

DOCUMENTS FOR THE ANNUAL GENERAL MEETING

**ANNUAL GENERAL MEETING OF
MOL HUNGARIAN OIL AND GAS
PUBLIC LIMITED COMPANY**

TO BE HELD ON 12 APRIL, 2018

**Date and venue of the AGM: 12 April, 2018, 10 a.m.
Budapest Music Center**

Dear Shareholder,

The Annual General Meeting of the Company was convened by the Board of Directors of MOL Plc. for 12 April 2018, 10 a.m., whose agenda is contained in the announcement published as stipulated in the Articles of Association. The announcement was published on 12 March 2018 on the homepages of Budapest Stock Exchange and MOL.

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The brochure contains an English language translation of the original proposals and information in accordance with the items on the agenda. The purpose of documents prepared for the General Meeting is to promote a better orientation of the particular items on the agenda and to provide information for the shareholders regarding the questions to be discussed at the General Meeting. Please see the original Announcement for additional information. In case the General Meeting does not have a quorum at the announced date and time, the repeated General Meeting shall discuss the same agenda items with the same Resolution proposals.

This document is published in Hungarian and in English. The official text of this document is in Hungarian only.

Technical remarks

Conditions for participation and exercising voting rights at the General Meeting:

In order to be registered in the Share Register in the course of the shareholders' identification, shareholders must comply with the Articles of Association of the Company ("Articles of Association") and the relevant laws, particularly, each shareholder shall declare whether he holds at least 2 % of the Company's shares in accordance with Article 8.6 of the Articles of Association. According to Article 8.4 the Board of Directors shall refuse the registration of any shareholder into the share register if such shareholder fails to comply with the requirements specified by the Articles of Association.

The record date of the shareholders' identification shall be April 3, 2018. Based on the data resulting from the shareholder's identification the name of shareholders and shareholders' proxies (nominees) intending to participate in the general meeting shall be registered by the manager of the Share Register (KELER Zrt.) on April 10, 2018, and upon instruction of the Board of Directors, KELER Zrt. shall **close the Share Register on April 10, 2018**, and no application for registration shall be accepted until the day following the closing of the general meeting. In line with the relevant provisions of law, only those persons may exercise shareholder's rights at the general meeting (participation in the general meeting, requesting information within the limits specified in the relevant laws, making remarks and proposals and voting) whose name is registered in the Share Register at 06.00 p.m. two working days before the starting day of the general meeting.

The securities account managers shall be responsible for registering the shareholders in the Share Register upon instruction of such shareholders. The securities account managers shall provide information to the shareholders on the deadlines for giving instructions to the securities account managers.

The Company shall not be liable for the performance of or the failure to perform the instructions given to the securities account manager. Shareholders may inspect and obtain information in respect of their registration by phone (+36-1-483 6251) or personally at the customer service of KELER Zrt. (address: H-1074 Budapest, Rákóczi út 70-72., R-70 Irodaház) on any workday between 09.00 a.m. and 03.00 p.m. Closing the Share Register does not restrict the right of the persons registered in the Share Register to transfer their shares following the closing date. Transferring shares prior to the general meeting does not deprive the persons registered in the Share Register of their rights to participate in the general meeting and exercise their rights they are entitled to as shareholders.

The general meeting shall have a quorum if the holders of shares representing more than one-third of the voting rights are present. When determining the quorum, restrictions specified under Articles 10.1 and 10.2 of the Articles of Association shall be applied so that votes exceeding the 10% limit to which each shareholder is entitled shall be disregarded. Holders of registered ordinary shares shall be entitled to one (1) vote attaching to each „A” series share with a par value of HUF 125 (i.e. one hundred and twenty-five Hungarian forints) each subject to the restrictions specified in the Articles of Association. The “B” series preference share with a par value of HUF 1000 (i.e. one thousand Hungarian forints) entitles its holder to eight (8) vote in addition to the voting preference rights defined in the Articles of Associations.

Shareholders shall be entitled to participate in the general meeting either in person or through a proxy issued or by nominee (hereinafter collectively referred to as “nominee”) in accordance with the provisions of the Civil Code and Act CXX of 2001 on the Capital Market.

