MOL Hungarian Oil and Gas Public Limited Company

Consolidated financial statements prepared in accordance with International Financial Reporting Standards together with the Independent Auditor's Report

31 December 2015

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders MOL Hungarian Oil and Gas Plc.

Report on financial statements

1.) We have audited the accompanying 2015 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2015 - showing a balance sheet total of HUF 3,928,002 million and a loss for the year of HUF 324,956 million -, the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2.) Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3.) Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Hungarian National and International Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

6.) In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of MOL Hungarian Oil and Gas Plc. as at 31 December 2015 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Other reporting requirement - Report on the consolidated business report

7.) We have reviewed the consolidated business report of MOL Hungarian Oil and Gas Plc. for 2015. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian legal requirements. Our responsibility is to assess whether the consolidated business report is consistent with the consolidated financial statements for the same financial year. Our work regarding the consolidated business report has been restricted to assessing whether the consolidated business report is consistent with the consolidated annual financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the consolidated business report of MOL Hungarian Oil and Gas Plc. for 2015 corresponds to the disclosures in the 2015 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc.

Budapest, 17 March 2016

Bartha Zsuzsanna
Ernst & Young Kft.
Registration No.: 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

MOL Hungarian Oil and Gas Plc.

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

31 December 2015

Budapest, 17 March 2016

Zsolt Hernádi
Chairman of the Board of Directors
Chief Executive Officer

József Simola
Group Chief Financial Officer

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

	Notes	2015	2014
ASSETS		HUF million	HUF million
Non-current assets			
Intangible assets	4	235,412	371,236
Property, plant and equipment	5	2,229,059	2,513,014
Investments in associated companies and joint ventures	10	189,969	165,776
Available-for-sale investments	11	28,103	20,796
Deferred tax assets	30	113,467	75,000
Other non-current assets	12	64,687	101,692
Total non-current assets		**2,860,697**	**3,247,514**
Current assets			
Inventories	13	349,177	364,591
Trade receivables	14	378,749	450,985
Securities	33	63,147	222,467
Other current assets	15	137,967	144,252
Income tax receivable	30	6,051	15,973
Cash and cash equivalents	16, 36	132,214	203,743
Total current assets		**1,067,305**	**1,402,011**
TOTAL ASSETS		**3,928,002**	**4,649,525**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	79,241	79,229
Reserves		1,634,082	1,666,438
Profit/(loss) for the year attributable to equity holders of the parent		(256,554)	4,078
Equity attributable to equity holders of the parent		**1,456,769**	**1,749,745**
Non-controlling interests		364,349	445,993
Total equity		**1,821,118**	**2,195,738**
Non-current liabilities			
Long-term debt	19	461,681	455,039
Provisions	20	415,974	393,192
Deferred tax liabilities	30	67,209	49,820
Other non-current liabilities	21	30,633	28,637
Total non-current liabilities		**975,497**	**926,688**
Current liabilities			
Trade and other payables	22	857,201	969,738
Income tax payable	30	15,258	5,542
Provisions	20	52,947	44,703
Short-term debt	19, 23	205,981	507,116
Total current liabilities		**1,131,387**	**1,527,099**
TOTAL EQUITY AND LIABILITIES		**3,928,002**	**4,649,525**

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

	Notes	2015	2014
		HUF million	HUF million
Net revenue	3, 24	4,102,578	4,866,607
Other operating income	25	87,000	26,598
Total operating income		**4,189,578**	**4,893,205**
Raw materials and consumables used		3,032,450	3,910,598
Personnel expenses	26	267,271	260,242
Depreciation, depletion, amortisation and impairment	3, 4, 5	863,464	368,284
Other operating expenses	27	258,286	288,681
Change in inventories of finished goods and work in progress		41,022	73,533
Work performed by the enterprise and capitalized		(56,917)	(48,213)
Total operating expenses		**4,405,576**	**4,853,125**
Operating (loss)/profit		**(215,998)**	**40,080**
Finance income	28	19,772	35,300
Finance expense	28	112,646	139,764
Finance expense, net		**92,874**	**104,464**
Income from associates	10	5,773	18,902
Loss before tax		**(303,099)**	**(45,482)**
Income tax expense	30	21,857	5,384
Loss for the year		**(324,956)**	**(50,866)**
Attributable to:			
Equity holders of the parent		(256,554)	4,078
Non-controlling interests		(68,402)	(54,944)
Basic earnings per share			
Attributable to ordinary equity holders of the parent (HUF)	31	**(2,877)**	**(39)**
Diluted earnings per share			
Attributable to ordinary equity holders of the parent (HUF)	31	**(2,877)**	**(39)**

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

	Notes	2015	2014
		HUF million	HUF million
Loss for the year		**(324,956)**	**(50,866)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations, net of tax	29	10,375	144,208
Net investment hedge, net of tax	29	(13,113)	(42,249)
Available-for-sale financial assets, net of deferred tax	29	3,881	4,788
Cash-flow hedges, net of deferred tax	29	(3,136)	(2,088)
Share of other comprehensive income for associates	29	14,589	24,168
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**12,596**	**128,827**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	29	1,248	(1,541)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,248**	**(1,541)**
Other comprehensive income for the year, net of tax		**13,844**	**127,286**
Total comprehensive income for the year		**(311,112)**	**76,420**
Attributable to:			
Equity holders of the parent		(254,394)	91,507
Non-controlling interest		(56,718)	(15,087)

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

	Share capital	Share premium	Fair valuation reserve	Translation reserve	Equity component of debt and difference in buy-back prices	Retained earnings	**Total reserves**	Profit/(Loss) for the year attributable to equity holders of the parent	**Equity attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
	HUF million	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**
Closing balance											
31 December 2013 - Restated	**79,215**	**(325,669)**	**2,563**	**159,724**	**(8,074)**	**1,776,343**	**1,604,887**	**21,901**	**1,706,003**	**473,517**	**2,179,520**
Retained profit for the year							**-**	4,078	**4,078**	(54,944)	**(50,866)**
Other comprehensive income for the year			269	82,280		4,880	**87,429**		**87,429**	39,857	**127,286**
Total comprehensive income for the year	*-*	*-*	*269*	*82,280*	*-*	*4,880*	***87,429***	*4,078*	***91,507***	*(15,087)*	***76,420***
Transfer to reserves of retained profit for the previous year						21,901	**21,901**	(21,901)	**-**		**-**
Dividends						(49,710)	**(49,710)**		**(49,710)**	(11,852)	**(61,562)**
Dividends to non-controlling interests							**-**		**-**		**-**
Equity recorded for share based payments	**14**					152	**152**		**166**		**166**
Net change in balance of treasury shares held, net of tax						1,693	**1,693**		**1,693**		**1,693**
Disposal of subsidiaries							**-**		**-**	(413)	**(413)**
Transactions with non-controlling interests						86	**86**		**86**	(172)	**(86)**
Closing balance											
31 December 2014	**79,229**	**(325,669)**	**2,832**	**242,004**	**(8,074)**	**1,755,345**	**1,666,438**	**4,078**	**1,749,745**	**445,993**	**2,195,738**
Retained profit for the year							**-**	(256,554)	**(256,554)**	(68,402)	**(324,956)**
Other comprehensive income for the year			(1,586)	1,573		2,173	**2,160**		**2,160**	11,684	**13,844**
Total comprehensive income for the year	*-*	*-*	*(1,586)*	*1,573*	*-*	*2,173*	***2,160***	*(256,554)*	***(254,394)***	*(56,718)*	***(311,112)***
Transfer to reserves of retained profit for the previous year						4,078	**4,078**	(4,078)	**-**		**-**
Dividends						(40,903)	**(40,903)**		**(40,903)**		**(40,903)**
Dividends to non-controlling interests							**-**		**-**	(16,613)	**(16,613)**
Equity recorded for share based payments	**12**					148	**148**		**160**		**160**
Net change in balance of treasury shares held, net of tax							**-**		**-**		**-**
Disposal of subsidiaries							**-**		**-**		**-**
Transactions with non-controlling interests						2,161	**2,161**		**2,161**	(8,313)	**(6,152)**
Reclassification				2,299	8,074	(10,373)					
Closing balance											
31 December 2015	**79,241**	**(325,669)**	**1,246**	**245,876**	**-**	**1,712,629**	**1,634,082**	**(256,554)**	**1,456,769**	**364,349**	**1,821,118**

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

	Notes	2015 HUF million	2014 restated HUF million
Loss before tax		(303,099)	(45,482)
Depreciation, depletion, amortisation and impairment		863,464	368,284
Write-off of inventories, net		15,611	25,907
Increase / (decrease) in provisions		18,893	4,796
Net (gain) / loss on sale of property, plant and equipment		(2,150)	(1,394)
Write-off / (reversal of write-off) of receivables		9,302	3,596
Net (gain) / loss on sale of subsidiaries		(1,301)	(12,679)
Release of translation reserves	25	(27,794)	-
Interest income		(7,858)	(10,788)
Interest on borrowings		39,521	42,433
Net foreign exchange (gain) / loss		41,372	65,120
Fair valuation difference of conversion option	28	(2,431)	(601)
Other financial (gain) / loss, net		9,217	(2,333)
Share of net profit of associate and a joint venture	10	(5,773)	(18,902)
Other non cash items		(3,006)	3,896
Operating cash flow before changes in working capital		*643,968*	*421,853*
Decrease in inventories		4,359	90,903
Decrease in trade receivables		76,990	96,594
Decrease in other receivables		20,282	7,043
Decrease in trade payables		(75,351)	(181,447)
(Decrease) / increase in other payables		(53,717)	34,023
Total working capital adjustments		*(27,437)*	*47,116*
Income taxes paid		(24,347)	(34,441)
Net cash provided by operating activities		**592,184**	**434,528**
Capital expenditures	36	(378,426)	(478,334)
Proceeds from disposals of property, plant and equipment		4,790	3,423
Acquisition / sale of subsidiaries (net of cash) and other financial investments	8, 36	(58,404)	37,317
Changes in loans given and long-term bank deposits		32,760	55,914
Purchase / sale of financial investments held for sale	32	163,131	(202,385)
Interest received and other financial income		9,207	15,815
Dividends received		8,643	9,791
Net cash used in investing activities		**(218,299)**	**(558,459)**
Issuance of notes		-	-
Repayment of long-term notes		(234,908)	(33,487)
Long-term debt drawn down		693,246	228,149
Repayments of long-term debt		(772,086)	(266,594)
Changes in short-term debt		(35,322)	(60,642)
Interest paid and other financial costs		(30,602)	(62,425)
Dividends paid to shareholders		(40,837)	(49,685)
Dividends paid to non-controlling interest		(17,941)	(11,854)
Acquisition of non-controlling interests		(6,282)	(86)
Equity withdrawn by non-controlling interest		-	(412)
Net cash used in financing activities		**(444,732)**	**(257,036)**
Decrease in cash and cash equivalents		**(70,847)**	**(380,967)**
Foreign exchange differences related to cash and cash equivalents		(682)	20,540
Cash and cash equivalents at the beginning of the year		203,743	564,170
Cash and cash equivalents at the end of the year		132,214	203,743

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

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 2015 and 2014 was 25,959 and 27,499, 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 17 March 2016.

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 IFRS Interpretations Committee.

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 statement of profit or loss. 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 2015.

MOL Plc. prepares its statutory separate 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 statement of financial positions and the consolidated statement of profit or loss, 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 statement of profit or loss. 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 statement of financial position 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 statement of profit or loss 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 statement of financial position or the statement of profit or loss, none of which has resulted in a significant impact on the financial statements.

Change in the presentation of non-hedging derivatives.

Fair value changes of derivatives economically hedging operating activities but not designated as hedging instruments in hedge accounting programs should be recorded as other operating income/expense instead of financial income/expense both in the Individual Financial Statements of the Group entities and in the Consolidated Financial Statement of the Group. Prior period data has not been restated, since the effect proved to be insignificant (both by year and in total). Fair valuation gain of HUF 2.1 billion relating to derivatives economically hedging operating activities but not designated as hedging instruments in hedge accounting programs was recorded in Other operating income in 2015.

Valuation of slow moving non-hydrocarbon inventories

Based on the current year's change in the accounting policy of the Group, impairment on slow moving non-hydrocarbon inventories like general maintenance, production, well-construction and other materials, should be recorded on a portfolio basis by estimating the future usage based on the historical pattern of consumption. One maintenance cycle with the length of 4 years should be examined and certain percentage of write-off should be accounted for those levels of inventories which exceed the level derived from historical consumption data. Due to the nature of inventories, reversal of impairment should take place only upon selling the product or when the business begins to consume the product. However, on a case by case basis, a reversal can be made in order to present a true and fair view, if the amount of the reversal of impairment is material by item or by inventory type.

IFRS and IFRIC interpretations adopted in current year

Following standards being applicable from 2015 or later has been applied by MOL Group already in 2014 with no significant effect on the financial statements of the Group:

- IAS 19 - Employee Benefits - Amendment to clarify the way how contributions from employees or third parties that are linked to service should be attributed to periods of service

- IFRIC 21 – Levies

There were no further obligatory changes in IFRS, effective from 1 January 2015, which should have been adopted by the Group.

2.3 Issued but not yet effective International Financial Reporting Standards

Please see the issued but not yet effective International Financial Reporting Standards in the Appendix I.

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 statement of 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 statement of 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 statement of 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 statement of 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 statement of profit or loss.

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. Gains or losses on investments held for trading are recognized as finance income or finance expense in the statement of profit or loss.

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.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss.

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. Fair value changes of derivatives not designated in any hedge relationship but economically hedging an operating activity shall be recorded among other operating result instead of financial result.

