD	3.39	3.78	2015 - 2021	72,492	81,262
Unsecured bank loans in EUR	2.64	2.70	2015 - 2022	68,340	83,157
Unsecured bank loans in HUF	4.58	7.02	2015	15,033	16,924
Unsecured bonds in HUF	-	7.00	-	-	11,542
Secured bank loans in EUR	0.83	1.41	2015 - 2018	6,223	8,522
Financial lease payable	5.91	7.03	2015 - 2034	3,239	3,860
Other	0.28	0.34	2015 - 2019	3,228	3,598
Total				**781,707**	**771,422**
Current portion of long-term debt				326,668	98,174
Total long-term debt, net of current portion				**455,039**	**673,248**

	2014	2013
	HUF million	**HUF million**
Maturity one to five years	440,853	560,299
Maturity over five years	14,186	112,949
Total	**455,039**	**673,248**

UNSECURED BONDS

ISSUER	ORIGINAL CURRENCY	VOLUME (MILLION) IN ORIGINAL CURRENCY	VOLUME (IN HUF MILLION)	TENOR (YEARS)	ISSUE DATE	MATURITY DATE	COUPON
MOL Plc	EUR	750	236,168	10	5 October, 2005	5 October, 2015	3.875%
MOL Plc	EUR	750	236,168	7	20 April, 2010	20 April, 2017	5.875%
MOL Group Finance SA	USD	500	129,565	7	26 September, 2012	26 September, 2019	6.250%

EUR bonds

An EUR 750 million fixed rate bond was issued by MOL Plc. in 2005. The notes are due in October 2015; pay an annual coupon of 3.875%. In 2010 MOL also issued EUR 750 million fixed rate Eurobond notes. The notes are due in April 2017; pay an annual coupon of 5.875%.

USD bonds

In 2012 MOL Group Finance S.A. (100% subsidiary of MOL Plc.) issued USD 500 million fixed rate bond guaranteed by MOL Plc. The notes have 7-year original maturity, are due in September 2019 and pay an annual coupon of 6.250%.

Unsecured bank loans

Further enhancement of the maturity profile of the Group happened through the loan transaction concluded this year by MOL Plc.
MOL Plc. smoothly accomplished the refinancing of its EUR 500 million revolving credit facility agreement that expired in September 2014, and due to the favourable price environment the refinancing of the USD 545 million (former USD 480 million) revolving credit facility with a USD 1,550 million giant revolving credit facility. The tenor of the facility is 5 years which can be extended by further 1+1 years.
Consequently, the main elements of unsecured revolving bank loans are:

- EUR 1,000 million multicurrency revolving club facility of MOL,
- USD 1,550 million multicurrency revolving club facility of MOL,
- USD 400 million multicurrency revolving club facility of INA,
- EUR 200 million multicurrency revolving club facility of Slovnaft.

In terms of main loan agreements with multilateral institutions, MOL Plc. signed an 8.5 years, USD 150 million loan agreement with the European Bank for Reconstruction and Development (EBRD) on 2 July 2012. The loan is used to finance capital expenditures of LDPE unit and upgrade the steam cracker of Slovnaft Group.
INA also concluded a 7-year loan agreement with EBRD in the amount of EUR 210 million in September 2010 for refinery modernisation (this credit facility is co-financed by ICF Debt Pool and Cordiant Capital Fund). The pricing of this EBRD facility has been favourably decreased in December 2014.
MOL Plc. also had a long-term investment loan agreement with the European Investment Bank (EIB) signed on 29 November 2010 in the amount of EUR 150 million and maturity of December 2018, to finance the construction of 205 km long natural gas transmission pipeline between Városföld and the Hungarian-Croatian border, which loan has been repaid during 2014, as well as the contract has been terminated.

Secured bank loans

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

Financial lease payable

Minimum lease payments and present values of payments as of 31 December 2014 and 2013 respectively are as follows:

	2014 MINIMUM LEASE PAYMENTS	2014 PRESENT VALUE OF PAYMENTS	2013 MINIMUM LEASE PAYMENTS	2013 PRESENT VALUE OF PAYMENTS
	HUF million	HUF million	HUF million	HUF million
Maturity not later than 1 year	654	563	995	791
Maturity two to five years	1,710	1,289	3,352	2,790
Maturity over five years	1,835	1,388	1,340	999
Total minimum lease payments	**4,199**		**5,687**	
Less amounts representing financial charges	(959)		(1,107)	
Present values of financial lease liabilities	**3,240**	**3,240**	**4,580**	**4,580**

20. PROVISIONS FOR LIABILITIES AND CHARGES

	ENVIRONMENTAL	REDUNDANCY	LONG TERM EMPLOYEE BENEFITS	FIELD ABANDONMENT	LEGAL CLAIMS	OTHER	TOTAL
	HUF million	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**
Balance as of 31 December 2012	**73,349**	**5,955**	**16,637**	**200,076**	**18,058**	**23,702**	**337,777**
Acquisition / (sale) of subsidiaries	-	-	-	(3,572)	-	-	(3,572)
Additions and revision of previous estimates	(1,289)	12,588	1,463	(5,143)	3,621	18,490	29,730
Unwinding of the discount	2,107	83	633	6,799	-	-	9,622
Currency differences	846	(83)	(295)	334	107	(319)	590
Provision used during the year	(3,480)	(3,283)	(774)	(122)	(3,073)	(5,284)	(16,016)
Balance as of 31 December 2013	**71,533**	**15,260**	**17,664**	**198,372**	**18,713**	**36,589**	**358,131**
Acquisition / (sale) of subsidiaries	-	-	-	55,731	-	723	56,454
Additions and revision of previous estimates	2,990	5,585	5,053	(4,079)	6,167	(677)	15,039
Unwinding of the discount	2,032	-	757	6,795	-	1,049	10,633
Currency differences	3,525	797	731	8,565	570	2,455	16,643
Provision used during the year	(3,075)	(7,470)	(1,021)	(111)	(840)	(6,488)	(19,005)
Balance as of 31 December 2014	**77,005**	**14,172**	**23,184**	**265,273**	**24,610**	**33,651**	**437,895**
Current portion 2013	3,999	1,986	1,880	607	13,960	24,787	47,219
Non-current portion 2013	67,534	13,274	15,784	197,765	4,753	11,802	310,912
Current portion 2014	4,757	3,814	2,199	380	15,909	17,644	44,703
Non-current portion 2014	72,248	10,358	20,985	264,893	8,701	16,007	393,192

Environmental Provision

As of 31 December 2014 provision of HUF 77,005 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL's internal environmental audit team. In 2006, an independent environmental auditor firm has reviewed MOL's internal assessment policies and control processes and validated those. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates. The amount reported as at 31 December 2014 also includes a contingent liability of HUF 21,764 million recognized upon acquiring INA Group, representing its present environmental obligations and a further HUF 15,907 million environmental contingent liability regarding the acquisition of IES (see Note 34).

Provision for Redundancy

As part of a continuing efficiency improvement project, MOL Plc., SLOVNAFT a.s., INA d.d., IES SpA and other Group members decided to further optimize workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognized a provision for the net present value of future redundancy payments and related tax and contribution. Relating to the restructuring of activities in Mantova, a provision for redundancy of HUF 9,145 million was recognised at IES in 2013 out of which HUF 6,863 million remained as of 31 December 2014. In 2014, a provision of HUF 5,074 million was made for redundancy program at INA in the income statement. The closing balance of provision for redundancy is HUF 14,172 million and HUF 15,260 million as of 31 December 2014 and 2013, respectively.

Provision for Field Abandonment Liabilities

As of 31 December 2014 provision of HUF 265,273 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 7% of these costs are expected to be incurred between 2015 and 2019 and the remaining 93% between 2020 and 2065. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalized as a component of the underlying fields.

Provision for Long-term Employee Benefits

As of 31 December 2014 the Group has recognized a provision of HUF 23,184 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from group entities. These entities operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service, while TVK and SLOVNAFT provide a maximum of 2 and 7 months of final salary respectively, depending on the length of service period. In addition to the above mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds; therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the Group. Principal actuarial assumptions reflect an approximately 2% difference between the discount rate and the future salary increase.

	2014	2013
	HUF million	HUF million
Present value of total long-term employee benefit obligation at the beginning of the year	**17,664**	**16,637**
Past service cost not accounted for at the beginning of the year	-	-
Balance as of the beginning of the year	**17,664**	**16,637**
Acquisitions / (disposals)	-	-
Past service cost	936	18
Current service cost	2,266	1,846
Interest costs	757	633
Provision used during the year	(1,021)	(774)
Net actuarial (gain)/loss	1,851	(401)
from which:		
Retirement benefit (See Note 29)	1,860	(281)
Jubilee benefit	(9)	(120)
Exchange adjustment	731	(295)
Balance as at year end	**23,184**	**17,664**
Present value of total long-term employee benefit obligation at year end	23,184	17,664

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

	2014	2013
	HUF million	HUF million
Current service cost	2,266	1,846
Net actuarial (gain)/loss	(9)	(120)
Past service cost	936	18
Net benefit expense (See Note 26)	**3,193**	**1,744**

fits were determined:

	2014	2013
Discount rate in %	2.0-3.7	2.0-5.4
Average wage increase in %	0-2.0	0-2.0
Mortality index (male)	0.02-2.87	0.02-2.87
Mortality index (female)	0.01-1.15	0.01-1.30

Legal and Other Provisions

Legal and other provisions include provision for emission quotas, legal claims and for other future payment obligations. As of 31 December 2014 and of 31 December 2013, legal and other provision of HUF 5,338 million and HUF 10,131 million was made for future operational costs of IES relating to conversion of Mantova refinery into a products logistics hub, respectively. As of 31 December 2014 provision of HUF 24,610 million has been made for estimated total costs of litigations. As of 2014 MOL Group has been granted 5,013,761 emission quotas by the Hungarian, Croatian, Slovakian and Italian authorities. The total use of emission quotas amounted to 5,983,441 tons in 2014. In 2014 the amount of provision for the shortage of emission quotas increased to HUF 2,486 million (in 2013 provision was HUF 913 million).