In case shareholders wish to give a power of attorney in an **official form** (“proxy card”) as defined in Article 13.6 of the Articles of Association, they shall submit such request to the Investor Relations Department of MOL Plc until April 11, 2018 at the latest in writing (mailing address: 1117 Budapest, Október huszonharmadika u. 18.) or e-mail (investorrelations@mol.hu). The request shall contain the exact name and address (mailing or e-mail address) of the shareholder where the form (proxy card) should be delivered to.

The power of attorney for the nominee (including the power of attorney issued by a proxy card) shall be prepared in the form of a public document or a private document with full probative force taking into account any international agreement or reciprocity between Hungary (the Hungarian State) and the country where the document was issued. If the power of attorney is prepared in any language other than Hungarian a certified Hungarian translation thereof shall be attached. In case of shareholders other than natural persons, powers of representations of the persons signing the power of attorney or representing the shareholder at the general meeting shall be certified by appropriate original documents issued by a public authority or office (e.g. certificate of incorporation) or by a public notary. If the certification of the power of representation is in any language other than Hungarian a certified Hungarian translation thereof shall be attached.

The power of attorney (with the exception of the power of attorney issued by a proxy card) shall be deposited in accordance with Article 14.3 of the Articles of Association, at the latest during registration prior to the commencement of the general meeting. The power of attorney given by a proxy card shall arrive to the address of the Company (1117 Budapest, Október huszonharmadika u. 18.) by April 11, 2018 at the latest.

In case of holders of depository receipts (“DRs”) issued under a foreign law, The Bank of New York Mellon, as the issuer of such DRs, shall be entitled to exercise rights of representation according to the Deposit Agreement concluded between it and the Company. Holders of DRs will be entitled to exercise their voting rights by a Letter of Proxy issued in favor of The Bank of New York Mellon as depository, in accordance with the Articles of Association of MOL, the Deposit Agreement and applicable laws and based on the draft resolutions sent by the Board of Directors of MOL Plc to the DR holders via The Bank of New York Mellon. We request DR holders to obtain information on the detailed rules of procedure at the customer service of the Bank of New York Mellon (101 Barclay Street, 22 West New York, NY 10286, Tel: 00 1 212 815 3503, Fax: 00 1 212 571 3050, email: slawek.soltowski@bnymellon.com).

MOL Investors Relations Department will be pleased to be at your disposal for further information, as well (phone: +361 464 1395, fax: +361 464 1335).

The registration i.e. the certification of the right to participate as shareholder (nominee) will take place at the venue of the general meeting between 8.00 a.m. and 9.30 a.m.

We kindly request our shareholders to apply for registration on time. Following the closing of the registration, shareholders and nominees not listed in the attendance list, but registered in the share register, are entitled to participate in the general meeting, however, such shareholders may not exercise their voting rights. The shareholders whose voting right is suspended according to Article 8.6. of the Articles of Association are also entitled to participate in the general meeting, however, such shareholders may not exercise their voting rights.

Pursuant to the Articles of Association no shareholder or shareholder group (as defined under Article 10.1.2. of the Articles of Association) may exercise more than 10% of the voting rights at the general meeting with the exception of the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares. Exemption from this restriction on voting rights shall be applicable to any depository bank or custodian only if it can

verify that the final beneficiary(s) entitled to exercise the shareholders rights associated with the shares and securities in deposit is (are) not subject to the restrictions specified in the Articles of Association.

Information regarding the procedure of the general meeting:

Shareholders, proxies of the shareholders and other authorized persons may participate in the general meeting. Audio and video recordings shall be made on the whole general meeting and we maintain the right to broadcast the general meeting via the internet. The Company deems that the participants, by their presence, give their consent to such recordings. Shareholders and proxies of shareholders who does not give their above mentioned consent, may stay at the designated place of the general meeting. Shareholders, proxies of the shareholders and other authorized persons are entitled to comment on the agenda only after the chairman of the general meeting (hereinafter referred to as: the Chairman) has given the floor to that person. Comments can be made validly only with the use of microphone, only comments made such way shall be recorded in the minutes. Shareholders and proxies of shareholders wishing to comment are requested to announce their name, the name of the shareholder represented by them, and the number of the voting machine before each comment. The Chairman may, in justified cases, limit the time period of the comments relating to the agenda items up to 3 minutes. With regard to the comments, only questions in connection with the agenda item may be asked. Questions, lawfully referred by shareholders towards the Board of Directors, the Supervisory Board and to the independent Audit Company, will be answered in the general meeting - within the legal framework - by the Chairman or by the appointed person or regarding the complexity of the question within reasonable time, in writing, published on the website of the Company.