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 statement of profit or loss.

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 statement of profit or loss. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

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 hedges 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 statement of profit or loss. 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 statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects the statement of profit or loss, 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 statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized as other comprehensive income is transferred to the statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss, 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 statement of profit or loss, is transferred from other comprehensive income to the statement of profit or loss. 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 statement of profit or loss; 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 statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss 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

An intangible asset is recognised initially at cost. For intangible assets acquired in a business combination, the cost is the fair value at the acquisition date. 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 –12 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 prospectively. 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 statement of profit or loss 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. If there are proved reserves of oil or natural gas and the 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 statement of profit or loss 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 statement of financial positiond 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 statement of profit or loss.

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 statement of profit or loss 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 statement of profit or loss 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.

xxvi) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. 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 statement of profit or loss 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 calculated 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 (e.g. excise duty), except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority (e.g. if the entity is not subject of sales tax), 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 statement of financial position.

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 statement of profit or loss 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 statement of financial position and at the weighted average exchange rates for the year with respect to the statement of profit or loss. 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 statement of profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to statement of 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 statement of 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 statement of 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:

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 79,218 million and HUF 77,005 million, while field abandonment provision amounts to HUF 278,727 million and HUF 265,273 million as of 31 December 2015 and 2014, 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 136,376 million and HUF 260,994 million as of 31 December 2015 and 2014, respectively (see Note 4).

Sources of estimate uncertainty

The preparation of consolidated 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. 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 information on financial risk management objectives and policies are detailed on Note 32 and 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% (2014: 3.5%). Consequently, the carrying amount of these obligations (see Note 20 and in "Scope of environmental and field abandonment provision" paragraph above) 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. The models and the assumptions used for impairment testing of Goodwill and Property, plant and equipment in current year can be found in more detail in notes 4 and 5, under Impairment paragraph, respectively.

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. 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 86,272 million and HUF 140,879 million as of 31 December 2015 and 2014, 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 long term employee benefit is HUF 21,666 million and HUF 23,184 million at 31 December 2015 and 2014, 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 25,218 million and HUF 24,610 million at 31 December 2015 and 2014, respectively (see Note 20 and 34).

3. Segmental information

2015	Upstream	Downstream	Gas Midstream	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	218,629	3,738,417	100,572	44,960		**4,102,578**
Inter-segment sales	205,899	11,220	3,070	160,858	(381,047)	**-**
Total revenue	**424,528**	**3,749,637**	**103,642**	**205,818**	**(381,047)**	**4,102,578**
Results						
Profit/(loss) from operations	(468,276)	263,439	45,612	(66,674)	9,901	**(215,998)**
Finance expense, net						**92,874**
Income from associates				5,773		**5,773**
Loss before tax						**(303,099)**
Income tax expense						**21,857**
Loss for the year						**(324,956)**

2014 restated	Upstream	Downstream	Gas Midstream	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	303,602	4,399,575	106,011	57,419		**4,866,607**
Inter-segment sales	273,995	10,896	757	159,801	(445,449)	**-**
Total revenue	**577,597**	**4,410,471**	**106,768**	**217,220**	**(445,449)**	**4,866,607**
Results						
Profit/(loss) from operations	75,784	(31,579)	45,080	(43,525)	(5,680)	**40,080**
Finance expense, net						**104,464**
Income from associates				18,902		**18,902**
Loss before tax						**(45,482)**
Income tax expense						**5,384**
Loss for the year						**(50,866)**

2015 Assets and liabilities	Upstream HUF million	Downstream HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	**Total HUF million**
Property, plant and equipment	693,295	1,189,176	228,153	131,198	(12,763)	**2,229,059**
Intangible assets	143,194	67,681	2,146	24,599	(2,208)	**235,412**
Inventories	22,774	311,859	2,523	24,422	(12,401)	**349,177**
Trade receivables	30,355	335,700	4,108	45,975	(37,389)	**378,749**
Investments in associated companies and joint ventures				189,969		**189,969**
Not allocated assets						**545,636**
Total assets						**3,928,002**
Trade payables	57,240	288,912	7,792	51,378	(37,389)	**367,933**
Not allocated liabilities						**1,738,951**
Total liabilities						**2,106,884**
2015 Other segment information						
Capital expenditure:	199,637	129,643	5,718	24,763		**359,761**
Property, plant and equipment	112,045	125,437	4,882	20,186		**262,550**
Intangible assets	87,592	4,206	836	4,577		**97,211**
Depreciation and amortization	713,426	111,245	14,015	29,912	(5,134)	**863,464**
From this: impairment losses recognized in statement of profit or loss	515,730	3,321	140	10,050	(3,802)	**525,439**
From this: reversal of impairment recognized in statement of profit or loss	(1,282)	(3,145)		(75)		**(4,502)**

2014 Assets and liabilities Restated	Upstream	Downstream	Gas Midstream	Corporate and other	Inter-segment transfers	**Total**
	HUF million	HUF million	HUF million	HUF million	HUF million	**HUF million**
Property, plant and equipment	1,006,500	1,143,875	235,818	136,124	(9,303)	**2,513,014**
Intangible assets	285,700	65,729	2,196	26,327	(8,716)	**371,236**
Inventories	21,523	336,493	2,791	23,650	(19,866)	**364,591**
Trade receivables	47,737	381,710	8,903	46,773	(34,138)	**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	70,552	350,792	10,352	44,095	(34,138)	**441,653**
Not allocated liabilities						**2,012,134**
Total liabilities						**2,453,787**
2014 Other segment information						
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	210,544	127,091	13,453	20,016	(2,820)	**368,284**
From this: impairment losses recognized in statement of profit or loss	75,730	19,095	196	1,007	(1,333)	**94,695**
From this: reversal of impairment recognized in statement of profit or loss	(1,872)	(1,793)				**(3,665)**

Starting from 1 January 2015, the Group merged company Prirodni Plin d.o.o., subsidiary of INA Group from Gas Midstream to INA Upstream segment. Also, the company Croplin d.o.o. has been reclassified from Gas Midstream segment to Upstream segment. Comparative periods have been restated accordingly.

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 and other 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.

Assets by geographic areas

31 December 2015	Intangible assets	Property, plant and equipment	Investment in associated companies and joint ventures
	HUF million	HUF million	HUF million
Hungary	61,008	728,075	36,175
Croatia	79,462	669,753	-
Slovakia	8,059	477,071	1,481
Rest of European Union	25,138	186,523	-
Rest of Europe	13,928	35,787	-
Rest of the World	47,817	131,850	152,313
Total	**235,412**	**2,229,059**	**189,969**

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 the World	125,913	127,030	134,839
Total	**371,236**	**2,513,014**	**165,776**

Sales by geographical area

	2015	2014
	HUF million	HUF million
Hungary	1,104,296	1,366,520
Croatia	470,374	593,352
Italy	393,908	434,215
Slovakia	372,707	424,889
Czech Republic	346,500	321,988
Austria	277,980	430,718
Romania	219,137	295,561
Poland	148,168	172,367
Serbia	133,985	90,487
Germany	133,043	151,376
Bosnia-Herzegovina	104,128	129,439
Switzerland	77,568	82,554
Slovenia	69,328	85,165
United Kingdom	56,674	37,928
Russia	20,666	22,097
Rest of Central-Eastern Europe	23,535	34,461
Rest of Europe	60,042	99,150
Rest of the World	90,539	94,340
Total	**4,102,578**	**4,866,607**

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 2015 and 2014.

4. Intangible assets

	Rights	Software	Exploration and evaluation assets	Goodwill	**Total**
	HUF million	HUF million	HUF million	HUF million	**HUF million**
At 1 January 2014					
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 subsidiary		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**
Year ended 31 December 2015					
- additions	7,313	4,342	86,571		**98,226**
- acquisition of subsidiaries	391	176			**567**
- amortization for the year	(9,437)	(2,655)	(682)		**(12,774)**
- impairment	(14,402)	(7)	(152,806)	(1,263)	**(168,478)**
- disposals	(566)				**(566)**
- revaluation of emission quotas	2,307				**2,307**
- disposal of subsidiaries					**-**
- exchange adjustment	527	(23)	5,715	(38)	**6,181**
- transfers and other movements	3,795	(1,666)	(63,416)		**(61,287)**
Closing net book value	**51,204**	**10,745**	**136,376**	**37,087**	**235,412**
At 31 December 2015					
Gross book value	148,632	48,592	218,588	89,146	**504,958**
Accumulated amortization and impairment	(97,428)	(37,847)	(82,212)	(52,059)	**(269,546)**
Net book value	**51,204**	**10,745**	**136,376**	**37,087**	**235,412**

Exploration and evaluation assets

In 2015 the amount of write-off of capitalized expenses related to exploration activities qualified unsuccessful was HUF 7,498 in Hungary, in case of Margala North-1 and Malgin wells in Pakistan HUF 8,325 million, in case of Maisoorah well in Oman HUF 3,050 million, Myrhauk well in Norway HUF 2,365 million, Cepelovac North and Hrastilnica-5 wells in Croatia HUF 938 million. In 2014 the amount of write-off of capitalized expenses related to exploration activities qualified unsuccessful was HUF 9,046 million in Hungary, in case of SK-1 well in Kazakhstan HUF 2,652 million and in case of Novomatjushkinskaya-103 and Zapadno-Kedrovskaya-121 wells in Russia HUF 1,938 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 2.4 xv.).

In addition to these exploration and evaluation assets, a further HUF 7,140 million and HUF 15,951 million exploration expenses were incurred in 2015 and 2014, 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 statement of profit or loss as incurred.

Other research and development costs are less significant compared to exploration expenses. These research and development costs were HUF 1,794 million in 2015 and HUF 1,261 million in 2014.

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:

	2015	**2014**
	Net book value HUF million	**Net book value HUF million**
Downstream	*35,068*	*35,099*
- Roth Group	7,969	8,013
- Romanian retail network	4,545	4,612
- Croatian retail network	15,247	15,302
- Czech retail network	6,830	6,695
- MOL Petrochemicals	477	477
Upstream	*2,019*	*3,289*
- Rotary (former DrillTrans)	2,019	3,289
Total goodwill	**37,087**	**38,388**

Impairment of Goodwill

The Group determines whether goodwill is impaired 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 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 pre-tax weighted average cost of capital (WACC) rates used to discount the forecast cash flows reflecting risks specific to the Downstream segment and specific to the certain countries vary between 8.1% and 13.1% in current year.

The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets of Retail segment approved by management for financial year 2016-2018 and extrapolates cash flows for the following years based on an estimated growth rates varying between 1 and 3.5 %.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGUs subject to goodwill impairment test to materially exceed their recoverable amount.

Based on the above assumptions, subsequent to impairment tests performed at the end of 2015, impairment was recognized on Goodwill only relating to the activities of Rotary, drilling subsidiary of INA d.d., in amount of HUF 1,263 million.

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, as it 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 14,101 million and HUF 14,153 million as of 31 December 2015 and 2014, respectively.

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 2014					
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**
Year ended 31 December 2015					
- additions and capitalizations	144,809	227,749	11,782	(110,166)	**274,174**
- acquisition of subsidiaries	27,410	5,337	575	90	**33,412**
- depreciation for the year	(161,698)	(158,810)	(9,245)		**(329,753)**
- impairment	(102,838)	(169,061)	(523)	(84,539)	**(356,961)**
- reversal of impairment	3,203	1,107	178	14	**4,502**
- disposals	(1,358)	(632)	(103)	(44)	**(2,137)**
- disposal of subsidiaries		(3)	(54)	(10)	**(67)**
- exchange adjustment	7,459	21,343	162	877	**29,841**
- transfers and other movements	(7,476)	36,470	(471)	34,511	**63,034**
Closing net book value	**1,306,785**	**587,681**	**36,386**	**298,207**	**2,229,059**
At 31 December 2015					
Gross book value	3,087,774	2,345,161	170,105	384,768	**5,987,808**
Accumulated depreciation and impairment	(1,780,989)	(1,757,480)	(133,719)	(86,561)	**(3,758,749)**
Net book value	**1,306,785**	**587,681**	**36,386**	**298,207**	**2,229,059**

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.

Asset acquisitions in 2015

North Sea asset acquisition from Ithaca Petroleum Limited

The Group extended its portfolio in Norway by acquiring of Ithaca Petroleum Norge from Ithaca Petroleum Limited in 2015. It consists of additional off-shore assets in 14 licences. The portfolio includes operated equity stakes in the Eidsvoll Upper & Lower (35% Working Interest), Faberg (40% WI), Storekvina (60% WI) and non-operated equity stakes in the Kark (20% Working Interest), Trell discovery Angeya (10% WI), PL 506 BS (25% WI), Tetrao (10% WI), Myrhauk Berkak (8% WI), Rovarkula (10% WI), Caramello (20% WI), Snomus (25% WI), Hirokkin (10% WI), Ymmelstind (30% WI), Thakk (30% WI). The transaction is completed. The deal is treated as asset acquisition and an addition of HUF 14,390 million was recognised as Property, plant and equipment and Intangibles.

Asset acquisitions in 2014

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. 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 name of the new subsidiaries containing these licenses are MOL Growest I. and II. Ltd. The transaction was completed on 24 March 2014. The deal was treated as asset acquisition and an addition of HUF 106,796 million was recognised as Property, plant and equipment and Intangibles.

On 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 included 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 name of the new subsidiary containing these licenses is MOL Operations UK Ltd. The deal was 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

Impairment test of Upstream International assets

The impairment tests performed by MOL Group were performed using the following assumptions:

- Determination of recoverable amount: as the assets which were impairment tested, are planned to be used on a long-term in the future, the recoverable amount is defined as their value in use.