21. OTHER NON-CURRENT LIABILITIES

	2014	2013
	HUF million	HUF million
Trade payable to exploration partners	129	127
Government grants received (see Note 22 and 25)	11,161	11,694
Received and deferred other subsidies	3,741	3,893
Deferred compensation for property, plant and equipment	4,626	3,655
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd (see Note 17 and 33)	2,431	3,032
Liabilities to government for sold apartments	2,094	2,213
Deferred income for apartments sold	1,360	1,319
Payable from currency risk hedging derivatives as fair value hedge (see Note 33)	208	440
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 33)	1,710	-
Other	1,177	874
Total	**28,637**	**27,247**

22. TRADE AND OTHER PAYABLES

	2014	2013
	HUF million	**HUF million**
Trade payables	441,653	554,545
Transferred "A" shares sold with put and call options attached (see Note 32 and 33)	171,049	177,512
Taxes, contributions payable (excluding corporate tax)	170,239	154,743
Liability from reimbursed mining royalty	35,226	35,226
Amounts due to employees	32,011	29,655
Payables from commodity hedging derivatives as cash-flow hedge (see Note 32 and 33)	18,054	2,057
Advances from customers	16,160	22,079
Liabilities to joint venture partners	15,749	4,304
Custom fees payable	10,043	8,956
Fee payable for strategic inventory storage	7,019	6,900
Discount payable to customers	5,783	4,297
Payables from closed derivative transactions	5,430	1,861
Payables from financial liabilities at fair value through profit and loss (see Note 33)	5,284	1,594
Financial collateral and bail received	2,958	2,584
Other accrued incomes (short-term)	2,922	877
Bank interest payable	2,042	3,005
Margining liability	1,500	2,221
Government subsidies received and accrued (short-term) (see Note 25)	796	783
Strategic capacity booking fee	655	808
Dividend payable	441	396
Purchase price difference payable on prior year acquisitions	303	287
Other subsidies received and accrued (short-term)	287	267
Penalty payable	31	22
Other	24,103	19,216
Total	**969,738**	**1,034,195**

Trade payables are non-interest bearing and are normally settled on 30-day terms. Taxes, contributions payable mainly include mining royalty, contributions to social security, value added tax and excise tax. The liability from reimbursed mining royalty in 2013 and also in 2014 HUF 35,226 million relates to the amount reimbursed by Hungarian Government following the annulation of resolution of European Commission. This mining tax had been paid by MOL in 2010. As the European Commission appealed against the annulation made by General Court of the European Court of Justice, and there is no change on its status in 2014, the amount reimbursed was presented as other payables (revenue is not recognised in income statement).

23. SHORT-TERM DEBT

	2014	2013
	HUF million	**HUF million**
Unsecured bank loans in EUR	131,559	93,770
Unsecured bank loans in USD	38,725	94,807
Unsecured bank loans in HRK	5,905	6,175
Unsecured bank loans in PLN	3,812	6,382
Secured bank loans in EUR	-	4,311
Unsecured bank loans in other currencies	447	5,778
Total	**180,448**	**211,223**

24. SALES BY PRODUCT TYPES

	2014	2013
	HUF million	**HUF million**
Sales of oil products	3,411,547	3,714,793
Sales of petrochemicals	678,786	769,769
Sales of natural gas and gas products	355,959	456,630
Sales revenue of services	214,762	230,922
Sales of crude oil	109,421	129,372
Sales of other products	96,132	98,931
Total	**4,866,607**	**5,400,417**

25. OTHER OPERATING INCOME

	2014	2013
	HUF million	**HUF million**
Net gain realized on disposal of subsidiaries	12,679	52,919
Penalties, late payment interest, compensation received	5,050	13,074
Gain on sales of intangibles, property, plant and equipment	1,394	2,509
Government grants released	827	968
Allowances and subsidies received	378	504
Other	6,270	5,722
Total	**26,598**	**75,696**

In 2014 HUF 12,679 million net gains were realized on disposal of subsidiaries which relates to the sale of 49% share of BaiTex LLC ("BaiTex") (see Note 8).

GOVERNMENT GRANTS	2014	2013
	HUF million	**HUF million**
At 1 January	12,477	12,059
Government grants received	52	1,302
Release of deferred grants (see table above)	(827)	(968)
Exchange adjustment	255	84
At 31 December (see Note 5, 21 and 22)	**11,957**	**12,477**

26. PERSONNEL EXPENSES

	2014	2013
	HUF million	**HUF million**
Wages and salaries	183,287	179,088
Social security	43,081	43,343
Other personnel expenses	31,165	36,539
Long-term employee benefits (see Note 20)	3,193	1,744
Expense (reversal of expense) of share-based payments (See Note 38)	(484)	(967)
Total	**260,242**	**259,747**

27. OTHER OPERATING EXPENSES

	2014	2013
	HUF million	**HUF million**
Mining royalties	90,905	90,032
Taxes and contributions	37,549	43,291
Rental costs	29,769	32,812
Other services	32,368	22,179
Contribution to strategic inventory storage	30,687	20,674
Provision for legal and other claims	(2,328)	19,153
Provision for doubtful receivables	3,596	15,610
Consultancy fees	9,493	8,991
Insurance	7,473	7,332
Advertising expenses	9,789	7,073
Site security costs	5,652	5,256
Cleaning costs	4,960	5,078
Bank charges	3,974	4,258
Penalties, late payment interest, compensation (net of provision utilized)	6,165	3,880
Outsourced bookkeeping services	3,342	2,957
Environmental protection expenses, net	2,838	1,389
Environmental levy	819	738
Revaluation of emission quotas	-	481
Damages	97	98
Crisis tax for Hungarian energy suppliers and retail activities	-	-
Net loss realized on disposal of subsidiaries	-	-
Environmental provision made during the year	2,990	(1,289)
Provision for greenhouse gas emission over quota allocated free of charge	1,372	(3,108)
Provision for field abandonment	(4,191)	(6,647)
Other	11,362	13,489
Total	**288,681**	**293,727**

Provision for legal and other claims in 2013 include HUF 10,255 million provisions made for future operational costs of IES relating to conversion of Mantova refinery into a products logistics hub. During 2014, above operational costs arose, however provision made in 2013 was not covering all incurred expenses. Total of such operational costs (partially recognised as further provision made for legal and other claims) amounted to HUF 4,145 million in 2014.

28. FINANCE EXPENSE, NET

	2014	2013
	HUF million	**HUF million**
Interest received	10,788	15,147
Dividends received	4,107	3,629
Net gain on derivative transactions	-	-
Fair valuation gain on conversion option (see Note 17)	601	-
Fair valuation gain on trading debt securities	13,399	-
Foreign exchange gain on cash and cash equivalents, net	5,945	-
Foreign exchange gain on receivables and payables, net	-	4,098
Other finance income, net	460	6,511
Total finance income	**35,300**	**29,385**
Interest on borrowings	42,433	47,521
Interest on provisions	10,633	9,622
Other costs on borrowings	8,013	8,393
Net loss on derivative transactions	6,096	649
Fair valuation loss of conversion option (see Note 17)	-	271
Net loss on sales of investments	-	-
Foreign exchange loss on cash and cash equivalents, net	-	7,152
Foreign exchange loss on receivables and payables, net	38,834	-
Foreign exchange loss on borrowings	32,231	8,240
Impairment of investments	465	5,105
Other finance expenses, net	1,059	776
Total finance expenses	**139,764**	**87,729**
Total finance expense, net	**104,464**	**58,344**

The net finance expenses increased by HUF 46,120 million in 2014 compared to 2013, which was mainly driven by the rise in foreign exchange losses due to weakening of HUF against the major currencies. The increasing finance losses were partially offset by fair valuation gain (HUF 13,399 million) of trading debt securities bought in 2014. With regards the interest accruals, both the interest income and expense decreased in 2014 compared to the prior year.

29. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2014	2013
	HUF million	**HUF million**
Exchange differences on translating foreign operations, net of tax		
Gains / (losses) arising during the year	136,150	3,206
Reclassification adjustments for gains and losses included in the income statement	8,058	922
Income tax effect	-	-
	144,208	**4,128**
Net investment hedge, net of tax		
Gains / (losses) arising during the year	(48,658)	4,430
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	6,409	216
	(42,249)	**4,646**
Available-for-sale financial assets		
Gains / (losses) arising during the year	5,985	(355)
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	(1,197)	71
	4,788	**(284)**
Cash-flow hedges		
Gains / (losses) arising during the year	(1,939)	1,383
Reclassification adjustments for gains and losses included in the income statement	1,092	(3,243)
Reclassification adjustments to initial cost of hedged inventories	(1,864)	(1,509)
Income tax effect	623	298
	(2,088)	**(3,071)**
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation		
Gains / (losses) arising during the year (see Note 20)	(1,860)	281
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	319	(68)
	(1,541)	**213**
Share of other comprehensive income for associates		
Gains / (losses) arising during the year	24,169	(2,325)
Reclassification adjustments for gains and losses included in the income statement	-	6
Income tax effect	(1)	(2)
	24,168	**(2,321)**

30. INCOME TAXES

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2014 and 2013 include the following components:

	2014	2013
	HUF million	**HUF million**
Current corporate income taxes	17,273	20,015
Local trade tax and innovation fee	13,238	13,368
Deferred corporate income taxes	(25,127)	(71,342)
Total income tax expense/(benefit)	**5,384**	**(37,959)**

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group. The applicable corporate income tax rate on the taxable income of the companies of the Group operating in Hungary was 19% in 2014 and in 2013 also. A further surplus tax of 31% is applicable for domestic energy supplier entities from 1 January 2013. Slovakian and Croatian tax rates were 22% (2013: 23%) and 20% (2013: 20%), respectively. Italian tax rate applicable for 2014 is 37.9%, being an aggregate of a corporate income tax of 27.5%, a surcharge tax on energy sector of 6.5% and local tax rate of 3.9% (in 2013 the total tax rate was 41.9%, following a temporary increase of surcharge tax - for 3 years - by government). UK tax rate applicable for 2014 is 62%, being an aggregate of (ring fence) corporation tax of 30% and supplementary charge of 32%. Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

Local trade tax represents another revenue-based tax for Hungarian subsidiaries, payable to local municipalities. Tax base is calculated by deducting certain production costs from sales revenue. Tax rates vary between 1-2% dependent on the resolution of local governments where the entities have their business activities.