The language of the general meeting shall be Hungarian, therefore the resolution proposals shall be made in Hungarian as well. The Board of Directors shall provide non-official English-Hungarian and Hungarian-English interpretations. With regard to the procedure of the general meeting the provisions of the Articles of Association of the Company and the Act V of 2013 on the Civil Code shall be applied.

In case the general meeting does not have a quorum at the announced date and time, the Board of Directors hereby convenes the repeated general meeting with the same agenda on April 26, 2018 at 10.00 a.m. at Budapest Music Center (H-1093 Budapest, IX. district, Mátyás street 8.). In accordance with Section 3:275 (1) of the Act V of 2013 on the Civil Code ("Civil Code"), such reconvened general meeting shall have a quorum with respect to issues originally put on the agenda, irrespective of the number of the shareholders present or represented.

Method of voting

The Board of Directors recommends machine electronic voting to be used at the General Meeting, regarding which detailed information shall be provided on the spot. The General Meeting shall first decide on the approval of the electronic voting system then elect the keeper of the minutes, the certifiers of the minutes with the official vote counters.

Summary of the number of shares and voting rights existing on the date of the convocation of the General Meeting

Composition of share capital of the Company on 12 March 2018:

Share series	ISIN Code	Par value (HUF/share)	Issued number	Total par value (HUF)
„A” series	HU0000153937	125	819,424,824	102,428,103,000
„B” series	HU0000068960	1,000	1	1,000
„C” series	HU0000065909	1,001	578	578,578
Share capital		-	-	102,428,682,578

Number of voting rights attached to the shares on 12 March 2018:

Share series	Issued number	Shares with voting rights	Voting right per share	Total voting rights	Number of treasury shares
„A” series	819,424,824	819,424,824	1	819,424,824	81,297,205
„B” series	1	1	8	8	0
„C” series	578	578	8.008	4,628.624	578
Total	-	-	-	819,429,460.624	-

No shareholder or shareholder group (as defined in Article 10.1.2 of the Articles of Association of the Company) may exercise more than 10% of the voting rights with the exception of the organization(s) acting at the Company’s request as depository or custodian for the Company’s shares or securities representing the Company’s shares (the latter shall be exempted only insofar as the ultimate person or persons exercising the shareholder’s rights represented by the shares and securities deposited with them do not fall within the limitations specified here below).

The “yes” vote of the holder of “B” series of share is required for decisions at the General Meeting on issues enlisted in Article 12.4 of the Articles of Association of the Company. In all other matters, in accordance with the nominal value of the "B" series share, such share entitles its holder for eight vote.

AGENDA ITEM No. 1

Report of the Board of Directors on the 2017 business operation; presentation of the 2017 parent company financial statements and the consolidated financial statements prepared in compliance with International Financial Reporting Standards as adopted by the European Union (“IFRS”); proposal for the distribution of profit after taxation