- Discount rates: the value in use calculations take into account the time value of money and the risks specific to the asset. The rate of return expected by the market is the return that investors would require if they chose an investment that would generate cash flows of the same amounts, timing and risk profile as those that the entity expects from the asset or CGU under review. It is estimated from current market transactions for similar assets or from the 'weighted average cost of capital' (WACC) of a listed entity that has a single asset or portfolio of assets that are similar in terms of service potential and risks to the asset under review.

- The WACC used in the value in use models is calculated as the total of the WACC of Exploration & Production segment used in the 2016 Business Plans of MOL Group (8.1 %) plus Country Risk Premium of the related country. Based on the above, the WACC rates used for the impairment tests in 2015 were in the range from 8.1 % to 17.1 %.

- Oil and gas price assumptions used in the value in use models used for impairment testing were the following: 40 to 60 USD / barrel for the years from 2016 to 2018 and the long term oil price assumed for the years after 2018 was 60 USD / barrel real.

In 2015 impairment in the Upstream international portfolio was driven by:

- worsening of economic environment and the substantial decrease in the oil and gas prices.
  Impairment on UK assets were HUF 218,168 million (assets within MOL Growest I. and II. Ltd.: HUF 167,102 million, assets within MOL Operations UK Ltd.: HUF 51,066 million), impairment on other international Upstream assets was HUF 13,107 million;

- unsuccessful exploration activities in Akri-Bijeel block in Kurdistan (HUF 131,090 million), in the Ngosso block in Cameroon (HUF 25,633 million), and in case of other international Upstream assets (HUF 7,249 million);

Impairment test on Upstream assets of INA Group

In current year HUF 109,470 million impairment was recorded for Upstream assets in INA.

Syria

Based on multiple-scenario discounted cash-flow calculations the Group has recorded impairment in amount of HUF 18,610 million and HUF 50,429 million in Syria in 2015 and in 2014, respectively (of which HUF 18,610 million and HUF 50,327 million relates to PP&E).

Other impairments within Upstream segment of INA Group

Driven by the worsening of economic environment and the substantial decrease in the oil and gas prices further impairment in amount of HUF 72,486 million was also recorded in Upstream segment.

Impairment of assets in Corporate and Other segment of INA Group

Impairments were also recorded within INA Group in Corporate and Other segment in total amount of HUF 9,632 million.

Leased assets

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

	2015 HUF million	2014 HUF million
Cost	7,334	7,415
Accumulated depreciation	(3,612)	(3,540)
Net book value	**3,722**	**3,875**

Borrowing Costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 3,204 million and HUF 5,139 million in 2015 and 2014, respectively. In 2015 and 2014 the applicable capitalisation rates (including the impact of foreign exchange differences) were 2.6% and 5.2% respectively.

Government Grants

Property, plant and equipment include assets with a value of HUF 12,477 million and HUF 11,957 million in 2015 and 2014 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 net book value of HUF 677 million have been pledged by the Group as collateral for loans utilized by Tisza-WTP Kft. As of 31 December 2014 the net book value of pledged assets was HUF 22,318 million, the majority of which related to the assets of IES S.p.A.

6. Subsidiaries and joint arrangements

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2015	Ownership 2014
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%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	100%	65%
CEGE Geothermikus Koncessziós Kft.	Hungary	Geothermal energy production	100%	65%
CROPLIN, d.o.o.	Croatia	Natural gas trading	49%	49%
EMSZ Első Magyar Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd.	United Kingdom	Exploration and production activity	49%	49%
Kalegran B.V. [4]	Netherlands	Exploration financing	100%	-
Kalegran Ltd.	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
KMSZ Koncessziós Kft. [4]	Hungary	Exploration and production activity	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. (joint operation)	Netherlands	Exploration investment management	51%	51%
BaiTex LLC	Russia	Exploration and production activity	51%	51%
MNS Oil and Gas B.V.	Netherlands	Exploration financing	100%	100%
MOL ENERGY UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGROWEST (I) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGROWEST (II) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL OPERATIONS UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL UK FACILITIES Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL Cameroon B.V.	Netherlands	Exploration financing	100%	100%
MOL Central Asia Oil and Gas Co. B.V.	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%
MOL (FED) Kazakhstan B. V. [4]	Netherlands	Exploration financing	100%	-
MOL (FED) Kazakhstan B.V. Rep. Office [4]	Kazakhstan	Exploration financing	100%	-
MOL (FED) Kazakhstan B.V. BO	Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd. (joint operation)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil and Gas LLP (joint operation)	Kazakhstan	Exploration and production activity	28%	28%
MOL Group International Services B.V.	Netherlands	Financial and accounting services	100%	100%
MOL (MV) Russia B.V.	Netherlands	Exploration financing	100%	100%
MOL Matjushkinskaya B.V.	Netherlands	Exploration financing	100%	100%
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
MOL Nordsjön B.V . [4]	Netherlands	Exploration financing	100%	-
MOL Norge AS [4]	Norway	Exploration activity	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%	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Platounko Investments 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%

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2015	Ownership 2014
Gas Midstream				
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
Downstream				
Dunai Gőzfejlesztő Kft.	Hungary	Steam and hot water supply	100%	100%
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	50%	50%
Holdina (Guernsey) Ltd.[2]	United Kingdom	Trading of oil products	-	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. [2]	Italy	Refinery and marketing of bitumen products	-	100%
Greengas S.r.l. [1]	Italy	Hydrogen plant operation	49%	49%
Nelsa S.r.l.	Italy	Trading of oil products	74%	74%
Nelsa Gas S.r.l.[4]	Italy	Energy services	70%	70%
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 Maloprodajni servisi d.o.o.	Croatia	Trade agency in the domestic and foreign market	49%	49%
INA Maziva Ltd.	Croatia	Lubricants production and trading	49%	49%
INA-Osijek – Petrol d.d.[5]	Croatia	Trading of oil products	49%	49%
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	49%	49%
Leodium Investment Kft.	Hungary	Financial services	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%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany 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%
MOL Retail Holding Kft. [4]	Hungary	Real estate management	100%	-
MOL Kiskereskedelmi Ingatlan Kft. [4]	Hungary	Real estate management	100%	-
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Romania Downstream Investment B.V. [4]	Netherlands	Investment management	100%	-
MOL Retail Comert s.r.l. [4]	Romania	Retail trade	100%	-
MOL Serbia d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
MOL Slovakia Downstream Investment B.V. [4]	Netherlands	Investment management	100%	-
MOL Slovenia 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%
MOL CZ Downstream Investment B.V. [4]	Netherlands	Investment management	100%	-
MOL Čerpací stanice s.r.o. [4]	Czech Republic	Retail trade	100%	-
Pap Oil s.r.o.	Czech Republic	Retail trade	100%	100%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail trade	100%	100%
MOL Retail Česká s.r.o.	Czech Republic	Retail trade	100%	100%
MOL Ukraine LLC	Ukraine	Wholesale and retail trade	100%	100%
MULTIPONT Program Zrt.	Hungary	Marketing agent activity	83%	83%

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2015	Ownership 2014
Petrol d.d.	Croatia	Trading of oil products	49%	41%
Polybit d.o.o. [2]	Croatia	Production and trading	-	49%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	99%	99%
CM European Power Slovakia s.r.o. [1]	Slovakia	Operation of thermo-power plant	50%	50%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	99%	99%
Slovnaft Retail s.r.o. [4]	Slovakia	Retail trade	99%	-
Slovnaft Trans a.s.	Slovakia	Transportation services	99%	99%
SWS s.r.o.	Slovakia	Transport support services	51%	51%
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%
MOL Petrolkémia Zrt. (former: TVK Nyrt.)	Hungary	Petrochemical production and trading	100%	95%
Tisza-WTP Kft. [1]	Hungary	Feed water and raw water supply	0%	0%
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	100%	25%
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%
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 Co. LLC [3]	Oman	Integrated drilling and completion services	-	24%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
Hostin d.o.o.	Croatia	Tourism	49%	49%
ITR d.o.o. [3]	Croatia	Car rental	-	49%
Magnolia Finance Ltd. [1]	Jersey	Financial services	0%	0%
MOL Cyprus Co. Ltd. (former: MOL Reinsurance Ltd.)	Cyprus	Captive insurance	100%	100%
MOL Group Finance S.A.	Luxemburg	Financial services	100%	100%
MOL Investment Kft.	Hungary	Financial services	100%	100%
MOL Magyarország Szolgáltató Központ [1]	Hungary	Business services	26%	-
MOL Csoportszintű Pénzügyi Szolgáltató Kft. [1]	Hungary	Accounting services	26%	-
MOL Magyarország HR Szolgáltató Kft. [1]	Hungary	HR services	26%	-
MOL Magyarország Informatikai Szolgáltató Kft. [1]	Hungary	IT services	26%	-
MOL Magyarország Pénzügyi Szolgáltató Kft. [1]	Hungary	Accounting services	26%	-
MOL Magyarország Társasági Szolgáltató Kft. [1]	Hungary	Company services	26%	-
MOL Reinsurance Co. Ltd. [4]	Ireland	Captive insurance	100%	-
MOL Vagyonkezelő Kft.	Hungary	Investment management	100%	100%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
PLAVI TIM d.o.o. [4]	Croatia	IT services	49%	-
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	100%	95%

1) Consolidated as required by "IFRS 10 - Consolidated Financial Statements"
2) Liquidated in 2015
3) Merged to STSI d.o.o. in 2015
4) Fully consolidated from 2015
5) Merged to INA d.d. in 2015

7. Business combinations, transactions with non-controlling interests

Acquisitions in 2015

MOL Group has completed the acquisition of ENI´s Romanian, Czech and Slovak downstream business, including retail networks under Agip brand. The acquisition included altogether 208 service stations, 42 in Romania, 125 in the Czech Republic and 41 in Slovakia. The acquisition also included the companies' wholesale activities in all three countries and the aviation business in Czech Republic and Slovakia as well; excluded, however, the ENI branded wholesale lubricants and specialties businesses.

With these acquisitions MOL Group further expanded in CEE. This step contributes greatly to the Group's Downstream strategy of increasing retail market presence, country coverage and customer base.

Acquired ENI subsidiaries	Headquarters	Principal activity	Date of acquisition	Proportion of shares (%)	Consideration transferred
MOL Čerpací stanice s.r.o.	Czech Republic	Retail trade	31 July 2015	100%	
Slovnaft Retail s.r.o.	Slovakia	Retail trade	31 July 2015	100%	50,246
MOL Retail Comert s.r.l.	Romania	Retail trade	02 February 2015	100%	

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

	Provisional fair value on acquisition
	HUF million
Current assets	
Inventories	3,622
Trade and other recivables	5,915
Other current assets	974
Prepaid taxes	39
Cash and cash equivalents	3,105
Non-current assets	
Intangible assets	406
Property, plant and eguipment	33,741
Deferred tax assets	13,612
Other non-current assets	178
Current liabilities	
Trade payables	8,223
Taxes and contributions	318
Other current liabilities	772
Non-current liabilities	
Long-term debt	229
Provisions	862
Other long-term liabilities	521
Deferred tax liabilities	290
Acquired net assets	**50,377**
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	50,246
Less: cash and cash equivalent balances acquired	(3,105)
Net cash outflow on acquisition	**47,141**

The difference between the consideration transferred and the fair value of the acquired net assets was immaterial, therefore it was allocated to the fair value of the acquired net assets.

The Net revenue and the Profit / (loss) for the period of the acquired entities since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are the following:

in HUF million

Acquired subsidiary	Net revenue	Profit / (loss) for the period
MOL Čerpací stanice s.r.o. Slovnaft Retail s.r.o. MOL Retail Comert s.r.l.	50 472	694

As the pre-acquisition net revenue and profit / loss for the period of the entities were presented based on accounting framework and policies not consistent with that of MOL Group, therefore only the post-acquisition net revenue and profit / (loss) for the year is disclosed.

Acquisitions in 2014

MOL Retail Ceska Republica s.r.o.

During 2015 the Group has updated the fair values of the net assets acquired in December 2014. No significant difference has been detected during this revision compared to the fair values accounted for at previous year end.

8. Disposals

There were no significant disposals of subsidiaries in 2015.

9. Material partly-owned subsidiaries

INA Group

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2015	2014
INA-Industrija nafte d.d.	Croatia	51%	51%

	2015	2014
Accumulated balances of material non-controlling interest	317,206	378,960
Loss allocated to material non-controlling interest	(57,926)	(18,089)

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

Summarised statement of profit or loss	2015 HUF million	2014 HUF million
Total operating income	780,249	968,013
Total operating expenses	(934,922)	(1,085,588)
Finance expense, net	(17,171)	(21,691)
Loss before income tax	**(171,844)**	**(139,266)**
Income tax expense	33,619	26,558
Loss for the year	**(138,225)**	**(112,708)**
Total comprehensive income	**(113,763)**	**(35,525)**
Attributable to non-controlling interests	(57,926)	(18,089)
Dividends paid to non-controlling interests	(3,147)	-

Summarised statement of financial position	2015 HUF million	2014 HUF million
Current assets	173,484	209,729
Non-current assets	920,541	1,056,239
	1,094,025	**1,265,968**
Current liabilities	(243,479)	(281,439)
Non-current liabilities	(227,573)	(240,274)
	(471,052)	**(521,713)**
Total Equity	**622,973**	**744,255**
Attributable to:		
Equity holders of the parent	305,768	365,295
Non-controlling interests	317,205	378,960

Summarised Cash flow information	2015	2014
	HUF million	HUF million
Net cash provided by operating activities	81,735	152,280
Net cash used in investing activities	(61,364)	(59,484)
Net cash provided by / (used in) financing activities	(26,571)	(89,572)
(Decrease) / increase in cash and cash equivalents	**(6,200)**	**3,224**

Magnolia Finance Ltd.