There is no dividend withholding tax in Hungary on dividends paid to foreign tax resident legal entities. As regards dividend paid to private individuals, a 16% personal income tax liability arises also withheld at source.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2014	2013
	HUF million	**HUF million**
Deferred and current tax recognized in other comprehensive income:		
Net gain/ (loss) on hedge of a net investment and foreign exchange differences of loans given	6,409	216
Revaluations of available-for-sale financial assets	(1,197)	71
Revaluations of financial instruments treated as cash-flow hedges	623	298
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	319	(68)
Revaluations of financial instruments of associated companies	(1)	-
	6,153	**517**
Reclassifications from equity to profit or loss:		
Relating to hedges of net investments	-	-
Relating to available-for-sale financial assets	-	-
Relating to cash-flow hedges	-	-
Relating to actuarial gain/loss on provision for retirement benefit obligation	-	-
Relating to associated companies	-	(2)
	-	**(2)**
Total income tax recognized in other comprehensive income	**6,153**	**515**

The deferred tax balances as of 31 December 2014 and 2013 in the consolidated balance sheet consist of the following items:

	BALANCE SHEET		RECOGNIZED IN INCOME STATEMENT	
	2014	2013	2014	2013
	HUF million	HUF million	HUF million	HUF million
Breakdown of net deferred tax assets / (liabilities)				
Statutory tax losses carried forward	140,879	67,090	30,065	30,792
Provisions	45,584	36,876	4,442	(2,430)
Depreciation, depletion and amortization	(106,168)	(45,419)	(17,139)	18,747
Fair valuation of assets on acquisitions	(76,266)	(84,152)	9,848	22,183
Differences in accounting for domestic oil and gas exploration and development	(16,134)	(17,127)	994	1,720
Capitalization of certain borrowing costs	(8,262)	(8,214)	(507)	429
Capitalized periodic maintenance costs	(2,311)	(2,681)	624	233
Receivables write off	1,614	(235)	(172)	(1,588)
Inventory valuation difference	2,795	1,304	1,032	(4,785)
Elimination of intragroup transactions	15,336	21,732	(4,458)	(1,602)
Embedded derivatives	-	(164)	-	-
Valuation of financial instruments	3,075	2,964	(307)	(89)
Foreign exchange differences	12,864	13,384	(519)	2,174
Other	12,174	4,343	1,224	5,558
Deferred tax (expense) / income			**25,127**	**71,342**
Net deferred tax asset / (liability)	25,180	(10,299)		
Reflected in the statement of financial position:				
Deferred tax assets	75,000	64,578		
Deferred tax liabilities	(49,820)	(74,877)		
Net deferred tax asset / (liability)	**25,180**	**(10,299)**		

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

	2014	2013
	HUF million	HUF million
Net deferred tax asset / (liability) at 1 January	**(10,299)**	**(71,207)**
Recognized in income statement	25,127	71,342
Recognized directly in equity (as other comprehensive income)	7,848	2,497
Sale of subsidiaries (see Note 8)	3,952	(12,708)
Acquisition of subsidiaries	1,157	83
Exchange difference	(2,605)	(306)
Net deferred tax asset / (liability) at 31 December	**25,180**	**(10,299)**

The unrealized gains on intra-group transfers contain primarily the results of the gas unbundling. Due to the fact that this gain increased the tax base of the assets, but has been eliminated in the consolidation, the increase in the future depreciation gives rise to a deferred tax asset. Significant tax losses arose in 2014, 2013 and in 2011 at MOL Plc. Additional tax losses arose at INA, at TVK Plc. and some of TVK's subsidiaries (between 2009 and 2013). Apart from that the newly acquired UK assets also possessed significant unused tax losses. Since the Group estimates that these companies will have taxable profits available in the future to offset with these tax losses, a deferred tax asset of HUF 140,879 million and HUF 67,090 million has been recognized as of 31 December 2014 and 2013, respectively.

No deferred tax assets have been recognized in respect of such losses elsewhere in the Group as they may not be used to offset taxable profits and they have arisen in subsidiaries that have been loss-making for some time. The amount of such tax losses incurred in 2014 and 2013 were HUF 60,394 million and HUF 75,472 million, respectively.

From the unused tax losses (for which deferred tax asset was recognized) at the end of the period, HUF 381,415 million can be utilised after 5 years or has no expiry, while HUF 140,123 million can be utilized between 2015 and 2019. Due to change in tax legislation in Hungary, the existing unused tax losses can be used until 2024.
A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates is as the follows:

	2014	2013
	HUF million	HUF million
Profit before tax per consolidated income statement	(45,482)	(56,910)
Tax at the applicable tax rate (19%, 2013: 19%)	(8,642)	(10,813)
Tax holiday available	(2,646)	(5,017)
Surplus taxes and local trade tax	12,058	11,314
Differences not expected to reverse	(9,698)	(41,441)
Effect of different tax rates	(17,693)	(58,665)
Adjustment to the period of realisation	-	-
Losses of subsidiaries not recognized as an asset	60,394	75,472
Non-taxable income	(5,617)	(7,455)
Revaluation of deferred tax assets and liabilities	-	(1,090)
Recognition of prior year tax losses carried forward	(22,726)	-
Other	(46)	(264)
Total income tax expense / (benefit) at the effective income tax rate of minus 12% (2013: 67%)	**5,384**	**(37,959)**

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

31. EARNINGS PER SHARE

Basic earnings per share are calculated by decreasing the net profit for the period attributable to ordinary shareholders with the coupon paid to the owners of Perpetual Exchangeable Capital Securities and divided by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share is calculated considering the potentially dilutive effect of the conversion option embedded in the Perpetual Exchangeable Capital Securities in the number of outstanding shares and by excluding the fair valuation difference of the conversion option from the net income attributable to equity holders of the parent.

Both in 2014 and 2013, the diluted earnings per share equals with the basic earnings per share as there is no dilutive effect on the earnings.

	INCOME (HUF MILLION)	WEIGHTED AVERAGE NUMBER OF SHARES	EARNINGS PER SHARE (HUF)
Basic Earnings Per Share 2013	14,617	88,449,078	165
Diluted Earnings Per Share 2013	14,617	88,449,078	165
Basic Earnings Per Share 2014	(3,499)	90,653,661	(39)
Diluted Earnings Per Share 2014	(3,499)	90,653,661	(39)

	2014	2013
	HUF million	HUF million
Net profit attributable to ordinary shareholders	4,078	21,901
Coupon payment to holders of capital securities of Magnolia (-)	(7,577)	(7,284)
Net profit attributable to ordinary shareholders for basic earnings per share	**(3,499)**	**14,617**
Coupon payment to holders of capital securities of Magnolia (+)	-	-
Fair value of conversion option	-	-
Net profit attributable to ordinary shareholders for diluted earnings per share	**(3,499)**	**14,617**

	2014	2013
	HUF million	HUF million
Weighted average number of ordinary shares for basic earnings per share	90,653,661	88,449,078
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	**90,653,661**	**88,449,078**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

As a general approach, risk management considers the business as a well-balanced integrated portfolio. MOL actively manages its commodity exposures for the following purposes only:

– Corporate Level Objectives – maintenance of financial ratios and targeted financial results, protection against large cash transaction exposures etc.,
– Business Unit Objectives – To reduce the exposure of a Business Unit's cash flow to market price fluctuations (e.g.: planned refinery shutdowns)

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

– In a High Gearing situation, the primary objective of risk management is to reduce the probability of breaching debt covenants, where a breach would seriously impair the company's ability to fund its operations.
– In Low Gearing status, the focus of risk management shall be directed more toward to the protection of shareholder value by maintaining discipline in CAPEX spending, ensuring risk-aware project selection.

The Group is currently in Low Gearing status. As of 31 December 2014 the Net Debt / EBITDA was at 1.31 level while the Net Gearing was 19.6%. The derivative transaction the company may enter is under ISDA (International Swaps and Derivatives Association) agreements and Hungarian law governed Dealing Master Agreement in the Hungarian Market.
MOL Commodity Trading Limited was established with the purpose to centralize and manage the Group's needs on oil and oil product derivatives, to optimize the Group-level CO_2 quota position and to manage the procurement of electricity. In order to improve control over the resulting market and credit risks, risk limits (VaR) are applied and monitored on a daily basis.

Key Exposures

Group Risk Management identifies and measures the key risk drivers and quantifies their impact on the Group's operating results. MOL uses a bottom-up model for monitoring the key exposures. According to the model, the diesel crack spread, the crude oil price and gasoline crack spread have the biggest contribution to the cash-flow volatility. The cash-flow volatility implied by the FX rates, the other refined and petrochemical products are also significant.

Commodity Price Risk Mwanagement

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

MOL can enter into hedging transactions for the above mentioned Corporate Level Objectives and Business Unit Objectives purposes only. In 2014 MOL concluded short-term commodity swap transactions. These transactions are mainly dealt for inventory hedging purposes in order to mitigate the effects of the potential price movements during the non-business-as-usual refinery activities (e.g. turnarounds/ shutdowns), and they are also related to crude oil procurement and other trading possibilities. As of 31 December 2014 the fair value of open commodity derivative transactions designated as fair value hedge was a net payable of HUF 1,990 million (see Note 33). The fair value of accompanying firm commitments as hedged items under commodity derivative transaction designated as fair value hedges was receivable of HUF 1,754 million and payable of HUF 33 million (see Note 33).

In 2013 and 2014 MOL concluded swap deals on a significant volume of crude oil purchases and ultra-low sulphur diesel sales forecasted for 2014 and 2015 with the economic purpose of capturing a favourable crack spread on this product. As of 31 December 2014 the fair value of open transactions designated as cash-flow hedge was a receivable of HUF 19,867 million with respect to crude oil swap (see Note 15 and 33) and a payable of HUF 18,054 million with respect to diesel swap (see Note 22 and 33), with a corresponding adjustment of the fair valuation reserve in other comprehensive income. Deals will be settled subsequent to each month in the next years.

As of 31 December 2014 and 2013 the fair value of open commodity derivative transactions not designated as hedges were a net payable of HUF 1,491 million and a net receivable of HUF 251 million (see Note 33), respectively.

Foreign Currency Risk Management

At group level, the Group has a net long USD, EUR, RON, and net short HUF, HRK, RUB operating cash-flow position from economic point of view.
When MOL is in low gearing status, the Group follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect the net operating cash-flow position of the Group ('natural hedge').

The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 December 2014 and 2013 there were no open cross currency transactions.

The Group has two long-term international gas transit agreements (expiring in 2017 and 2019) under which consideration is calculated in SDR. The contractual provisions prescribing price calculation in SDR have been identified as a SDR/USD swap, being an embedded derivative under IAS 39, as the Group considers SDR price setting to be closely related to the underlying originally USD denominated contract. This derivative has been separated from the underlying contract and designated as a cash-flow hedge to the underlying gas transit contract. The fair value of the embedded SDR derivative is a net payable of HUF 1,710 million (HUF 1,385 million net of deferred tax) as of 31 December 2014 (see Note 21). The corresponding figure as of 31 December 2013 was HUF 864 million net receivable (HUF 700 million net of deferred tax). The decrease in the fair value of this instrument has been recognized in other comprehensive income.

INA has concluded certain long-term contracts on gas and crude- oil storage and transport which contain embedded derivatives as defined by IAS 39. These derivatives has been separated from the underlying contracts and designated as fair value hedge to the underlying gas and crude oil contracts. The fair value of the embedded derivatives is a payable of HUF 577 million as of 31 December 2014 (see Note 33). The corresponding figures as of 31 December 2013 were HUF 206 million receivable and HUF 719 million payable.

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

As of 31 December 2014 there were no open foreign exchange forward transactions, while as of 31 December 2013 the fair value of open foreign exchange forward transactions was a net payable of HUF 2 million (see note 33).

During 2014 the Group acquired Euro dominated sovereign securities in the notional amount of HUF 207,658 million (see Note 33 for details of the valuation). The transactions are in line with the risk management policy of the Group as significant part of the securities has maturity date in 2015 providing natural hedge for the EUR 750 million fixed rate bond issued by MOL Plc. maturing in October 2015 (see Note 19 for details on Long-term debt).

Hedge of net investments in foreign operations

Certain facilities of the Group's long-term debt (USD 767 million and EUR 1,628 million) has been designated as hedging instruments in a net investment hedge of foreign operations denominated in USD and EUR. These borrowings are used to hedge the Group's exposure to the spot USD and EUR foreign exchange retranslation risk of these investments. Losses of HUF 48,658 million incurred on retranslating these borrowings are recorded in other comprehensive income to offset corresponding gains on translating the hedged net investments in foreign operations.

Interest rate risk management

As an energy company, MOL has limited interest rate exposure. The ratio of fix/floating interest debt is monitored by Group Risk Management and regularly reported to the Board of Directors.

As result of the 750M EUR Bond transaction in 2005, 750M EUR Bond transaction in 2010, HUF 16 billion Hungarian retail bond transaction also in 2010-2011 and the 500M USD Bond transaction in 2012, the fixed portion of the total debt increased substantially. As of 31 December 2014 and 2013, 54.1% and 49.5 % of the Group's debt was at fixed rates respectively.

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

As of 31 December 2014 and 2013, there was no open interest rate swap transaction.

Sensitivity analysis for key exposures

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

EFFECT ON CLEAN CCS-BASED* (CURRENT COST OF SUPPLY) OPERATING PROFIT

	2014	2013
	HUF billion	HUF billion
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin)		
Upstream	+ 22.3 / - 23.5	+ 25.9 / - 25.2
Downstream	- 18.7 / + 18.7	- 16.9 / + 16.9
Gas Midstream	+ 0.4 / - 0.2	- 2.0 / + 1.8
Exchange rates (change by +/- 10 HUF/USD; with fixed crack spreads)		
Upstream	+ 13.5 / - 13.5	+ 17.3 / - 17.3
Downstream	+ 8.4 / - 8.4	+ 15.9 / - 15.9
Gas Midstream	+ 1.1 / - 0.9	- 2.1 / + 1.9
Exchange rates (change by +/- 10 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Upstream	+ 0.1 / - 0.1	- 0.4 / + 0.3
Downstream	+ 16.3 / - 16.3	+ 13.4 / - 13.4
Gas Midstream	+ 0.1 / + 0.1	-
Crack spread (change by +/- 10 USD/t)		
Upstream	+ 0.9 / - 0.8	+ 1.0 / - 1.0
Downstream	+ 37.3 / - 37.3	+ 41.8 / - 41.8
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Downstream	+ 2.4 / - 2.4	+ 1.9 / - 1.9
Brent - Ural Spread (+/- 1 USD/bbl)		
Upstream	- 0.1 / + 0.1	- 0.2 / + 0.2
Downstream	+ 17.1 / - 17.1	+ 18.3 / - 18.3

*Clean CCS and CCS calculation methodology is not regulated by IFRS.

Other Exposures

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present significant credit risk.

Customers are allocated to several segments in order to provide better transparency and to achieve more conscious diversification. The different characteristics of the segments support the mitigation of credit risk. For segments with higher risk profile the ratio of secured credit limits is also higher. Deposit, bank guarantee, letter of credit and lien are the most preferred types of security.

As a result of being a major player in the East-Central European region, approximately 70% of our customers are situated in that region; nevertheless our customer portfolio is much diversified from geographical point of view.

Group procedures ensure that sales are made to customers with appropriate credit history and do not exceed an acceptable credit exposure limit.

Individual credit limits are calculated and defined after external and internal assessment of customers. Information on existing and possible customers is gathered from well-known and reliable Credit Agencies. Internal assessment shall be done on the basis of information obtained, where individual credit limits are calculated by predefined algorithms. The internal semi-automated assessment shall be considered as an international best practice with conservative credit management approach. In favour of diversified customer credit risk within the portfolio the Group is using credit insurance services.

Sophisticated software solutions (SAP, CRM and Endur) ensure online monitoring of credit exposures, breach and expiry of credit limits and also overdue receivables. When such credit situations occur, shipments shall be blocked. Decisions on the unblocking of the shipments shall be made by authorized managers both on Financial and on Business side. The level of the Managerial decisions is regulated in Group policies.

Liquidity risk

The Group aims to manage liquidity risk by covering liquidity needs from bank deposits, other cash equivalents and from adequate amount of committed credit facilities. Besides, on operational level various cash pools throughout the group help to optimise liquidity surplus and need on a daily basis.

The amount of undrawn major committed credit facilities as of 31 December 2014 consists of the following:

	2014
	HUF million
Long-term loan facilities available (general corporate purpose)	867,924
Short-term facilities available	388,510
Total loan facilities available	**1,256,434**

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted payments.

31 DECEMBER 2014	ON DEMAND	LESS THAN 1 MONTH	1 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	-	654	1,710	1,835	**4,199**
Floating rate long-term bank loans	-	3,425	103,176	125,944	19,884	**252,429**
Floating-rate other long-term loans	-	-	1,722	1,126	-	**2,848**
Floating-rate short-term bank loans	-	98,845	78,135	-	-	**176,980**
Floating-rate other short-term loans	-	-	1	45	-	**46**
Fixed rate bonds	-	-	267,292	425,873	-	**693,165**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	33	1,121	-	**1,154**
Transferred "A" shares with put and call options attached (see Note 22 and 33)	-	-	171,049	-	-	**171,049**
Maximum exposure under financial guarantees	107	-	-	-	-	**107**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	61,378	311,774	246,531	-	-	**619,683**
Total	**61,485**	**414,044**	**868,593**	**555,819**	**21,719**	**1,921,660**

31 DECEMBER 2013	ON DEMAND	LESS THAN 1 MONTH	1 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	52	943	3,352	1,340	**5,687**
Floating rate long-term bank loans	-	34,364	28,575	124,187	8,008	**195,134**
Floating-rate other long-term loans	-	17	186	7,193	-	**7,396**
Floating-rate short-term bank loans	-	91,708	119,980	-	-	**211,688**
Floating-rate other short-term loans	-	-	-	-	-	**-**
Fixed rate bonds	-	-	40,221	520,200	114,575	**674,996**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	33	1,121	-	**1,154**
Transferred “A” shares with put and call options attached (see Note 22 and 33)	-	-	177,512	-	-	**177,512**
Maximum exposure under financial guarantees	173	-	-	-	-	**173**
Trade and other payables (excluding Transferred “A” shares with put and call options attached and taxes and contributions)	76,066	345,936	275,562	-	-	**697,564**
Total	**76,239**	**472,077**	**643,012**	**656,053**	**123,923**	**1,971,304**

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Treasury share transactions (see Note 17) are also used for such purposes. No changes were made in the objectives, policies or processes during 2014 and 2013.