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	2015	2014
Magnolia Finance Limited.	Jersey	100%	100%

	2015	2014
	HUF million	HUF million
Opening value of equity attributable to non-controlling interests	42,249	53,370
Change (coupon and dividend payments)	(10,492)	(11,121)
Closing value of equity attributable to non-controlling interests	**31,757**	**42,249**

On 4 February 2016 MOL Plc. informed the capital market participants, that with the effective date of 20 March 2016 MOL terminates the Swap Agreement concluded between MOL and Magnolia Ltd. (“Magnolia”) on 20 March 2006 and exercises its call option right to purchase 6,007,479 pieces of MOL series “A” ordinary shares at market price set out in the agreement.

10. Investments in associated companies and joint ventures

Company name	Country	Range of activity	Ownership 2015	Ownership 2014	Net book value of investment 2015 HUF million	Net book value of investment 2014 HUF million
Investment in associated companies						
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	10%	152,313	134,839
MET Holding AG. (MET)	Hungary	Natural gas trading	40%	40%	19,954	21,507
Mazzola & Bignardi S.r.l. [1]	Italy	Retail trade	0%	50%	-	1,838
Mazzola & Bignardi Commerciale S.r.l. [1]	Italy	Marketing of oil products	0%	40%	-	1,184
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	25%	762	886
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	719	715
Other associated companies					163	441
Investment in joint ventures						
CM European Power International B.V. [2]	Netherlands	Power plant investment management	50%	50%	-	-
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	49%	49%	13,183	1,672
Rossi Biofuel Zrt.	Hungary	Biofuel component production	25%	25%	2,875	2,694
Total					**189,969**	**165,776**

1) MOL Group disposed of investments in Mazzola & Bignardi companies in 2015 without material effect on the profit & loss statement
2) Fully impaired

Company name	Country	Range of activity	Contribution to net income 2015 HUF million	Contribution to net income 2014 HUF million
Investment in associated companies				
Pearl Petroleum Ltd.	Iraq	Exploration of gas	2,951	12,859
MET Holding AG. (MET)	Hungary	Natural gas trading	1,969	6,825
Mazzola & Bignardi S.r.l.	Italy	Retail trade	-	185
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	-	40
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	244	23
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	53	42
Other associated companies			102	89
Investment in joint ventures				
CM European Power International B.V.	Netherlands	Power plant investment management	55	(1,794)
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	(213)	(11)
Rossi Biofuel Zrt.	Hungary	Biofuel component production	612	644
Total			**5,773**	**18,902**

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 grants 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 2015 in Pearl was as follows:

	2015	2014
	HUF million	HUF million
The associate's statement of financial position:		
Non-current assets	196,722	178,672
Current assets	608,385	528,110
Non-current liabilities	(65,498)	(64,286)
Current liabilities	(25,286)	(25,312)
Net assets	**714,323**	**617,184**
Proportion of the Group's ownership at year end	10%	10%
Group's share of assets	**71,432**	**61,718**
Fair value adjustment	80,880	73,121
Carrying amount of the investment	**152,312**	**134,839**
The associate's statement of profit or loss:		
Net revenue	99,782	143,849
(Loss) / Profit from operations	(52,394)	121,967
Net income attributable to equity-holders	29,505	128,589
Group's share of profit for the year	**2,951**	**12,859**

The financial data representing the Group's interest in Pearl above has been prepared in accordance with IFRS.

MET Holding AG. (MET)

The Group's interest (40%) as of 31 December 2015 in MET was as follows:

	2015 HUF million	2014 HUF million
The associate's statement of financial position:		
Non-current assets	11,759	12,988
Current assets	232,478	208,442
Non-current liabilities	5,407	3,951
Current liabilities	186,595	160,346
Net assets	**52,235**	**57,133**
Proportion of the Group's ownership at year end	40%	40%
Carrying amount of the investment	**19,954**	**21,507**
The associate's statement of profit or loss:		
Net Revenue	986,503	1,115,344
Profit from operations	8,411	17,412
Net income attributable to equity-holders	4,922	17,063
Group's share of profit for the year	**1,969**	**6,825**

In 2015 and 2014 the Group received dividend on its 40% interest held in MET in the amount of HUF 2,961 million and HUF 4,887 million, respectively.

The financial data representing the Group's interest in MET above has been prepared in accordance with IFRS.

11. Available-for-sale investments

	Net book value of investment 2015 HUF million	Net book value of investment 2014 HUF million
Quoted - Jadranski Naftovod d.d.	21,835	17,021
Other ordinary shares – unquoted	6,268	3,775
Total	**28,103**	**20,796**

MOL Group's investment in Jadranski Naftovod d.d. (JANAF), operator of Adria pipeline represents 11.795% 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 2015. 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

	2015 HUF million	2014 HUF million
Obligatory level of inventory required by state legislations	28,532	30,832
Loans given (see Note 33)	11,540	12,159
Advance payments for assets under construction	2,159	5,380
Prepaid mining royalty	2,248	3,127
Advance payments for intangible assets	1,910	2,052
Prepaid fees of long-term rental	1,668	1,548
Advances given for purchase of business combinations	556	-
Long-term bank deposit	-	31,489
Other	16,074	15,105
Total	**64,687**	**101,692**

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, which was preterminated as per option of the counterparty due to the significant changes of market interest rates.

Loans given primarily contain the HUF 6,022 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%.

13. Inventories

	2015 At cost HUF million	2015 Lower of cost or net realisable value HUF million	2014 At cost HUF million	2014 Lower of cost or net realisable value HUF million
Work in progress and finished goods	199,817	188,982	252,103	229,694
Other raw materials	76,175	55,139	72,409	55,531
Purchased crude oil	69,941	63,095	67,133	55,137
Other goods for resale	43,958	41,961	26,621	24,229
Total	**389,891**	**349,177**	**418,266**	**364,591**

Impairment of HUF 15,611 million was recorded in 2015, mainly on raw materials and HUF 25,907 million in 2014.

14. Trade receivables

	2015	2014
	HUF million	HUF million
Trade receivables	424,367	489,652
Provision for doubtful receivables	(45,618)	(38,667)
Total	**378,749**	**450,985**

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

Movements in the provision for doubtful receivables were as follows:

	2015	2014
	HUF million	HUF million
At 1 January	38,667	36,203
Additions	13,696	13,937
Reversal	(8,077)	(13,386)
Amounts written off	791	(2,234)
Foreign exchange differences	541	4,147
At 31 December	**45,618**	**38,667**

As at 31 December 2015 and 2014 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2015	2014
	HUF million	HUF million
Neither past due nor impaired	333,215	398,771
Past due but not impaired	45,534	52,214
Within 90 days	23,920	32,034
91 - 180 days	2,418	3,452
Over 180 days	19,196	16,728
Total	**378,749**	**450,985**

15. Other current assets

	2015	2014
	HUF million	HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	53,546	57,281
Derivatives not designated as hedging instruments (see Note 33)	14,793	91
Advances paid	13,791	11,678
Receivables from joint venture partners	13,737	16,845
Derivatives designated as hedges (see Note 33)	10,800	19,867
Prepaid expenses	7,179	5,614
Receivables from closed derivative transactions	6,532	8,369
Margining receivables	1,628	2,423
Current portion of loans given, net (see Note 33)	1,336	1,410
Security deposits	750	1,348
Other	13,875	19,326
Total	**137,967**	**144,252**

In 2015 and 2014 the provision for doubtful loans receivable was HUF 638 millon and HUF 11 million, respectively.

16. Cash and cash equivalents

	2015 HUF million	2014 HUF million
Cash at bank – HUF	16,762	29,130
Cash at bank – USD	15,949	23,119
Cash at bank – EUR	14,008	69,826
Cash at bank – CZK	8,664	7,905
Cash at bank – HRK	6,576	9,728
Cash at bank – RON	2,174	5,893
Cash at bank – RUB	346	1,410
Cash at bank – other currencies	5,072	8,525
Short-term bank deposits – EUR	26,375	12,785
Short-term bank deposits – PLN	10,472	1,896
Short-term bank deposits – CZK	10,429	-
Short-term bank deposits – USD	7,555	23,323
Short-term bank deposits – HUF	2,002	212
Short-term bank deposits – other currencies	407	2,489
Cash on hand – HUF	12	1,301
Cash on hand – other currencies	5,093	5,669
Cash equivalents	318	532
Total	**132,214**	**203,743**

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:

	2015	2014
Current accounts		
EUR	0.00% - 0.25%	0.00% - 0.48%
USD	0.01% - 0.25%	0.01% - 0.25%
HUF	0.00% - 2.28%	0.55% - 2.63%
Short-term bank deposits		
EUR	0.00% - 1.65%	0.01% - 2.70%
USD	0.03% - 2.08%	0.03% - 2.00%
HUF	0.10% - 2.35%	0.60% - 3.30%

17. Share capital

There was no change in the number of issued shares in 2015. As of 31 December 2015, 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 2015 and 2014 is HUF 79,241 million and HUF 79,229 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 23 April 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

<u>Option agreements with ING Bank</u>

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

Simultaneously, MOL and ING signed a share option agreement on 24 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 option rights was cash settled in respect of all the shares on 27 November 2015. The strike price was USD 49.2122 per share.

MOL and ING signed a share option agreement on 24 November 2015. As a result of the transactions, MOL received American call options and ING received European put options regarding 5,220,000 MOL Series "A" Ordinary shares. The maturity of the options was 1 year with an additional 1 year extension possibility. The strike price of both call and put options was EUR 44.6825 per one share.

<u>Option agreemenst with Unicredit Bank</u>

Based on the agreement between MOL and UniCredit Bank AG ('Unicredit'), on 23 December 2013 MOL agreed with UniCredit to an extension of the option agreements that it concluded with UniCredit on 7 February 2013 in respect of a total of 4,080,496 pieces of MOL Series "A" Ordinary shares ('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 was 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 was EUR 61.2700 per share at the time of the agreement. The strike price was changed to EUR 60.7569 per share in June 2014.The option rights was cash settled in respect of all the Shares on 13 February 2015.

On 28 January 2015 MOL has agreed with Unicredit to concluded a share purchase agreement, pursuant to which MOL sells up to 1,300,000 pieces of additional Shares ('Additional Shares') to Unicredit and Unicredit purchases such number of Additional Shares from MOL. The number of MOL shares to be sold was 1,300,000 pieces of share.

Simultaneously MOL and Unicredit concluded share option agreements regarding up to 4,080,496 Shares as well as regarding any Additional 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 regarding 5,380,496 pieces of MOL shares 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 was USD 41.4376 per one share.

Option agreemants with CA-CIB

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

Simultaneously, MOL and CA CIB signed a share option agreement on 4 December 2014. As a result of the transactions, MOL received an American call option and CA CIB received a European put option regarding the 2,129,666 MOL Series "A" Ordinary shares. The option rights was cash settled in respect of all the shares on 9 December 2015. The strike price was EUR 46.3608 per share.

MOL and CA CIB signed a share option agreement on 7 December 2015. As a result of the transactions, MOL received American call options and CA CIB received European put options regarding the 2,129,666 MOL Series "A" Ordinary shares. The maturity of the options was 1 year. The strike price of both call and put options was EUR 44.1073 per one share.

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

Share swap agreement with OTP

After the lending of 5,010,501 pieces of MOL shares to OTP Bank Plc. ('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 4,637 million as at 31 December 2015 which has been recorded as derivative financial liability (see Note 33). As at 31 December 2014 the fair value of the swap was HUF 1,401 million which was recorded as derivative financial liability (see Note 33).

Termination of, and entering into share lending

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 (see Note 35).

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 7,576 million and HUF 7,577 million in 2015 and 2014, 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 statement of profit or loss. 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 was HUF 37,453 million. The fair value of the conversion option was zero as of 31 December 2015, while it was HUF 2,431 million at 2014 year-end (see Note 21 and Note 33).

The fair valuation impact of the option was HUF 2431 million and HUF 601 million gain in 2015 and 2014, respectively, recorded as finance income in the accompanying consolidated statement of profit or loss.

Changes in the directly or indirectly owned 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, 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	-	-
December 31, 2014	**104,518,485**	**(2,842,147)**	**(22,448,142)**	**79,228,196**	**134,519,063**
Share distribution for the members of the Board of Directors		12,067		12,067	
New share purchase agreement with Unicredit Bank A.G.		1,300,000	(1,300,000)		
December 31, 2015	**104,518,485**	**(1,530,080)**	**(23,748,142)**	**79,240,263**	**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 2015 approved to pay HUF 50,000 million dividend in respect of 2014, which equals to HUF 485.49 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 1,256,239 million and HUF 1,496,794 million as of 31 December 2015 and 2014, respectively.