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

	2014	2013
	HUF million	HUF million
Long-term debt, net of current portion	455,039	673,248
Current portion of long-term debt	326,668	98,174
Short-term debt	180,448	211,223
Less: Cash and cash equivalents and securities	426,210	570,774
Net debt	**535,945**	**411,871**
Equity attributable to equity holders of the parent	1,749,745	1,706,003
Non-controlling interest	445,993	473,517
Total equity	**2,195,738**	**2,179,520**
Capital and net debt	**2,731,683**	**2,591,391**
Gearing ratio (%)	**19.6%**	**15.9%**

33. FINANCIAL INSTRUMENTS

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

Types and fair values of financial assets (excluding trade receivables, other current assets and cash and cash equivalents) and financial liabilities (excluding trade and other payables) are the following:

	2014	2013
	HUF million	HUF million
Cash-flow hedges		
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	-	864
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15)	19,867	3,396
Total cash-flow hedges	**19,867**	**4,260**
Financial instruments at fair value through profit or loss		
Derivatives designated as hedges		
Receivable from currency risk hedging derivatives as fair-value hedge	-	206
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	1,754	94
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	-	-
Derivatives not designated as hedges		
Fair value of OTP-MOL share swap (see Note 17)	-	-
Net receivables from commodity price transactions (see Note 32)	-	251
Securities	222,467	6,604
Total financial instruments at fair value through profit or loss	**224,221**	**7,155**
Financial instruments at fair value through profit or loss, net of current portion (see Note 12)	-	114
Current portion of financial instruments at fair value through profit or loss (see Note 15)	1,754	437
Securities	222,467	6,604
Loans and receivables		
Loans given, net of current portion (see Note 12)	12,159	10,937
Current portion of loans given (see Note 15)	1,410	83,123
Long-term bank deposit (see Note 12)	31,489	-
Total loans and receivables	**45,058**	**94,060**
Available for sale investments (see Note 11)		
Quoted equity shares – Jadranski Naftovod d.d.	17,021	10,520
Unquoted equity shares	3,775	4,116
Total available for sale investments	**20,796**	**14,636**
Total financial assets	**309,942**	**120,111**
Total non-current	**64,444**	**26,551**
Total current	**245,498**	**93,560**

	2014	2013
	HUF million	HUF million
Cash-flow hedges		
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 21)	1,710	-
Payables from commodity hedging derivatives as cash-flow hedge (see Note 22)	18,054	2,057
Total cash-flow hedges	**19,764**	**2,057**
Financial liabilities at fair value through profit or loss		
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,431	3,032
Derivatives designated as hedges		
Fair value of firm commitments as hedged item under commodity price transactions	33	-
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	1,990	334
Payables from currency risk hedging derivatives as fair value hedge	577	719
Derivatives not designated as hedges		
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	-	-
Fair value of MOL-OTP share swap (see Note 17)	1,401	979
Net payables from commodity price transactions (see Note 32)	1,491	-
Payables from foreign exchange forward transactions (see Note 32)	-	2
Total financial liabilities at fair value through profit or loss	**7,923**	**5,066**
Financial liabilities at fair value through profit or loss, net of current portion (see note 21)	2,639	3,472
Current portion of financial liabilities at fair value through profit or loss (see note 22)	5,284	1,594
Financial liabilities at amortized cost		
Non-current interest bearing loans and borrowings	778,480	767,824
Current interest bearing loans and borrowings	180,448	211,223
Transferred “A” shares with put and call options attached (see Note 22 and 32)	171,049	177,512
Non-interest bearing long-term liabilities	3,228	3,598
Total financial liabilities at amortized cost	**1,133,205**	**1,160,157**
Total financial liabilities	**1,160,892**	**1,167,280**
Total non-current	**786,057**	**774,894**
Total current	**374,835**	**392,386**

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

	CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	-	864	-	864
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15 and 32)	19,867	3,396	19,867	3,396
Available-for-sale investments (see Note 11)	20,796	14,636	20,796	14,636
Securities	222,467	6,604	221,646	6,604
Loans given (see Note 12 and 15)	13,569	94,060	13,569	94,060
Trade receivables (see Note 14)	450,985	512,584	450,985	512,584
Long-term bank deposit (see Note 12)	31,489	-	31,489	-
Receivable from currency risk hedging derivatives as fair-value hedge (see Note 32)	-	206	-	206
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	1,754	94	1,754	94
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	-	-	-	-
Net receivables from commodity price transactions (see Note 32)	-	251	-	251
Fair value of MOL-OTP share swap (see Note 17)	-	-	-	-
Other current assets (excluding derivatives, Loans given and prepaid and recoverable taxes, see Note 15)	63,940	57,504	63,940	57,504
Cash and cash equivalents (see Note 16)	203,743	564,170	203,743	564,170

	CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013
	HUF million	HUF million	HUF million	HUF million
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under financial leases	3,239	3,860	3,239	3,860
Floating rate long-term bank loans	162,088	189,865	162,088	189,865
Floating rate other long-term loans	-	-	-	-
Floating rate short-term bank loans	180,001	210,943	180,001	210,943
Floating-rate other short-term loans	447	280	447	280
Fixed rate bonds	613,152	574,099	628,997	586,731
Non-interest bearing long-term liabilities	3,228	3,598	3,228	3,598
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 21)	1,710	-	1,710	-
Payables from commodity hedging derivatives as cash-flow hedge (see Note 22 and 32)	18,054	2,057	18,054	2,057
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,431	3,032	2,431	3,032
Transferred “A” shares with put and call options attached (see Note 22)	171,049	177,512	171,049	177,512
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	-	-	-	-
Fair value of MOL-OTP share swap (see Note 17)	1,401	979	1,401	979
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	577	719	577	719
Fair value of firm commitments as hedged item under commodity price transactions	33	-	33	-
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	1,990	334	1,990	334
Payables from foreign exchange forward transactions (see Note 32)	-	2	-	2
Net payables from commodity price transactions (see Note 32)	1,491	-	1,491	-
Trade and other payables (excluding derivatives, Transferred “A” shares with put and call options attached and taxes and contributions, see Note 22)	552,138	646,377	552,138	646,377

The fair value of the financial instruments is measured at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1: quoted prices in active markets for identical assets and liabilities. The value of the equity share in JANAF d.d. was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2014
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly commodity price transactions. For commodity derivative contracts the most frequently applied valuation techniques include forward pricing and swap- and option models and are based use on mark- to- market calculations. For valuing share option transactions and share swaps various option pricing techniques are used (binomial option pricing model, Monte Carlo simulation). The fair value of the euro dominated sovereign securities is evaluated by discounting the expected future cash flows.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets and liabilities measured by the Group at fair value as at 31 December 2014 are categorised as follows:

	31 DEC 2014	LEVEL 1	LEVEL 2	LEVEL 3
	HUF million	**HUF million**	**HUF million**	**HUF million**
Financial assets				
Securities	221,646	-	221,646	-
Available for sale investment in JANAF d.d. (see Note 11)	17,021	17,021	-	
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15 and 32)	19,867	-	19,867	-
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	-	-	-	-
Receivables from currency risk hedging derivatives (see Note 32)	-	-	-	-
Net receivables from commodity price transactions (see Note 32)	-	-	-	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	1,754	-	1,754	-
Financial liabilities				
Fair value of MOL-OTP share swap (see Note 17)	1,401	-	1,401	-
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 21)	1,710	-	1,710	-
Payables from commodity hedging derivatives as cash flow hedge (see Note 22)	18,054	-	18,054	-
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,431	-	2,431	-
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	577	-	577	-
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	1,990	-	1,990	-
Payables from foreign exchange forward transactions (see Note 32)	-	-	-	-
Net payables from commodity price transactions (see Note 32)	1,491	-	1,491	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	33	-	33	-

	31 DEC 2013	LEVEL 1	LEVEL 2	LEVEL 3
	HUF million	**HUF million**	**HUF million**	**HUF million**
Financial assets				
Securities	6,604	-	6,604	-
Available for sale investment in JANAF d.d. (see Note 11)	10,520	10,520	-	-
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15)	3,396	-	3,396	-
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	864	-	864	-
Receivables from currency risk hedging derivatives (see Note 32)	206	-	206	-
Net receivables from commodity price transactions (see Note 32)	251	-	251	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	94	-	94	-
Financial liabilities				
Fair value of MOL-OTP share swap (see Note 17)	979	-	979	-
Payables from commodity hedging derivatives as cash-flow hedge (see Note 22)	2,057	-	2,057	-
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	3,032	-	3,032	-
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	719	-	719	-
Net payables from commodity price transactions designated as fair value hedge (see Note 22 and Note 32)	334	-	334	-
Payables from foreign exchange forward transactions (see Note 32)	2	-	2	-

Securities measured at fair value:

DESCRIPTION	QUANTITY	FACE VALUE (HUF MILLIONS)	FAIR VALUE AS OF 2014 YE	FAIR VALUE CHANGE RECORDED IN THE FINANCIAL P&L IN 2014 (HUF MILLIONS)
Securities	695,019,963	207,658	221,646	13,988

34. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

The total value of guarantees undertaken to parties outside the Group is HUF 107.1 million.

Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2014 is HUF 156,425 million, from which HUF 113,210 million relate to the commitments of the Group's field development plan in the North Sea area. Other significant amounts relate to the construction of the new petrochemical plants of Slovnaft and TVK (HUF 25,103 million and HUF 10,288 million, respectively). In addition to the above, HUF 475 million relates to capital and contractual commitments of INA, and HUF 6,364 million relates to MOL Plc.

Gas Purchases Obligation, Take or Pay Contract

MOL Group has concluded a long-term gas purchase contract with MET in order to ensure the continuous natural gas supply of the Group's plants. According to the agreement, contracted volumes have been set for each year for the period ending in 2015 but the volumes for the actual period are subject to annual renegotiation with the supplier. The major part of the renegotiated yearly contracted volumes is under take-or-pay commitment (200 mcm as of 31 December 2014). From the 1st October 2014 Prirodni plin d.o.o. have further concluded gas import agreement with MET International A.G. until 30th September 2015. On 31th December 2014 the value of future liabilities until the termination of the contract was HRK 23 million.

Operating leases

Operating lease liabilities are as follows:

	2014	2013
	HUF million	HUF million
Due not later than 1 year	6,481	5,866
Due two to five years	10,832	9,604
Due over five years	2,671	12
Total	**19,984**	**15,482**

Out of the outstanding operating lease liabilities as of 31 December 2014 HUF 3,454 million were contracted by MOL, HUF 5,455 by INA and HUF 4,963 million by Slovnaft.

Authority procedures, litigation

CREDITOR procedures

CREDITOR GAMA s.r.o. („CREDITOR GAMA") has submitted a compensation claim against MOL Plc. ("MOL") which was served to MOL by Bratislava I. Court on 12 January 2011. In its pleading CREDITOR GAMA claims compensation in connection with the acquisition of SLOVNAFT a.s. shares by MOL in the amount of cca. SKK 380 million (EUR 12.6 million) plus delay interest 14.75% p.a from 28 November 2007. CREDITOR GAMA alleges that the buying offer of MOL for the SLOVNAFT a.s. shares was in breach of the Slovak Bonds and Investment Services Act, because the lawful price per share should have been higher. MOL refuses the claim of CREDITOR GAMA with special regard to the fact that the buying offer was approved by the Slovak financial authority (Úrad pre financny trh). The first hearing was held on 20 September 2011 on which the court ordered taking of evidences. Next hearing was held on 9 December 2014. On the hearing the parties have set out their standpoints and arguments and the court has set the date of the next hearing for 13 April 2015.

In its claim submitted to the Bratislava I. Court the claimant CREDITOR BETA s.r.o. („CREDITOR BETA") alleges that the buying offer of MOL in connection with the acquisition of SLOVNAFT a.s. shares was not approved by the Slovak financial authority (Úrad pre financny trh) and therefore it was not able to receive consideration for its shares for 213 days. It claims for compensation for damages suffered in connection with this delay (cca. EUR 3 million plus delay interest 10.48% p.a from 28 June 2007). The court of first instance accepted the claimant's arguments and awarded the claim. MOL filed an appeal against this judgement. The court of second instance set aside the appealed judgement and referred the case back to the court of first instance. The court of first instance ordered for appointing an expert. The expert delivered its opinion to the court. As MOL considers the conclusions of the expert opinion provided by the court as incorrect, a counter opinion was provided by MOL, which was delivered to the court together with its statement. On its hearing held on 31 March 2014 the court delivered an interim judgement on the legal basis of the case. The procedure continues with the question of amount, while MOL has filed an appeal against the interim decision with the appellate court.

Paraffin cartel infringement

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

In relation to the above described EU Commission decision the former paraffin customers may have the right to claim private damages from the paraffin cartel participants, i.e. from MOL, too.

Upon the possibility above, several former paraffin customers claimed their private damages before an English (2010) and a Dutch (2012) court. In these procedures the above-mentioned buyers claim for all damages suffered by them as a consequence of the practice which was considered as cartel infringement according to the decision of the European Commission since they were able to purchase the product only on an increased price. After long discussions made through the English procedure between the claimants and the cartelists, the cartelists have decided that they collectively intend to make a settlement offer of a single lump sum to each claimant in full and final settlement of any and all claims that it has against the cartelists collectively or individually arising out of or in relation to the damages claims. As a result, in 2013 MOL procured payment of the settlement sum. The procedure is closed. The Dutch procedure is still on-going.

ICSID arbitration (MOL vs. Croatia)

The MOL's request for arbitration was filed with the International Centre for Settlement of Investment Disputes („ICSID") on 26 November 2013, citing as its basis the Energy Charter Treaty. MOL initiated a lawsuit against the Government of the Republic of Croatia (the "GoC") mainly due to the huge losses INA-INDUSTRIJA NAFTE, d.d. ("INA") has suffered in the gas business as a consequence of the breach of the agreements of 2009 by the GoC, however, this arbitration is about more than just seeking a remedy for the breach of the contracts in general, it is also about the abuse of regulatory power at the expense of a single actor, INA and indirectly MOL.

On 12 May 2014, the GoC filed preliminary jurisdictional objections and also a request, that the Tribunal should stay the proceedings in the arbitration as a provisional measure. On the first hearing on 11 September 2014 the Tribunal has concluded that the GoC objections and the alternative request application must be rejected which for MOL opens the possibility of submitting its detailed Statement of Claim.

UNCITRAL arbitration (Croatia vs. MOL)

On 17 January 2014, the Government of Croatia (the "GoC") commenced this arbitration by serving a Notice of Arbitration, the GoC alleged that the MOL had bribed Croatia's former Prime Minister Mr. Ivo Sanader to gain management control over INA through amending the Shareholders Agreement and signing other agreements relating to INA's operations. The GoC requests that the Tribunal issue a binding declaration nullifying the First Amendment to the Shareholders Agreement and the Gas Master Agreement and order that MOL pays damages caused by its conduct. On 14 May 2014, the MOL filed its Response to the Notice of Arbitration in which it denied all claims put forward by the GoC and requested that the Tribunal dismiss all Claimant's claims.

On 30 June 2014, the GoC filed in an Application for Interim Protective Measures and Temporary Restraining Order (the "Interim Measures Request"). The GoC alleged that MOL has plans to dispose of its shares in INA, as well as, among other alleged steps, to dispose of several refineries and to dismiss INA's personnel. The hearing in this matter was held before the full Tribunal in Paris on 11 August 2014.
In its Decision of 16 August 2014 on GoC's Interim Measures Request the Tribunal ruled that its "not prepared to restrict the sale of MOL's shares in INA, nor is it prepared to prohibit the closure of refineries and the laying off of staff, both of which are quintessentially management decisions which have to be taken in the best interests of INA." The Tribunal also explained that its "reluctant to make orders that unduly interfere with the day-today running of a company, let alone a high profile public company like INA."

The GoC's representatives have submitted their detailed Statement of Claim request in this same arbitration on 29 October 2014.

Proceedings with respect to MOL Romania Petroleum Products S.R.L.

MOL Romania Petroleum Products S.R.L. ("MOL Romania") has been informed on 10 January 2012 that the Romanian Competition Council's Plenum has made a decision in relation with the alleged breach of the competition law by companies active in the fuels market. The alleged breach of antitrust regulations refers to the common withdrawal of the unleaded gasoline pre-mixed, called Eco Premium, from the Romanian fuel market, in 2008.

According to the minutes of the deliberations of the Romanian Competition Council's Plenum, based on the applicable antitrust regulations, MOL Romania has been fined with RON 80.3 million (i.e. approximately EUR 18.5 million), that is 3% of the company's turnover registered in the fiscal year 2010.

MOL Romania states that withdrawing ECO Premium from its fuels portfolio was an individual business decision and not the result of an anticompetitive agreement/concerted practice.

MOL Romania received the decision of the Romanian Competition Council. They have filed with the Bucharest Court of Appeal applications for the annulment of the decision.

On 20 June 2013, the first degree court of law rejected MOL Romania claim against RCC decision. MOL Romania filed for second appeal (recourse) at the High Court of Justice on 25 June The recourse trial is ongoing. MOL Romania has submitted an unconstitutionally exception regarding the legal provision stated in the Romanian Competition Law referring to the Courts right the ensure confidentiality of the information qualified as business secrets and to which MOL as plaintiff did not had access during the trial and therefore could not properly defend itself and based on which the first degree court decision was taken. The Constitutional Court investment request was rejected by the High Court of Justice. The next term is settled for March 20th 2015.

Since MOL Romania paid the fine, no provision was constituted for this litigation.

Court proceedings at INA Group:

LJUBLJANSKA BANKA

The claims of plaintiff LJUBLJANSKA BANKA, Ljubljana, Slovenia against INA, d.d. in amount of EUR 8 million have arisen from two contracts of 1982 on the use of short-term foreign currency loan abroad which were concluded between INA- Rafinerija nafte Rijeka and Ljubljanska banka - Osnovna banka Zagreb.

The claims of Ljubljanska banka in the concerned dispute refer to default interest debt arising from the legally binding decision of the District Economic Court (the predecessor of Commercial Court) in Zagreb which was rendered in the earlier court procedure conducted on the same, above-stated, legal grounds.

The procedure was initiated by motion for execution which was filed by Ljubljanska banka on 13 September 1995. The Commercial Court in Zagreb rendered the Decision on execution, however INA, d.d. filed an objection against the decision regarding the statute of limitations, the merits and the amount of the claims, so the procedure was continued as a civil procedure initiated by a lawsuit.

INA, d.d. objected regarding the prematurity of lawsuit, since a procedure is already being conducted on the same legal grounds for the unlawfulness of execution which has in the meantime been ended by a legally effective decision, with the plaintiff requesting for a retrial. INA is also objecting in relation to the plaintiff's capacity to sue.

The Commercial Court rendered the Decision of 24 November 2008 whereby it dismissed the lawsuit. The plaintiff lodged an appeal against the afore-stated decision, which was adopted by the High Commercial Court and returned to the court of first instance for a retrial. During the retrial, the plaintiff by its application of 3 May 2010, along with the above-stated objections, also filed a claim preclusion (res iudicata) objection with reference to the above-stated procedure finalized by a legally effective decision.

The court of first instance found that the claim preclusion is applicable and, by its Decision of 29 September 2010, again dismissed the plaintiff's lawsuit. Pursuant to the plaintiff's appeal, the High Commercial Court in Zagreb rendered Decision whereby the above-stated Decision of the Commercial Court in Zagreb of 29 September 2010 was asserted. The plaintiff has applied for a review.

The outcome of the procedure is still uncertain due to the complexity of the legal matter (claims for altered default interest), however it is now more probable that the Supreme Court will take the same standpoint as the High Commercial Court, therefore no provision has been recognized.