19. Long-term debt

	Weighted average interest rate 2015 %	Weighted average interest rate 2014 %	Maturity	2015 HUF million	2014 HUF million
Unsecured bonds in EUR			2017	243,712	482,730
Eurobond 1	-	3.96		-	*238,198*
Eurobond 2	*5.83*	*6.15*		*243,712*	*244,532*
Unsecured bonds in USD	6.47	6.51	2019	144,933	130,422
Unsecured bank loans in USD	2.63	3.39	2019 - 2022	51,637	72,492
Unsecured bank loans in EUR	2.01	2.64	2018 - 2022	17,351	68,340
Unsecured bank loans in HUF	2.69	4.58	2018	15,439	15,033
Secured bank loans in EUR	0.86	0.83	2017	452	6,223
Financial lease payable	5.17	5.91	2027 - 2034	3,105	3,240
Other	1.39	0.28	2018 - 2020	11,707	3,227
Total				**488,336**	**781,707**
Current portion of long-term debt				26,655	326,668
Total long-term debt, net of current portion				**461,681**	**455,039**

	2015 HUF million	2014 HUF million
Maturity one to five years	459,042	440,853
Maturity over five years	2,639	14,186
Total	**461,681**	**455,039**

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	234,840	7	20 April, 2010	20 April, 2017	5.875%
MOL Group Finance SA	USD	500	143,315	7	26 September, 2012	26 September, 2019	6.250%

EUR bonds

In 2010, MOL Plc. issued a fixed rate note (Eurobond) with notional of EUR 750 million. The bond matures in April 2017 and pays 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 INA.

INA smoothly accomplished the pre-financing of its USD 400 million revolving credit facility agreement that would have expired in April 2016 with a USD 300 million revolving credit facility, with which INA was able to utilize favourable market conditions. The tenor of the facility is 3 years which can be extended by further 1+1 years.

In August 2015 Slovnaft cancelled its not utilized EUR 200 million revolving credit facility agreement contracted in December 2013.

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 300 million multicurrency revolving club facility of INA

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, which was extended by 1 year in 2015. 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. The pricing of this EBRD facility has been favourably decreased in December 2014. In 2015 the ICF Dept POOL part of the facility (EUR 50 million) was repaid and cancelled.

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 2015 and 2014 respectively are as follows:

	2015 Minimum lease payments HUF million	2015 Present value of payments HUF million	2014 Minimum lease payments HUF million	2014 Present value of payments HUF million
Maturity not later than 1 year	728	588	654	563
Maturity two to five years	1,476	1,044	1,710	1,289
Maturity over five years	1,880	1,473	1,835	1,388
Total minimum lease payments	**4,084**		**4,199**	
Less amounts representing financial charges	(979)		(959)	
Present values of financial lease liabilities	**3,105**	**3,105**	**3,240**	**3,240**

20. Provisions for liabilities and charges

	Environ-mental HUF million	Redundancy HUF million	Long term employee benefits HUF million	Field aban-donment HUF million	Legal claims HUF million	Other HUF million	Total HUF million
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 revaluation	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**
Acquisition / (sale) of subsidiaries	(35)	(54)	(72)		122	943	904
Additions and revision of previous estimates	4,971	10,315	1,520	6,086	2,951	17,267	43,110
Unwinding of the discount	2,018		676	7,492	30		10,216
Currency revaluation	(238)	(155)	134	2,896	(34)	2,428	5,031
Provision used during the year	(4,503)	(8,215)	(3,776)	(3,020)	(2,461)	(6,260)	(28,235)
Balance as of 31 December 2015	**79,218**	**16,063**	**21,666**	**278,727**	**25,218**	**48,029**	**468,921**
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
Current portion 2015	6,691	9,980	2,506	643	14,719	18,408	52,947
Non-current portion 2015	72,527	6,083	19,160	278,084	10,499	29,621	415,974

Environmental Provision

As of 31 December 2015 provision of HUF 79,218 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. 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 2015 also includes a contingent liability of HUF 22,631 million recognized upon acquiring INA Group, representing its present environmental obligations and a further HUF 15,818 million environmental contingent liability regarding the acquisition of IES (see Note 34).

Provision for Redundancy

As part of continuing efficiency improvement projects, 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 4,867 million remained as of 31 December 2015. In 2015, a provision of HUF 9,804 million was made for redundancy program at INA in the statement of profit or loss. The closing balance of provision for redundancy is HUF 16,063 million and HUF 14,172 million as of 31 December 2015 and 2014, respectively.

Provision for Field Abandonment Liabilities

As of 31 December 2015 provision of HUF 278,727 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 5% of these costs are expected to be incurred between 2016 and 2020 and the remaining 95% between 2021 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 2015 the Group has recognized a provision of HUF 21,666 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 MOL Petrolkémia Zrt. 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 which 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.

	2015 HUF million	2014 HUF million
Present value of total long-term employee benefit obligation at the beginning of the year	**23,184**	**17,664**
Past service cost not accounted for at the beginning of the year	-	-
Balance as of the beginning of the year	**23,184**	**17,664**
Acquisitions / (disposals)	(72)	-
Past service cost	(666)	936
Current service cost	3,800	2,266
Interest costs	676	757
Provision used during the year	(3,776)	(1,021)
Net actuarial (gain)/loss	(1,614)	1,851
from which:		
Retirement benefit (See Note 29)	(1,624)	1,860
Jubilee benefit	10	(9)
Exchange adjustment	134	731
Balance as at year end	**21,666**	**23,184**
Present value of total long-term employee benefit obligation at year end	**21,666**	**23,184**

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

	2015 HUF million	2014 HUF million
Current service cost	3,800	2,266
Net actuarial (gain)/loss	10	(9)
Past service cost	(666)	936
Net benefit expense (See Note 26)	**3,144**	**3,193**

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

	2015	2014
Discount rate in %	2.0 - 3.7	2.0 - 3.7
Average wage increase in %	0.0 - 2.0	0.0 - 2.0
Mortality index (male)	0.05 - 3.57	0.05 - 3.57
Mortality index (female)	0.02 - 1.53	0.02 - 1.53

Actuarial (gains) and losses comprised of the following items:

	Retirement benefits		Jubilee benefits	
	2015 HUF million	2014 HUF million	2015 HUF million	2014 HUF million
Actuarial (gains) and losses arising from changes in demographic assumptions	(849)	-	(520)	-
Actuarial (gains) and losses arising from changes in financial assumptions	86	189	(60)	26
Actuarial (gains) and losses arising from experience adjustments	(861)	1,671	590	(35)
Total actuarial (gains) and losses	**(1,624)**	**1,860**	**10**	**(9)**

Legal and Other Provisions

Legal and other provisions include provision for emission quotas, legal claims and for other future payment obligations. In 2015, other provisions of HUF 4,079 million was made in relation to upstream operations in Africa and of HUF 3,994 million in relation to upstream operations in Middle East. As of 31 December 2015 provision of HUF 25,218 million has been made for estimated total costs of litigations. As of 2015 MOL Group has been granted 4,427,304 emission quotas by the Hungarian, Croatian and Slovakian authorities. The total use of emission quotas amounted to 6,380,111 tons in 2015. In 2015 the amount of provision for the shortage of emission quotas increased to HUF 7,001 million (in 2014 provision was HUF 2,486 million).

21. Other non-current liabilities

	2015 HUF million	2014 HUF million
Government grants received (see Note 22 and 25)	11,808	11,161
Deferred compensation for property, plant and equipment	4,902	4,626
Received and deferred other subsidies	3,734	3,741
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 33)	3,212	1,710
Liabilities to government for sold apartments	1,832	2,094
Deferred income for apartments sold	1,321	1,360
Trade payable to exploration partners	1,095	129
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd (see Note 17 and 33)	-	2,431
Payable from currency risk hedging derivatives as fair value hedge (see Note 33)	-	208
Other	2,729	1,177
Total	**30,633**	**28,637**

22. Trade and other payables

	2015 HUF million	2014 HUF million
Trade payables	367,933	441,653
Transferred "A" shares sold with put and call options attached (see Notes 32 and 33)	164,526	171,042
Taxes, contributions payable (excluding corporate tax)	152,457	170,239
Amounts due to employees	33,038	32,011
Derivatives not designated as hedging instruments (see Note 33 - current portion only)	16,222	3,285
Liabilities to joint venture partners	16,297	15,749
Margining liability	11,622	1,500
Derivatives designated as hedges (see Note 33 - current portion only)	10,780	20,413
Custom fees payable	10,463	10,043
Fair value of firm commitments as hedged item under commodity price transactions	9,991	33
Advances from customers	8,909	16,160
Payables from closed derivative transactions	8,246	5,430
Discount payable to customers	5,917	5,783
Fee payable for strategic inventory storage	4,243	7,019
Financial collateral and bail received	3,733	2,958
Other accrued incomes (short-term)	2,759	2,922
Bank interest payable	833	2,042
Government subsidies received and accrued (short term) (see Note 25)	669	796
Liability from reimbursed mining royalty	-	35,226
Other	28,563	25,434
Total	**857,201**	**969,738**

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 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, the amount reimbursed was presented as other payables (revenue is not recognised in statement of profit or loss till 2015). Because of a final court decision, this payable was reversed in 2015, recorded as other income (see Note 25).

23. Short-term debt

	2015	2014
	HUF million	HUF million
Unsecured bank loans in EUR	115,906	131,559
Unsecured bank loans in USD	52,949	38,725
Unsecured bank loans in HRK	5,884	5,905
Unsecured bank loans in PLN	48	3,812
Unsecured bank loans in other currencies	196	447
Other	4,343	-
Total short term debts	**179,326**	**180,448**
Current portion of long-term debt	26,655	326,668
Total	**205,981**	**507,116**

24. Sales by product types

	2015	2014
	HUF million	HUF million
Sales of oil products	2,755,870	3,411,547
Sales of petrochemicals	660,273	678,786
Sales of natural gas and gas products	286,788	355,959
Sales revenue of services	205,608	214,762
Sales of other products	118,899	96,132
Sales of crude oil	75,140	109,421
Total	**4,102,578**	**4,866,607**

25. Other operating income

	2015	2014
	HUF million	HUF million
Reimbursed mining royalty (see Note 22)	35,226	-
Release of translation reserves (decomissions)	27,794	-
Penalties, late payment interest, compensation received	3,702	5,050
Gain on sales of intangibles, property, plant and equipment	2,150	1,394
Gain of non hedge commodity price transactions	2,072	-
Allowances and subsidies received	1,544	378
Net gain realized on disposal of subsidiaries	1,301	12,679
Government grants released	1,074	827
Other	12,137	6,270
Total	**87,000**	**26,598**

In 2015 some upstream licences has been terminated, therefore the corresponding accumulated translation reserve has been released together with the impairment charge recorded for these operations (see Note 4 and 5). 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.

Government grants

	2015 HUF million	2014 HUF million
At 1 January	11,957	12,477
Government grants received	1,617	52
Release of deferred grants	(1,074)	(827)
Foreign exchange differences	(23)	255
At 31 December (see Note 5, 21 and 22)	**12,477**	**11,957**

26. Personnel expenses

	2015 HUF million	2014 restated HUF million
Wages and salaries	182,371	183,287
Social security	45,422	43,081
Other personnel expenses	35,136	30,199
Long-term employee benefits (see Note 20)	3,144	3,193
Expense (reversal of expense) of share-based payments (See Note 38)	1,198	482
Total	**267,271**	**260,242**

27. Other operating expenses

	2015 HUF million	2014 HUF million
Mining royalties	61,242	90,905
Other services	37,563	32,368
Rental costs	32,329	29,769
Contribution to strategic inventory storage	21,971	30,687
Taxes and contributions	19,209	37,549
Consultancy fees	13,965	9,493
Advertising expenses	11,433	9,789
Provision for doubtful receivables	9,302	3,596
Provision for legal and other claims (see Note 20)	8,758	(2,328)
Insurance	8,166	7,473
Subsidies given	7,749	4,630
Site security costs	6,657	5,652
Cleaning costs	5,537	4,960
Environmental provision made during the year	4,971	2,990
Bank charges	4,890	3,974
Provision for greenhouse gas emission over quota allocated free of charge	4,582	1,372
Environmental protection expenses, net	1,907	2,838
Penalties, late payment interest, compensation (net of provision utilized)	1,342	6,165
Provision for field abandonment	(7,645)	(4,191)
Other	4,358	10,990
Total	**258,286**	**288,681**

Significant decrease in mining royalties is a result of recent fall in crude oil prices. Taxes and contributions in 2015 also decreased in connection with lower crude oil prices affecting mainly profit taxes payable by INA after its operations in the North-Adriatic, and also Russian export duties. Comparative figures (in 2014) also contain a non-recurring tax charge of HUF 4,737 million paid to Croatian Tax Authority by INA.

28. Finance expense, net

	2015 HUF million	2014 HUF million
Interest received	7,858	10,788
Dividends received	5,155	4,107
Realised gain on redemption of securities	3,900	174
Fair valuation gain on conversion option (see Note 17)	2,431	601
Fair valuation gain on trading debt securities	-	13,399
Foreign exchange gain on cash and cash equivalents, net	-	5,945
Other finance income, net	428	286
Total finance income	**19,772**	**35,300**
Interest on borrowings	39,521	42,433
Foreign exchange loss on receivables and payables, net	27,868	38,834
Foreign exchange loss on borrowings	15,567	32,231
Interest on provisions	10,175	10,633
Other costs on borrowings	9,165	8,013
Net loss on derivative transactions	4,544	6,096
Foreign exchange loss on cash and cash equivalents, net	815	-
Impairment of investments	-	465
Fair valuation loss on trading debt securities	90	-
Other finance expenses, net	4,901	1,059
Total finance expenses	**112,646**	**139,764**
Total finance expense, net	**92,874**	**104,464**

The net financial expenses decreased by HUF 11.6 billion in 2015 compared to 2014, which was mainly driven by the decrease in foreign exchange losses due to less volatility of HUF against the major currencies in 2015 compared to prior year.

The decreasing financial losses were partially offset by the result of fair valuation (roughly HUF 13.3 billion loss) of trading debt securities. Realised gain of HUF 3.9 billion was recorded on the redemption of securities in 2015. With regards the interest accruals, both the interest income and expense decreased in 2015 compared to the prior year.