The Supreme Court has not decided on review to this date, so no legal actions were taken in 2014.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE d.d. and INA-NAFTAPLIN before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of cca EUR 8 mil incurred due to loss of rights resulting from the Joint Venture Agreement concluded with the company Saknavtobi, which allegedly occurred through defendant's conduct, i.e. due to its withdrawal from negotiations whereby it should have become a party in the joint business venture.

In the hearing held on February 08, 2011, after the parties repeated their standpoints, the court decided to request from the German Republic and the Republic of Cyprus by diplomatic ways the wording of the law relevant for decision-making in this case.

After more than three years, a hearing was held on September 11, 2014 with a new judge, but still no decision was made on relevant law. The plaintiffs were invited to respond on the legal merits of the claim and to deliver the regulations of the German Republic regulating the relationships of damages, liability and rules of conduct in civil obligations and the provisions especially concerning pre-contractual liability.

The next hearing has been scheduled for February 05, 2015.
Since pre-contractual liability for damage (culpa in contrahendo) is very differently regulated in German and Croatian law, the choice of relevant law will directly affect the outcome of the dispute. Since the witnesses have not been heard on the merits of the case, its outcome is at the moment completely uncertain.

OTF

OTF Fővállalkozó Zrt. ("OTF")is seeking actual damages and lost profit due to non-compliance with i.e. breach of the provisions of the LSTK Sulphur Recovery Unit (Claus unit) Construction Agreement for the Rijeka Refinery and due to unpaid amounts under the invoiced change orders in the amount of cca EUR 8.7 million.

OTF also deems that INA has illegally collected a bank guarantee equalling 15% of the stipulated price, so it is seeking reimbursement of that amount as well.

The outcome of the dispute is uncertain and also depends on the manner in which the court will apply substantive law, which has not been suggested in any way by the tribunal.

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o.

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o. ("SALBATRING") initiated the arbitration procedure before the London Court of International Arbitration by delivering the Request for arbitration on June 17, 2014.

In its request SALBATRING claimed damages due to non-delivery of contracted quantities of coke and breach of contractual obligations during the first contractual year, consequently Salbatring claims the amount of EUR 2,203,276.44 for loss of profit and the amount of EUR 163,205.70 for non-pecuniary damages (plus interests). INA replied to the Request for arbitration on 17 July 2014. In line with the arbitration rules on 22 October 2014 Salbatring filed its Statement of Case. Arbitration procedure is presently suspended until the beginning of 2015. In addition, on 11 December 2014 INA received Salbatring's Request for compensation for the additional three contractual years. In its request Salbatring claims EUR 6,958,357.80 plus the interest for loss of profit and EUR 556,668.73 plus the interest for non-pecuniary damages.

EKOMEDIA d.o.o.

In September 2012 INA entered into an agreement with company Ekomedia d.o.o. ("Ekomedia"), pursuant to which Ekomedia was granted the right to place exterior advertising boards on INA's gas stations and change them for advertising purposes to third parties and pay a fee to INA. The agreement was concluded for a 10-year period, with financial terms being agreed on from one year to another and if they are not agreed on, this would represent a reason to terminate the agreement.

Ekomedia failed to regularly comply with its obligations, did not pay the fee and, when the agreement was terminated, it still owed INA several hundred thousand Croatian kunas.
Consequently, INA terminated the agreement with Ekomedia at the beginning of 2014.

In response, in May 2014 Ekomedia filed a motion for interim measure to the court to prevent taking down of advertising boards from INA's gas stations. The court has still not reached a decision thereon.
On December 19, 2014 Ekomedia filed action against INA, seeking performance of agreement by INA, and secondly, if it is not successful with this claim, damages for lost profit of cca EUR 12,300,000.

Concessions

On July 29 2011 the Ministry of Economy, Labour and Entrepreneurship (hereinafter: the Ministry) rendered three Decisions depriving INA of the license to explore hydrocarbons in exploration areas "Sava", "Drava" and "North-West Croatia", due to INA's non-compliance with its obligations regarding regular informing of the Ministry on performed exploration works.

Given that the complaint against stated Decisions was not allowed, on August 29 2011, INA filed three administrative lawsuits against the Ministry's Decisions.

In its lawsuits, INA claims that the reasons why the Ministry rendered the contested Decisions are neither factually nor legally grounded, since INA had regularly performed exploration works and duly informed the Ministry thereon. For the stated reason, INA requests that the Administrative Court of the Republic of Croatia annuls the stated Decisions on the suspension of licenses for the exploration of hydrocarbons rendered by the Ministry.

On September 11, 2014 the Administrative Court adopted Judgements in two cases: "Sava" and North-West Croatia" in which it accepted INA's administrative lawsuits and annulled the Ministry's Decisions.

On November 10, 2014, the Ministry adopted new Decisions in which it again deprived INA of the license to explore hydrocarbons in exploration areas "Sava" and "North-West Croatia", with the same explanations.

On December 12, 2014, INA filed lawsuits against new Ministry Decisions with an additional request for temporary measures. Namely, INA demanded from the Administrative Court to annul the public tendering for granting concessions over Sava and NW Croatia areas, which tendering was initiated by the same Ministry. On January 8, 2015, the Administrative Court passed Resolutions in which it rejected INA's request.

In the meanwhile, the Administrative Court has also adopted a Judgement in the third case – "Drava" in which Ministry's Decision was also annulled. At the moment, we are expecting Ministry's new Decision.

General

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

The value of litigation where members of the MOL Group act as defendant is HUF 27,932 million for which HUF 24,610 million provision has been made.

Environmental liabilities

MOL's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL has established a provision of HUF 77,005 million for the estimated cost as at 31 December 2014 for probable and quantifiable costs of rectifying past environmental damage (see Note 20). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

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

Furthermore, the technology applied in oil and gas exploration and development activities by the Group's Hungarian predecessor before

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

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries, depots and retail sites which have been acquired in recent business combinations. As at 31 December 2014, on Group level the aggregate amount of contingent liabilities recorded on the balance sheet as environmental liabilities was HUF 37.7 billion (HUF 34.7 billion at 31 December 2013).

35. EVENTS AFTER THE REPORTING PERIOD

ENI Romania acquisition

MOL Group (MOL Romania Downstream Investment B.V. and MOL Slovakia Downstream Investment B.V., two 100% owned MOL Plc. subsidiaries) has completed the acquisition of 100% shares in ENI Romania SRL, including 42 service stations on 2 February 2015. This step will significantly contribute to further strengthening MOL Group's market share in Romania. In 2015, as a result of integrating the acquired network, MOL Group will reach a network of approximately 200 units in Romania. MOL branding elements are to be swiftly applied to the acquired network.

The carrying amounts of the assets and liabilities of ENI Romania as of 31 December 2014 are the following:

	CARRYING AMOUNT 31 DECEMBER 2014
	HUF million
Assets	
Non-current assets	7,390
Current assets	2,583
Total assets	**9,973**
Liabilities	
Non-current liabilities	(2,228)
Current liabilities	(5,171)
Total liabilities	**(7,399)**
Net assets	**2,574**

The revaluation of the net assets is in progress, the entity will be first consolidated with 2 February 2015.

MOL made a Voluntary Public Tender Offer for all TVK Shares

MOL made a Voluntary Public Tender Offer on 13th of January 2015 at HUF 4,984 for all TVK Ordinary Shares, representing voting rights, issued by Tisza Chemical Group Public Limited Company currently not owned by MOL. In case of successful bid for shares, the transaction will be recorded as a transaction with non-controlling interests. In the Voluntary Public Tender Offer UniCredit Bank Hungary Ltd is acting as Lead Manager, and Equilor Investment Ltd is acting as a Co-Lead Manager. On 2nd of February 2015, the Voluntary Public Tender Offer was approved by the Central Bank of Hungary (MNB), acting as financial supervisory authority.

Bid Price: HUF 4,984 / share
Commencement Day of the Offer Period: 4th February 2015
Final Day of the Offer Period: 5th March 2015

1,028,926 ordinary shares (82.4% of the Free Float) of TVK Plc. were validly offered to MOL under the terms of the Public Tender Offer. MOL accepts the shares offered and declares the Public Tender Offer as successful. After the transfer of the offered shares, MOL Plc's stake in TVK Plc. will increase from 94.86% to 99.10%

MOL declared exercising the right to purchase for all TVK shares not owned by MOL Plc. following the closing of the recent Tender Offer.

Long-term debt hedging

MOL has executed foreign currency derivatives in the first quarter of 2015 in order to hedge the foreign currency risk arisen on long-term debts.

Selling Treasury shares and option agreements with UniCredit Bank

The option rights regarding 4,080,496 pieces of MOL Series "A" Ordinary shares under the share option agreements, concluded between UniCredit Bank AG ("UniCredit") and MOL on 7 February 2013, and extended for one year as of the effective date of 10 February 2014, were cash settled in respect of all the Shares on 13 February 2015.

On 28 Januar 2014 MOL Investment Ltd. - a fully owned subsidiary of MOL - ("MIL"), UniCredit and MOL concluded a share purchase agreement ("SPA"), pursuant to which MIL sold 1,300,000 pieces of additional Shares ("Additional Shares") to UniCredit with the settlement date of 13 February 2015.

Simultaneously MOL and UniCredit concluded share option agreements regarding up to 5,380,496 pieces of MOL shares with the effective date of 13 February 2015. As a result of the new share option agreements, MOL acquired American call options and UniCredit acquired European put options on 13 February 2015. The maturity of both the call and the put options is 1 year, such maturity being subject to yearly extensions, up to a total tenor of 3 years. The strike price of both the call and put options is USD 43.17544 per one share.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH-FLOWS

Cash and cash equivalents comprise the following at 31 December

	2014	2013
	HUF million	HUF million
Cash and cash equivalents according to Balance Sheet	203,743	564,170
Cash and cash equivalents as part of Disposal Group	-	-
Total Cash and cash equivalents	**203,743**	**564,170**

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

	2014	2013
	HUF million	HUF million
Cash consideration	(14,850)	(399)
Cash at bank or on hand acquired	1,942	132
Net cash outflow on acquisition of subsidiaries, joint ventures and non-controlling interests	**(12,908)**	**(267)**

Issuance of long-term debt

	2014	2013
	HUF million	HUF million
Increase in long-term debts	245,432	463,372
Non cash-flow element: unrealised exchange gains / (losses)	(17,283)	861
Total issuance of long-term debt	**228,149**	**464,233**

37. RELATED PARTY TRANSACTION

TRANSACTIONS WITH ASSOCIATED COMPANIES IN THE NORMAL COURSE OF BUSINESS

	2014	2013
	HUF million	HUF million
Trade and other receivables due from related parties	9,365	7,845
Trade and other payables due to related parties	16,070	18,682
Net sales to related parties	25,362	20,416

Sourse of business

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2014 and 2013. All of these transactions were conducted under market prices and conditions.

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

Directors' total remuneration approximated HUF 139 million and HUF 131 million in 2014 and 2013, respectively. In addition, the directors participate in a long-term incentive scheme details of which are given below. Total remuneration of members of the Supervisory Board approximated HUF 98 million in 2014 and HUF 95 million in 2013. Directors are remunerated with the following net amounts in addition to the incentive scheme:

- Executive and non-executive directors 25,000 EUR/year
- Committee chairmen 31,250 EUR /year

In case the position of the Chairman is not occupied by a non-executive director, it is the non-executive vice Chairman who is entitled to this payment. Directors who are not Hungarian citizens and do not have permanent address in Hungary are provided with EUR 1,500 on each Board meeting (maximum 15 times a year) when travelling to Hungary.

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

	2014	2013
	Number of shares	Number of shares
Board of Directors	232,971	262,183
Senior Management (except executive Board members)	119,508	106,508
Supervisory Board	39,588	39,588
Total	**392,067**	**408,279**

Transactions with the Officers and Management of the Company

Mr. Sándor Csányi, deputy chairman of the Board of Directors is also the Chairman-CEO of OTP Bank Plc. MOL Plc. and some of its subsidiaries have contractual relationship with the members of OTP Group, including having bank accounts and deposits, using credit card and brokerage services and obtaining loan financing. In 2014, Mr. Sándor Csányi indirectly acquired shares and interests representing significant influence in several Olajterv Group member entities. No transactions out of the usual conduct of business have been concluded with OTP in 2014 and 2013 and Olajterv Group in 2014. All of these transactions are on an arm's-length basis.

Mr. Slavomír Hatina, member of the Supervisory Board has an indirect interest of a Slovakian company Granitol a.s. through Slovintegra a.s. The Group has sold polyethylene to this company in 2014 and 2013 amounted to HUF 4,673 million and HUF 4,741 million respectively, carried out on usual commercial terms and market prices and purchased goods from this company in amount of HUF 33 million and HUF 42 million, respectively. Additionally, Mr. Hatina has an indirect interest of a Slovakian company Real–H.M. s.r.o. through BIATEC Group a.s. The Group has sold goods and services to this company in amount of HUF 1 million and HUF 1 million carried out on usual commercial terms and market prices during 2014 and 2013, respectively and purchased goods from this company in amount of HUF 2 million and HUF 2 million in 2014 and 2013, respectively.

Mr. Oszkár Világi, member of the Board of Directors of the Company and Slovnaft's Chief Executive Officer is a partner in legal firm Ruzicka Csekes s.r.o. The company provided legal services to the Group in the value of HUF 47 million and HUF 33 million in 2014 and 2013, respectively. Slovnaft Group has sold products and goods to Ruzicka Csekes s.r.o for HUF 1 million in 2014.

Mr. Parragh László member of the Board of Directors of MKB Bank. MOL Group and some of its subsidiaries have contractual relationship with the above mentioned entity. No transactions out of the usual conduct of business have been concluded with MKB in 2014 or 2013. All of these transactions are on an arm's-length basis. Furthermore Mr Parragh is the member of the Supervisory Boardsof Magyar Export-Import Bank Zrt. (Eximbank) and Magyar Exporthitel Biztosító Zrt (MEHIB). Loan agreements of TVK Plc in the amount of EUR 30 million are contracted based on the refinancing on Eximbank while MEHIB provides credit insurance for TVK Plc and MOL-LUB Kft. The insurance fee paid by these two companies amounted to HUF 200 million in 2014.

Key management compensation

The amounts disclosed contains the compensation of managers who qualify as a key management member of MOL Group.

	2014	2013
	HUF million	HUF million
Salaries and other short-term employee benefits	1,763	1,541
Termination benefits	-	-
Share-based payments	173	467
Total	**1,936**	**2,008**

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

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

38. SHARE-BASED PAYMENT PLANS

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

	2014	2013
	HUF million	HUF million
Expense arising from equity-settled share-based payment transactions	203	296
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	(687)	(1,263)
Total expense / (reversal of expense) arising from share-based payment transactions (see Note 26)	**(484)**	**(967)**

The share-based payments are described below.

The share-based payments serve as the management's long term incentives as an important part of their total remuneration package. They ensure the interest of the top and senior management of MOL Group in the long-term increase of MOL share price and so they serve the strategic interest of the shareholders.

The Long-term managerial incentive system employs two incentive systems in parallel: the Share Option Plan (an option based incentive) and the Performance Share Plan (based on a so called Comparative Share Price methodology).

Share Option Incentive Schemes for management

The Share Option Plan was launched in 2006 and renewed in 2013.

The Share Option Plan is a call option to sell hypothetical MOL shares granted on a past strike price, at a spot price and so realize profit with the difference between these prices. The incentive has following characteristics:

1. Covers a five-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a three-year redeeming period. If unexercised, the Share Option lapses after 31th December of the redeeming period.
2. The grants are defined centrally in line with MOL job category
3. The payout is linked to individual short-term performance

Share Option is calculated in Hungarian Forints and paid out in cash in local currency.

The incentive is paid in the exercising period according to the declaration of exercising. The payout/earning is the difference between the exercise price and Strike Price for one Share Option, multiplied by the number of Share Options the manager is entitled to.

As managerial remuneration package, from 2013 the managers, who are entitled to long-term incentives are eligible for a one-time payout annually, in case the Annual General Meeting of MOL Plc. decides on dividend payment in the given year. Payment of one manager is the value equal to the dividend payment per share multiplied by the Share Option unit numbers the manager is entitled to.

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

	NUMBER OF SHARES IN CONVERSION OPTION UNITS 2014	WEIGHTED AVERAGE EXERCISE PRICE 2014	NUMBER OF SHARES IN CONVERSION OPTION UNITS 2013	WEIGHTED AVERAGE EXERCISE PRICE 2013
	share	HUF/share	share	HUF/share
Outstanding at the beginning of the year	521,404	18,412	477,024	15,083
Granted during the year	119,422	14,984	134,504	17,977
Forfeited during the year	(48,685)	19,156	(27,519)	18,744
Exercised during the year	-	-	(62,571)	12,515
Expired during the year	(112,683)	18,481	(34)	12,435
Outstanding at the end of the year	**479,458**	**18,373**	**521,404**	**18,412**
Exercisable at the end of the year	236,643	20,289	250,732	19,579

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. In 2014 expenses recorded in preceding years has been reversed in a value of HUF 687 million (HUF 1,263 million reversal in 2013). Liabilities in respect of share-based payment plans amounted to HUF 105 million as at 31 December 2014 (31 December 2013: HUF 792 million), recorded in Other non-current liabilities and Other current liabilities.

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

	2014	2013
Weighted average exercise price (HUF / share)	18,373	18,412
Share price as of 31 December (HUF / share)	11,545	14,426
Expected volatility based on historical data	28.57%	31.80%
Expected dividend yield	5.65%	2.82%
Estimated maturity (years)	2.48	2.54
Risk free interest rate	2.37%	4.44%

Performance Share Plan for top and senior management

Other part of the Long-term Incentive Plan for the top and senior management is the Performance Share Plan that was introduced in 2013 replacing the previous Profit Sharing Plan.

The Performance Share Plan is a three-year cash based programme using the Comparative Share Price methodology with following characteristics:

- Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP20 and Dow Jones Emerging Market Titans Oil&Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices during three years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- The rate of incentive is influenced by the individual short-term performance.

No payment is expected with respect to 2014 based on this new incentive form.

Share Incentive scheme for the members of the Board of Directors

According to resolution of the 2012 Annual General Meeting of the parent company, in case of the members of Board of Directors, the former profit sharing incentive programme had been replaced by a new, share-settled incentive scheme exclusively for the members of the Board of Directors ensuring their interest in the long-term increase of MOL share price.

The members of the Board of Directors become entitled to defined annual amount of MOL shares based on the number of days spent in the position. 100 shares per month are granted to each director, the Chairman of the Board is entitled to an additional amount of 25 shares per month. If an executive director is in charge as a Chairman of the Board then this additional amount of shares should be granted to the non-executive Deputy Chairman. The new incentive system ensures the interest of the Board of Directors in the long-term increase of the MOL share price as 2/3 of the shares vested in the year are under transferring restriction for one year.

According to IFRS 2, the incentive qualifies as an equity-settled share based scheme; therefore the fair value of the benefit should be expensed during the one year vesting period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant, which is the first trading day of the year. In 2014 and 2013 with respect of the share scheme programme, HUF 203 million and HUF 296 million has been recorded as an expense, respectively, parallel with the corresponding increase in the equity.

Details of the share-settled incentive scheme during the year were as follows:

	2014	2013
Number of shares vested	11,462	13,500
Share price at the date of grant (HUF / share)	14,488	17,914