29. Components of other comprehensive income

	2015	2014
	HUF million	HUF million
Exchange differences on translating foreign operations, net of tax		
Gains / (losses) arising during the year	(17,419)	136,150
Reclassification adjustments for gains and losses included in the statement of profit or loss	27,794	8,058
Income tax effect	-	-
	10,375	**144,208**
Net investment hedge, net of tax		
Gains / (losses) arising during the year	(14,807)	(48,658)
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	1,694	6,409
	(13,113)	**(42,249)**
Available-for-sale financial assets		
Gains / (losses) arising during the year	4,851	5,985
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	(970)	(1,197)
	3,881	**4,788**
Cash-flow hedges		
Gains / (losses) arising during the year	(6,693)	(1,939)
Reclassification adjustments for gains and losses included in the statement of profit or loss	(21,046)	1,092
Reclassification adjustments to initial cost of hedged inventories	24,460	(1,864)
Income tax effect	143	623
	(3,136)	**(2,088)**
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation		
Gains / (losses) arising during the year (see Note 20)	1,624	(1,860)
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	(376)	319
	1,248	**(1,541)**
Share of other comprehensive income for associates		
Gains / (losses) arising during the year	14,589	24,169
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	-	(1)
	14,589	**24,168**

30. Income taxes

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2015 and 2014 include the following components:

	2015	2014
	HUF million	HUF million
Current corporate tax and industry income taxes	(19,731)	(17,273)
Local trade tax and innovation fee	(14,568)	(13,238)
Deferred taxes	12,442	25,127
Total income tax (expense) / benefit	**(21,857)**	**(5,384)**

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group.

Current corporate tax and industry income taxes

The applicable corporate income tax rate on the taxable income of the companies of the Group operating in Hungary was 10% up to HUF 500 million tax base and 19% above in 2015 and in 2014, as well. Additional extra tax of 31% was applicable for certain Hungarian entities realizing profit from energy supplier activities since 1 January 2013.

Applicable income tax rates in Slovakia and Croatia were 22% (2014: 22%) and 20% (2014: 20%), respectively.

Italian income tax rate applicable in 2015 was 31.4%, being an aggregate of a corporate income tax of 27.5% (IRES), and local tax (IRAP) rate of 3.9% (in 2014 the total tax rate was 37.9%, being an aggregate of a corporate income tax of 27.5%, extra tax on energy sector of 6.5% and local tax rate of 3.9%). Extra tax of 6,5% (Robin tax) applied for the energy sector has been declared unconstitutional by the Italian Constitutional Court from 12 February 2015. Repeal of the tax was not retroactive.

UK tax rate applicable for oil and gas companies in 2015 was 50%, being an aggregate of (ring fence) corporation tax of 30% and supplementary charge of 20% (reduced from 32 % in previous year). General (non ringe-fence) corporate tax was 20% from 1 April 2015 (21% until 31 March 2015). Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

Tax rates applicable for oil and gas companies in Norway consist of corporate income tax (27%) and resource rent tax (51%) both payable on net operating profits derived from extractive activities. Upstream companies in Norway may be refunded for the tax loss of exploration activities incurred for the year.

Local trade tax

Local trade tax represents a revenue-based tax for Hungarian entities, payable to local municipalities. Tax base is calculated by deducting material costs, cost of goods sold and remediated services from sales revenue. Tax rates vary between 1-2% dependent on the regulation of local governments where the entities carry on business activities.

Income tax recognised in other comprehensive income

	2015	2014
	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	1,694	6,409
Revaluations of available-for-sale financial assets	(970)	(1,197)
Revaluations of financial instruments treated as cash-flow hedges	144	623
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	(376)	319
Revaluations of financial instruments of associated companies	-	(1)
Total **income tax recognized in other comprehensive income**	**492**	**6,153**

The deferred tax balances as of 31 December 2015 and 2014 in the consolidated statement of financial position consist of the following items:

	Statement of financial position 2015	Statement of financial position 2014	Recognized in statement of profit or loss 2015	Recognized in statement of profit or loss 2014
	HUF million	HUF million	HUF million	HUF million
Breakdown of net deferred tax assets / (liabilities)				
Statutory tax losses carried forward	86,272	140,879	(68,993)	30,065
Provisions	112,237	45,584	66,702	4,442
Depreciation, depletion and amortization	(48,557)	(106,168)	61,988	(17,139)
Fair valuation of assets on acquisitions	(53,509)	(76,266)	21,304	9,848
Differences in accounting for domestic oil and gas exploration and development	(14,033)	(16,134)	2,100	994
Capitalization of certain borrowing costs	(5,811)	(8,262)	2,756	(507)
Capitalized periodic maintenance costs	(2,835)	(2,311)	(523)	624
Receivables write off	3,035	1,614	1,431	(172)
Inventory valuation difference	3,898	2,795	(951)	1,032
Elimination of intragroup transactions	(55,537)	15,336	(70,769)	(4,458)
Valuation of financial instruments	7,052	3,075	3,526	(307)
Foreign exchange differences	6,122	12,864	(6,666)	(519)
Other	7,925	12,174	537	1,224
Deferred tax (expense) / income			**12,442**	**25,127**
Net deferred tax asset / (liability)	**46,258**	**25,180**		
Reflected in the statement of financial position:				
Deferred tax assets	113,467	75,000		
Deferred tax liabilities	(67,209)	(49,820)		
Net deferred tax asset / (liability)	**46,258**	**25,180**		

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

	2015	2014
	HUF million	HUF million
Net deferred tax asset / (liability) at 1 January	**25,180**	**(10,299)**
Recognized in statement of profit or loss	12,442	25,127
Recognized directly in equity (as other comprehensive income)	492	7,848
Sale of subsidiaries	-	3,952
Acquisition of subsidiaries	10,886	1,157
Exchange difference	(2,742)	(2,605)
Net deferred tax asset / (liability) at 31 December	**46,258**	**25,180**

The (HUF 55,537 million) balance of deferred tax liability on elimination of intragroup transactions contain primarily the following major items:

- the deferred tax effect of the gas unbundling relating to FGSZ Földgázszállító Zrt. as of 31 December 2015 was HUF 13,990 million. 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;
- the deferred tax effect of the retail filling station sale of MOL Plc. to MOL Kiskereskedelmi Ingatlan Kft. as of 31 December 2015 was HUF 6,792 million. 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;
- the deferred tax effect of consolidation adjustments relating to MOL Plc. as of 31 December 2015 was (HUF 75,552 million) deferred tax liability.

Significant tax losses arose in 2015 at INA and at MOL Plc. in amount of HUF 40,238 million and HUF 115,139 million, respectively.

Due to change in tax legislation in Hungary, the unused tax losses existing up until 2014 can be used until 2025 and the tax losses generated from 2015 onwards can be utilized only within the upcoming 5 years. No deferred tax asset was recognized on the tax losses of MOL Plc. which arose in current year as the utilization of those tax losses on top of the existing tax losses within the next 5 years is reasonably not certain.

Apart from that the UK subsidiaries acquired in 2014 possessed unused tax losses in 2014 which further increased in 2015, however the deferred tax asset on the tax loss carried forward of UK subsidiaries was derecognized in 2015 due to the uncertainty of its recoverability in the future.

No deferred tax assets have been recognized in respect of tax losses elsewhere in the Group due to uncertainty of realisability. The total amount of such tax losses as at 31 December 2015 was HUF 493,345 million.

From the unused tax losses as at 31 December 2015, HUF 589,609 million can be utilised after 5 years or has no expiry, while HUF 340,499 million can be utilized between 2016 and 2020.

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

	2015 HUF million	2014 HUF million
Profit / (loss) before tax per consolidated statement of profit or loss	(303,099)	(45,482)
Tax (expense) / income at the applicable tax rate (10%, 2014: 19%)	30,310	8,642
Tax allowance available	2,775	2,646
Surplus taxes and local trade tax (expense) / income	(11,689)	(12,058)
Permanent differences	47,647	9,698
Effect of different tax rates at subsidiaries	32,550	17,739
Losses not recognized as a deferred tax asset	(124,226)	(60,394)
Non-taxable income	463	5,617
Recognition of prior year tax losses carried forward	313	22,726
Total income tax (expense) / benefit at the effective income tax rate of (7%) (2014: (12%))	**(21,857)**	**(5,384)**

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 2015 and 2014, 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 2014	(3,499)	90,653,661	(39)
Diluted Earnings Per Share 2014	(3,499)	90,653,661	(39)
Basic Earnings Per Share 2015	(264,130)	91,813,076	(2,877)
Diluted Earnings Per Share 2015	(264,130)	91,813,076	(2,877)

	2015 HUF million	2014 HUF million
Net profit attributable to ordinary shareholders	(256,554)	4,078
Coupon payment to holders of capital securities of Magnolia (-)	(7,576)	(7,577)
Net profit attributable to ordinary shareholders for basic earnings per share	**(264,130)**	**(3,499)**
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	**(264,130)**	**(3,499)**

	2015	2014
Weighted average number of ordinary shares for basic earnings per share	91,813,076	90,653,661
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	**91,813,076**	**90,653,661**

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 2015 the Net Debt / EBITDA was at 0.73 level while the Net Gearing was 20.6%.

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 CO2 quota position and to manage the procurement of electricity. In order to control market and credit risks, risk limits (VaR limits, counterparty limits, total commitment limit) 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 Management

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

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

In 2015 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 2015 the fair value of open commodity derivative transactions designated as fair value hedge was receivable of HUF 9,991 million and payable of HUF 2,636 million (see Note 33). The fair value of accompanying firm commitments as hedged items under commodity derivative transaction designated as fair value hedges was a net payable of HUF 7,355 million.

In 2014 and 2015 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 2015 the fair value of open transactions designated as cash-flow hedge was a receivable of HUF 809 million with respect to crude oil swap (see Note 33) and a payable of HUF 1,416 million with respect to diesel swap (see Note 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 2015 the fair value of open commodity derivative transactions not designated as hedges was receivable of HUF 14,367 million and payable of HUF 11,186 million (see Note 33).

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 uses cross currency swaps and foreign exchange derivatives to hedge the foreign exchange exposures. As of 31 December 2015 and 2014 there were no open cross currency transactions. The fair value of foreign exchange options was net receivable of HUF 297 million as of 31 December 2015. There were no foreign exchange options in 2014. The Group decided to hedge the exposure to variability in cash flows that is attributable to the foreign exchange risk associated with one of the issued debt (Eurobond 2017), and also hedge the foreign exchange risk arising on the USD denominated net investments in foreign operations, with EUR/USD foreign exchange forwards. As of 31 December 2015 the fair value of foreign exchange forward transactions designated as hedging instrument in the above mentioned hedges was payable of HUF 6,723 million (see Note 33).

The Group has two long-term international gas transit agreements (expiring in 2017 and 2023) 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 3,212 million (HUF 2,602 million net of deferred tax) as of 31 December 2015 (see Note 21). The corresponding figure as of 31 December 2014 was HUF 1,710 million net payable (HUF 1,385 million net of deferred tax). The decrease in the fair value of this instrument has been recognized in other comprehensive income.

INA has certain long-term contract 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 13 million as of 31 December 2015 (see Note 33). The corresponding figure was HUF 577 million payable as of 31 December 2014.

As of 31 December 2015 the fair value of open foreign exchange forward transactions not designated in any hedge program was a net payable of HUF 7 million (see Note 33), while as of 2014 there were no open foreign exchange forward transactions.

During 2014 the Group acquired Euro denominated sovereign securities in the notional amount of HUF 207,658 million. The transactions are in line with the risk management policy of the Group as significant part of the securities had maturity date in 2015 providing natural hedge for the EUR 750 million fixed rate bond matured in October 2015 (see Note 19 for details on Long-term debt). The Group held securities of HUF 62,205 million as part of natural hedge of liabilities as of 31 December 2015 (see Note 33).

Hedge of net investments in foreign operations

Certain facilities of the Group's long-term debt (USD 522 million and EUR 478 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 12,708 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.

The Group designated forward contracts (notional of USD 357 million) as well to hedge the foreign exchange risk arising on the USD denominated net investments in foreign operations (see Foreign Currency Risk Management section). Fair valuation losses of HUF 2,100 million were 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 maturity in 2015 the fixed portion of the total debt decreased significantly.

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 2015 and 2014, 58.2% and 63.7% of the Group's debt was at fixed rates respectively.

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 CCS-based* (Current Cost of Supply) operating profit	2015 HUF billion	2014 HUF billion
Brent crude oil price (change by +/- 10 USD/bbl ; with fixed crack spreads and petrochemical margin)		
Upstream	+32.2 / -31.6	+23.9 / -25.0
Downstream	-26.0 / +26.0	-19.0 / +19.0
Gas Midstream	+2.6 / -2.6	+1.6 / -1.6
Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)		
Upstream	-0.2 / +0.3	+20.2 / -20.2
Downstream	+17.8 / -17.8	+6.1 / -6.1
Gas Midstream	+1.5 / -1.5	+1.6 / -1.6
Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Upstream	+1.3 / -1.3	+0.2 / -0.1
Downstream	+26.8 / -26.8	+25.3 / -25.3
Refinery margin (change by +/- 1 USD/bbl)		
Downstream	+31.7 / -31.7	+26.8 / -26.8
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Downstream	+3.1 / -3.1	+2.4 / -2.4

*CCS-based operating profit and its 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 pre-defined 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 2015 consists of the following:

	HUF million
Long-term loan facilities available (general corporate purpose)	869,393
Short-term facilities available	114,239
Total loan facilities available	**983,632**

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 2015 and 2014 based on contractual undiscounted payments.

31 December 2015	On demand HUF million	Less than 1 month HUF million	1 to 12 months HUF million	1 to 5 years HUF million	Over 5 years HUF million	**Total HUF million**
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	-	728	1,476	1,880	**4,084**
Floating rate long-term bank loans	-	3,294	12,743	64,986	10,046	**91,069**
Floating-rate other long-term loans	-	-	-	-	-	**-**
Floating-rate short-term bank loans	-	102,778	76,214	-	-	**178,992**
Floating-rate other short-term loans	-	-	-	-	-	**-**
Fixed rate bonds	-	-	22,754	418,823	-	**441,577**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	-	1,133	620	**1,753**
Transferred "A" shares with put and call options attached (see Note 22 and 33)	-	-	164,526	-	-	**164,526**
Maximum exposure under financial guarantees	91	-	-	-	-	**91**
Derivative liabilities	-	885	14,564	14,773	-	**30,222**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	50,915	243,914	195,587	-	-	**490,416**
Total	**51,006**	**350,871**	**487,116**	**501,191**	**12,546**	**1,402,730**

31 December 2014	On demand HUF million	Less than 1 month HUF million	1 to 12 months HUF million	1 to 5 years HUF million	Over 5 years HUF million	**Total HUF million**
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	-	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)	-	-	171,042	-	-	**171,042**
Maximum exposure under financial guarantees	107	-	-	-	-	**107**
Derivative liabilities	-	181	21,485	6,381	-	**28,047**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	61,377	311,774	201,687	-	-	**574,838**
Total	**61,484**	**414,225**	**845,226**	**562,200**	**21,719**	**1,904,855**

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 2015 and 2014

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

	2015 HUF million	2014 HUF million
Long-term debt	461,681	455,039
Short-term debt	205,981	507,116
Less: Cash and cash equivalents and securities	195,361	426,210
Net debt	**472,301**	**535,945**
Equity attributable to equity holders of the parent	1,456,769	1,749,745
Non-controlling interest	364,349	445,993
Total equity	**1,821,118**	**2,195,738**
Capital and net debt	**2,293,419**	**2,731,683**
Gearing ratio (%)	20.6%	19.6%

33. Financial instruments

Financial instruments in the statement of financial position 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 primarily EUR-denominated sovereign securities in both periods.

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

in HUF million		Carrying amount						
Financial assets	Ref. to notes	Held for trading	Derivatives used for hedging	Held-to-maturity investments	Loans and receivables	Available-for-sale	**Carrying amount Total**	**Fair value Total**
		FVTPL	hedge acc.	amortised cost	amortised cost	FVTOCI		
2015								
Equity investments	*Note 11*					28,103	**28,103**	**28,103**
Securities		62,205				942	**63,147**	**63,147**
Cash and cash equivalents	*Note 16*				132,214		**132,214**	**132,214**
Derivatives not designated as hedging instruments	Note *15*	14,793					**14,793**	**14,793**
Commodity derivatives		14,367					**14,367**	**14,367**
Foreign exchange derivatives		334					**334**	**334**
Other derivatives		92					**92**	**92**
Derivatives designated as hedges	Note *15*		10,800				**10,800**	**10,800**
Commodity derivatives designated in fair value hedges			9,991				**9,991**	**9,991**
Commodity derivatives designated in cash-flow hedges	*Note 32*		809				**809**	**809**
Trade receivables	*Note 14*				378,749		**378,749**	**378,749**
Loans given	*Note 12,15*				12,876		**12,876**	**12,876**
Long-term bank deposits	*Note 12*				0		**0**	**0**
Other current assets*	*Note 15*				36,522		**36,522**	**36,522**
2014								
Equity investments	*Note 11*					20,796	**20,796**	**20,796**
Securities		222,467					**222,467**	**222,467**
Cash and cash equivalents	*Note 16*				203,743		**203,743**	**203,743**
Derivatives not designated as hedging instruments	Note *15*	91					91	**91**
Commodity derivatives		0					**0**	**0**
Foreign exchange derivatives		0					**0**	**0**
Other derivatives		91					**91**	**91**
Derivatives designated as hedges	Note *15*		19,867				**19,867**	**19,867**
Commodity derivatives designated in fair value hedges			0				**0**	**0**
Commodity derivatives designated in cash-flow hedges	*Note 32*		19,867				**19,867**	**19,867**
Trade receivables	*Note 14*				450,985		**450,985**	**450,985**
Loans given	*Note 12,15*				13,569		**13,569**	**13,569**
Long-term bank deposits	*Note 12*				31,489		**31,489**	**31,489**
Other current assets*	*Note 15*				48,311		**48,311**	**48,311**

**(excl. items that are not financial instruments)*

in HUF million **Financial liabilities**	Ref. to notes	Carrying amount Held for trading	 Derivatives used for hedging	 Liabilities at amortised cost	**Carrying amount Total**	**Fair value Total**
		FVTPL	hedge acc.	amortised cost		
2015						
Derivatives not designated as hedging instruments	*Note 22*	16,222			**16,222**	**16,222**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	*Note 17,21*	0			**0**	**0**
MOL-OTP share swap	*Note 17*	4,637			**4,637**	**4,637**
Commodity derivatives		11,186			**11,186**	**11,186**
Foreign exchange derivatives		7			**7**	**7**
Other derivatives		392			**392**	**392**
Derivatives designated as hedges	*Note 22*		14,000		**14,000**	**14,000**
Commodity derivatives designated in fair value hedges	*Note 32*		2,636		**2,636**	**2,636**
Commodity derivatives designated in cash-flow hedges	*Note 32*		1,416		**1,416**	**1,416**
Foreign exchange derivatives designated in fair value hedges	*Note 32*		13		**13**	**13**
Foreign exchange derivatives designated in cash-flow and net investment hedges (EUROBOND)	*Note 32*		6,723		**6,723**	**6,723**
Foreign exchange derivatives designated in cash-flow hedges	*Note 21*		3,212		**3,212**	**3,212**
Interest-bearing loans and borrowings	*Note 19,23*			655,955	**655,955**	**655,955**
Non-interest bearing long-term liabilities	*Note 19*			11,707	**11,707**	**11,707**
Transferred "A" shares with put and call options attached	*Note 22*			164,526	**164,526**	**164,526**
Trade and other payables*	*Note 22*			490,416	**490,416**	**490,416**
2014						
Derivatives not designated as hedging instruments	*Note 22*	5,716			**5,716**	**5,716**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	*Note 17,21*	2,431			**2,431**	**2,431**
MOL-OTP share swap	*Note 17*	1,401			**1,401**	**1,401**
Commodity derivatives		1,491			**1,491**	**1,491**
Foreign exchange derivatives		0			**0**	**0**
Other derivatives		393			**393**	**393**
Derivatives designated as hedges	*Note 22*		22,331		**22,331**	**22,331**
Commodity derivatives designated in fair value hedges	*Note 32*		1,990		**1,990**	**1,990**
Commodity derivatives designated in cash-flow hedges	*Note 32*		18,054		**18,054**	**18,054**
Foreign exchange derivatives designated in fair value hedges	*Note 32*		577		**577**	**577**
Foreign exchange derivatives designated in cash-flow hedges	*Note 21*		1,710		**1,710**	**1,710**
Interest-bearing loans and borrowings	*Note 19,23*			958,927	**958,927**	**958,927**
Non-interest bearing long-term liabilities	*Note 19*			3,227	**3,227**	**3,227**
Transferred "A" shares with put and call options attached	*Note 22*			171,042	**171,042**	**171,042**
Trade and other payables*	*Note 22*			574,838	**574,838**	**574,838**

**(excl. items that are not financial instruments)*

The Group has classified its financial instruments carried at fair value into a three levels hierarchy. Based on the inputs used for the valuation, the fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The explanation of each level follows underneath the tables.

in HUF million

2015	Ref. to notes	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at FVTPL					
Securities			63,147		**63,147**
Derivatives not designated as hedging instruments	*Note 15*		14,793		**14,793**
Commodity derivatives			14,367		**14,367**
Foreign exchange derivatives			334		**334**
Other derivatives			92		**92**
Derivatives used for hedging					
Derivatives designated as hedges	*Note 15*		10,800		**10,800**
Commodity derivatives designated in fair value hedges			9,991		**9,991**
Commodity derivatives designated in cash-flow hedges	*Note 32*		809		**809**
Available-for-sale financial assets					
Equity investments	*Note 11*	21,835	6,268		**28,103**
Quoted equity shares - Jadranski Naftovod d.d.		21,835			**21,835**
Unquoted equity shares			6,268		**6,268**
Financial liabilities					
Financial liabilities at FVTPL					
Derivatives not designated as hedging instruments	*Note 22*		16,222		**16,222**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	*Note 17,21*		0		**0**
MOL-OTP share swap	*Note 17*		4,637		**4,637**
Commodity derivatives			11,186		**11,186**
Foreign exchange derivatives			7		**7**
Other derivatives			392		**392**
Derivatives used for hedging					
Derivatives designated as hedges	*Note 22*		14,000		**14,000**
Commodity derivatives designated in fair value hedges	*Note 32*		2,636		**2,636**
Commodity derivatives designated in cash-flow hedges	*Note 32*		1,416		**1,416**
Foreign exchange derivatives designated in fair value hedges	*Note 32*		13		**13**
Foreign exchange derivatives designated in cash-flow and net investment hedges (EUROBOND)	*Note 32*		6,723		**6,723**
Foreign exchange derivatives designated in cash-flow hedges	*Note 21*		3,212		**3,212**

in HUF million

2014	Ref. to notes	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at FVTPL					
Securities			222,467		**222,467**
Derivatives not designated as hedging instruments	*Note 15*		91		**91**
Commodity derivatives			0		**0**
Foreign exchange derivatives			0		**0**
Other derivatives			91		**91**
Derivatives used for hedging					
Derivatives designated as hedges	*Note 15*		19,867		**19,867**
Commodity derivatives designated in fair value hedges			0		**0**
Commodity derivatives designated in cash-flow hedges	*Note 32*		19,867		**19,867**
Available-for-sale financial assets					
Equity investments	*Note 11*	17,021	3,775		**20,796**
Quoted equity shares - Jadranski Naftovod d.d.		17,021			**17,021**
Unquoted equity shares			3,775		**3,775**
Financial liabilities					
Financial liabilities at FVTPL					
Derivatives not designated as hedging instruments	*Note 22*		5,716		**5,716**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	*Note 17,21*		2,431		**2,431**
MOL-OTP share swap	*Note 17*		1,401		**1,401**
Commodity derivatives			1,491		**1,491**
Foreign exchange derivatives			0		**0**
Other derivatives			393		**393**
Derivatives used for hedging					
Derivatives designated as hedges	*Note 22*		22,331		**22,331**
Commodity derivatives designated in fair value hedges	*Note 32*		1,990		**1,990**
Commodity derivatives designated in cash-flow hedges	*Note 32*		18,054		**18,054**
Foreign exchange derivatives designated in fair value hedges	*Note 32*		577		**577**
Foreign exchange derivatives designated in cash-flow hedges	*Note 21*		1,710		**1,710**

The Group uses the following categories when it classifies and values the financial instruments carried at fair value according to the fair value hierarchy.

- 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 2015
- 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 which are based 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.

34. Commitments and contingent liabilities

Guarantees

The total value of guarantees undertaken to parties outside the Group is HUF 91 million.

Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2015 is HUF 37,139 million, from which HUF 12,116 million relates to capital and contractual commitments of INA and HUF 16,133 million relates to MOL Plc. Other significant amounts relate to the construction of the new petrochemical plants of Slovnaft and MOL Petrolkémia Zrt. (HUF 1,916 million and HUF 4,776 million, respectively).

Gas Purchases Obligation, Take or Pay Contract

From 1 November 2015 INA d.d. has concluded a flexible natural gas sales agreement with MET International A.G. until 1 April 2017. On 31 December 2015 the value of future liabilities until the termination of the contract was HRK 99 million.

Operating leases

Operating lease liabilities are as follows:

	2015	2014
	HUF million	HUF million
Due not later than 1 year	5,605	6,481
Due two to five years	84,211	10,832
Due over five years	2,964	2,671
Total	**92,780**	**19,984**

Out of the outstanding operating lease liabilities as of 31 December 2015 HUF 70,511 million were contracted by MOL Growest I. Ltd., HUF 9,888 million by Slovnaft, HUF 3,956 million by INA and HUF 3,446 million by MOL.

Authority procedures, litigation

General

None of the litigations described below 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 31,148 million for which HUF 25,218 million provision has been made.

Proceedings with respect to MOL Plc.

CREDITOR procedures

CREDITOR GAMA s.r.o. has submitted a compensation claim against MOL Plc. 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. The claim was dismissed by the court on first instance. The claimant has filed an appeal.

CREDITOR BETA s.r.o. 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 delivered an interim judgement, MOL has filed an appeal against it.

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 decision adopted stated that the companies harmonized their commercial activities on the European 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. Several former paraffin customers claimed their private damages before an English (2010) and a Dutch (2012) court. The cartelists have decided to make a settlement offer. In 2013 MOL procured payment of the settlement sum. The English 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 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.

In 2014, the GoC filed preliminary jurisdictional objections and an alternative request but it has been rejected by the Tribunal which for MOL opened the possibility of submitting its detailed Statement of Claim on 14 August 2015.

UNCITRAL arbitration (Croatia vs. MOL)

On 17 January 2014, the Government of Croatia (the "GoC") commenced this arbitration by alleging 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. MOL filed its Response in which it denied all claims put forward by the GoC and requested that the Tribunal dismiss all Claimant's claims. The GoC's representatives have submitted their Statement of Claim request in this same arbitration to which MOL responded with its detailed Statement of Defense. The Government responded with its Reply in 2015 while MOL answered to the newly raised allegations with its Rejoinder."

Hearings of the Permanent Court of Arbitration panel were held in 2015 with factual witnesses, experts and closing presentations from both sides.

Hungarian Horizon Energy Ltd – MOL arbitration

HHE initiated arbitration proceedings against MOL for the breach of the Joint Operating Agreement. HHE sent statement of claim on 25 November 2015. Statement of Defense is submitted. Final decision is awaited around late 2016/early 2017. HHE has not yet quantified its damages claim. Such claims will be quantified during the arbitration process by HHE once certain preliminary questions are clarified.

CEOC-MOL arbitration

MOL has received three notices of arbitration from CEOC Ltd. in relation to three Field Re-development Framework Agreements on 7 May 2015 CEOC submitted its detailed Statement of Claim in late November 2015 claiming USD ~47million. MOL submitted its complete Statement of Defense on 26 February 2015. The court hearings are scheduled for October 2016. Final decision is awaited around late 2016.

<u>Court proceedings at INA Group</u>

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 outcome of the procedure is still uncertain due to the complexity of the legal matter (claims for altered default interest). The Supreme Court has not decided on review to this date, so no legal actions were taken in 2015.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE d.d. and INA-NAFTAPLIN International Exploration, Channel Islands, before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of cca EUR 8 million incurred due to ungrounded termination of negotiations. The outcome of the case is at the moment completely uncertain. Last hearing was held on 27 January 2016 on which the main hearing has been closed and the judgment will be rendered on 10 March 2016.

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

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o. ("SALBATRING") initiated the arbitration procedure. INA received Salbatring's full Statement of Claim on 20 June 2015 by which Salbatring is claiming the amount of USD 27,950,385 plus the interest and costs. INA submitted its Statement of Defence in November 2015 and arbitration procedure is now in documents production phase.

EKOMEDIA d.o.o.

In September 2012 INA entered into an agreement with company Ekomedia d.o.o. ("Ekomedia"). Ekomedia failed to regularly comply with its obligations. INA terminated the agreement with Ekomedia at the beginning of 2014. On 19 December 2014 Ekomedia filed lawsuit against INA. INA filed its official reply to such Ekomedia's lawsuit and filed a counterclaim for the return of unjust enrichment and asked for the issuance of interim measure for prohibition of use of advertising boards.

CONCESSIONS

On 29 July 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". On 29 August 2011, INA filed three administrative lawsuits against the Ministry's Decisions. The Administrative Court annulled the Ministry's Decisions. On 10 November 2014, and on 20 February 2015 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" and "Drava", with the same explanations. INA filed lawsuits against new Ministry Decisions but till now, the Administrative court did not reach any decision regarding INA's new lawsuits.

R.I.G.-TEHNIČKI SERVISI GRUPA d.o.o. c/a CROSCO

R.I.G.-TEHNIČKI SERVISI GRUPA d.o.o. initiated lawsuit against CROSCO, naftni servisi d.o.o. (member of the INA Group, INA is a 100% shareholder) over a value equalling HRK 81,775,674 (cca EUR 10,500,000) with the interest running from 10 March 2010, for damages caused by non-payment of extra and unforeseen works and, to a minor extent, for damages due to loss of computer equipment (cca HRK 520,400/EUR 67,000 with the default interest). The last hearing was held on 27 March 2015. Hearing was postponed, due to the fact that Assembly of creditors (RIG bankruptcy procedure) was scheduled (9 April 2015).

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

In 2012 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. MOL Romania has been fined with RON 80.3 million (i.e. approximately EUR 18.5 million). 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.

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. MOL Romania has also submitted an unconstitutionally exception, which was judged on 23 February 2016 and the court's decision was postponed until 3 March 2016.

In case the legal provision is declared unconstitutional, MOL will have the possibility to submit an annulment complaint against the Decision in the First Court. In case of admittance the whole trial will restart. On 1 July 2015 the High court of Justice partially admitted the recourse in the sense of reducing the fine with 25%. The Decision is definitive.

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 79,218 million for the estimated cost as at 31 December 2015 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 MOL Petrolkémia Zrt. 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 MOL Petrolkémia Zrt. 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 MOL Petrolkémia Zrt. and MOL to jointly perform this plan in order to manage the underground water contamination. The total amount of liabilities 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 2015, on Group level the aggregate amount of environmental liabilities recorded on the statement of financial position was HUF 38.4 billion (HUF 37.7 billion at 31 December 2014).

35. Events after the reporting period

MOL Plc. announced, that with the effective date of the 20 March 2016 MOL terminates the Swap Agreement concluded between MOL and Magnolia Ltd. ("Magnolia") on the 20 March 2006 and exercises its call option right to purchase 6,007,479 pieces of MOL series "A" ordinary shares at market price set out in the agreement. Magnolia has decided to redeem its perpetual capital securities exchangeable for ordinary shares of MOL at the principal value of EUR 610 million with the effective date of the 20 March 2016.

36. Notes to the consolidated statements of cash-flows

Cash and cash equivalents comprise the following at 31 December

	2015 HUF million	2014 HUF million
Cash and cash equivalents according to Statement of financial position	132,214	203,743
Cash and cash equivalents as part of Disposal Group	-	-
Total Cash and cash equivalents	**132,214**	**203,743**

Analysis of net cash outflow on acquisition of subsidiaries, joint ventures as business combinations

	2015 HUF million	2014 HUF million
Cash consideration	(50,194)	(14,850)
Cash at bank or on hand acquired	3,122	1,942
Net cash outflow on acquisition of subsidiaries, joint ventures	**(47,072)**	**(12,908)**

Net cash outflow on acquisition of subsidiaries as asset-deals

	2015 HUF million	2014 HUF million
Cash consideration	(30,244)	(121,466)
Total	**(30,244)**	**(121,466)**

37. Related party transactions

Transactions with associated companies in the normal course of business

	2015 HUF million	2014 HUF million
Trade and other receivables due from related parties	8,545	9,365
Trade and other payables due to related parties	13,963	16,070
Net sales to related parties	24,435	25,362

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2015 and 2014. 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 125 million and HUF 139 million in 2015 and 2014, 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 116 million in 2015 and HUF 98 million in 2014.

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

	2015 Number of shares	2014 Number of shares
Board of Directors	243,894	232,971
Senior Management (except executive Board members)	119,508	119,508
Supervisory Board	39,588	39,588
Total	**402,990**	**392,067**

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 OT Industries member entities. No transactions out of the usual conduct of business have been concluded with OTP and OT Industries in 2015 or 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 2015 and 2014 amounted to HUF 4,888 million and HUF 4,673 million respectively and provided services HUF 19 million in 2015, carried out on usual commercial terms and market prices and purchased goods from this company in amount of HUF 11 million and HUF 33 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 2015 and 2014, respectively and purchased goods from this company in amount of HUF 2 million and HUF 2 million in 2015 and 2014, 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 49 million and HUF 47 million in 2015 and 2014, respectively. Slovnaft Group has sold products and goods to Ruzicka Csekes s.r.o for HUF 1 million in 2014.

Additionally, Mr. Oszkár Világi has controlling influence in ADC Media a.s. and BOKADA a.s. companies. ADC MEDIA a.s. provided services to the Group in amount of HUF 23 million and BOKADA a.s. in amount of HUF 2 million in 2015.

Mr. Parragh László is the member of the Supervisory Board of MKB Bank. The MKB Bank manages bank accounts of MOL Plc and some of its subsidiaries. No transactions out of the usual conduct of business have been concluded with MKB in 2015 or 2014. All of these transactions are on an arm's-length basis. Furthermore Mr Parragh is the member of the Supervisory Boards of Magyar Export-Import Bank Zrt. (Eximbank) and Magyar Exporthitel Biztosító Zrt (MEHIB). Loan agreements of MOL Petrolkémia Zrt. in the amount of EUR 20 million are contracted based on the refinancing on Eximbank while MEHIB provides credit insurance for MOL Petrolkémia Zrt. and MOL-LUB Kft. The insurance fee paid by these two companies amounted to HUF 20 million in 2015.

Key management compensation

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

	2015 HUF million	2014 HUF million
Salaries and other short-term employee benefits	1,844	1,813
Other long-term benefits	187	203
Share-based payments	184	173
Total	**2,215**	**2,189**

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:

	2015 HUF million	2014 HUF million
Expense arising from equity-settled share-based payment transactions	188	203
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	1,010	279
Total expense / (reversal of expense) arising from share-based payment transactions (see Note 26)	**1,198**	**482**

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 31 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 2015 share	Weighted average exercise price 2015 HUF/share	Number of shares in conversion option units 2014 share	Weighted average exercise price 2014 HUF/share
Outstanding at the beginning of the year	479,458	18,373	521,404	18,412
Granted during the year	213,973	12,209	119,422	14,984
Forfeited during the year	(15,520)	18,543	(48,685)	19,156
Exercised during the year	-	-	-	-
Expired during the year	(111,727)	22,839	(112,683)	18,481
Outstanding at the end of the year	**566,184**	**15,374**	**479,458**	**18,373**
Exercisable at the end of the year	259,574	17,808	236,643	20,289

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 2015 expenses amounted to HUF 780 million (HUF 687 million revenue from reversal in 2014). Liabilities in respect of share-based payment plans amounted to HUF 885 million as at 31 December 2015 (31 December 2014: HUF 105 million), recorded in Other non-current liabilities and Other current liabilities.

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

	2015	2014
Weighted average exercise price (HUF / share)	15,374	18,373
Share price as of 31 December (HUF / share)	14,255	11,545
Expected volatility based on historical data	24.91%	28.57%
Expected dividend yield	4.03%	5.65%
Estimated maturity (years)	2.58	2.48
Risk free interest rate	1.78%	2.37%

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.

Expenses arising from the Performance Share Plan program amounted to HUF 230 million in 2015 (HUF 966 million in 2014). Liabilities in respect of the Performance Share Plan program amounted to HUF 1,194 million as at 31 December 2015 (31 December 2014: HUF 966 million) recorded in Other non-current liabilities and Other current liabilities.

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 2015 and 2014 with respect of the share scheme programme, HUF 188 million and HUF 203 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:

	2015	2014
Number of shares vested	12,300	11,462
Share price at the date of grant (HUF / share)	11,313	14,488

Appendix I.: 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:

The principal effects of these changes are as follows:

- *IFRS 7 Financial Instruments: Disclosures - Amendment requiring disclosures about initial application of IFRS 9 (effective from application of IFRS 9, this amendment has not been approved by EU yet)*
- *IFRS 7 Financial Instruments: Disclosures - Amendment requiring additional hedge accounting disclosures related to application of IFRS 9 (effective from application of IFRS 9, this amendment has not been approved by EU yet)*
- *IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018, this standard has not been approved by EU yet)*
- *IFRS 10 Consolidated Financial Statements - Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date is not defined, this amendment has not been approved by EU yet)*
- *IFRS 10 Consolidated Financial Statements - Amendment regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016, this amendment has not been approved by EU yet)*
- *IFRS 11 Joint Arrangements - Amendment regarding the accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)*
- *IFRS 12 Disclosure of Interests in Other Entities - Amendment regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016, this amendment has not been approved by EU yet)*
- *IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016, this standard has not been approved by EU yet)*
- *IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018, this standard has not been approved by EU yet)*
- *IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, this standard has not been approved by EU yet)*
- *IAS 1 Presentation of Financial Statements - Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 7 Statement of cash flows - Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2017, this amendment has not been approved by EU yet)*
- *IAS 12 Income taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017, this amendment has not been approved by EU yet)*
- *IAS 16 Property, Plant and Equipment - Amendment regarding the clarification of acceptable method of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 16 Property, Plant and Equipment - Amendment bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 27 Separate Financial Statements - Amendment reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for annual periods beginning on or after 1 January 2016)*

- *IAS 28 Investments in Associates and Joint Ventures - Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date is not defined, this amendment has not been approved by EU yet)*
- *IAS 28 Investments in Associates and Joint Ventures - Amendment regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016, this amendment has not been approved by EU yet)*
- *IAS 38 Intangible Assets – Amendment regarding the clarification of acceptable method of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 39 Financial Instruments: Recognition and Measurement - Amendment defines exceptions to application of IFRS 9 for hedge accounting (effective from application of IFRS 9, this amendment has not been approved by EU yet)*
- *IAS 41 Agriculture - Amendment bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)*
- *Annual improvements to IFRSs (issued in September 2014)*

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 reduces categories of financial assets to those measured at amortized cost and those measured at fair value. The classification of financial instruments is made at initial recognition based on the results of business model test and cash flow characteristics test. IFRS 9 contains an option to designate a financial asset as measured at fair value through statement of profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The entity can make an irrevocable election at initial recognition to measure equity investments, which are not held for trading, at fair value through other comprehensive income with only dividend income recognized in statement of profit or loss. The standard introduces 'expected credit loss' impairment model for financial assets. IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It is expected that the adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and liabilities, and on hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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 2018, 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.

IFRS 16 Leases

In January 2016, the IASB issued the new standard for reporting of leases - IFRS 16 Leases, which replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

In the case of the lessee, the new standard provides a single accounting model, and require recognition of assets and liabilities for all leases. Exceptions are leases contracted for less than 1 year, and leases with low value underlying assets. This removes the present distinction between finance and operative leases for lessee. Lessors continue to classify leases as operating or finance similarly to IAS 17. The Group is currently assessing the impact of IFRS 16 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. 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. 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.