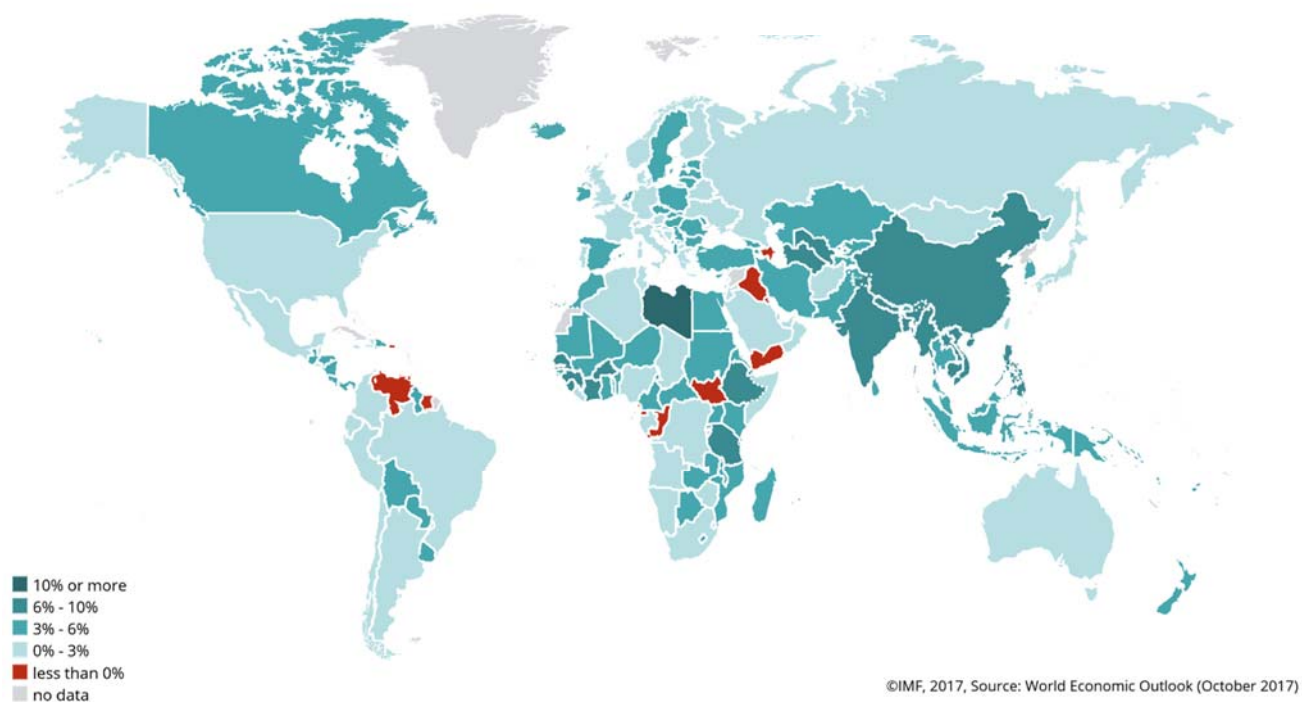
MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 BUSINESS OPERATIONS

1. OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

World Economy

The cyclical upswing – underway since mid-2016 – has continued to strengthen. Around 2/3 of the countries, accounting for three quarters of world GDP, have seen a stronger growth in 2017 than in the previous year, the broadest synchronized global growth upsurge since 2010. Global growth for 2017 is estimated to have reached 3.7%, a significant acceleration compared to the growth of 3.2% in 2016 and the highest rate of global growth over the last 6 years.

Figure 1 Real GDP growth (annual percent change, 2017)



The recent acceleration in GDP growth stems predominantly from firmer growth in developed economies, although East and South Asia remain the world’s most dynamic regions. Cyclical improvements in Argentina, Brazil, Nigeria and the Russian Federation, as these economies emerge from recession, also explain roughly a third of the rise in the rate of global growth between 2016 and 2017.

Growth in China is estimated to have reached 6.9% in 2017, marking the first acceleration in growth since 2010. The stronger than expected growth can be explained by healthy domestic demand

supported by continued fiscal support and the stronger-than expected recovery of exports. Still, credit continues to grow considerably faster than GDP making the Chinese financial sector vulnerable.

The estimated 2017 GDP growth of 2.3% in the U.S. marks a significant improvement compared to the 1.5% growth recorded in 2016. Besides the solid private consumption and investment growth, weakness of the dollar and gradually increasing oil prices supported the economy. The 10% loss of the U.S. dollar against the euro last year was the steepest drop in more than a decade despite the three Fed interest rate hikes and a loosening European Central Bank.

Growth gained substantial momentum in the Eurozone, reaching an estimated 2.5% in 2017— way higher than previously expected — with broad-based improvements across member countries spurred by policy stimulus, improving labour market conditions, rising confidence and strengthening global demand. In particular, private sector credit continued to respond to the loose monetary policy stance of the European Central Bank, and both domestic demand and import growth were robust.

Oil and natural gas markets

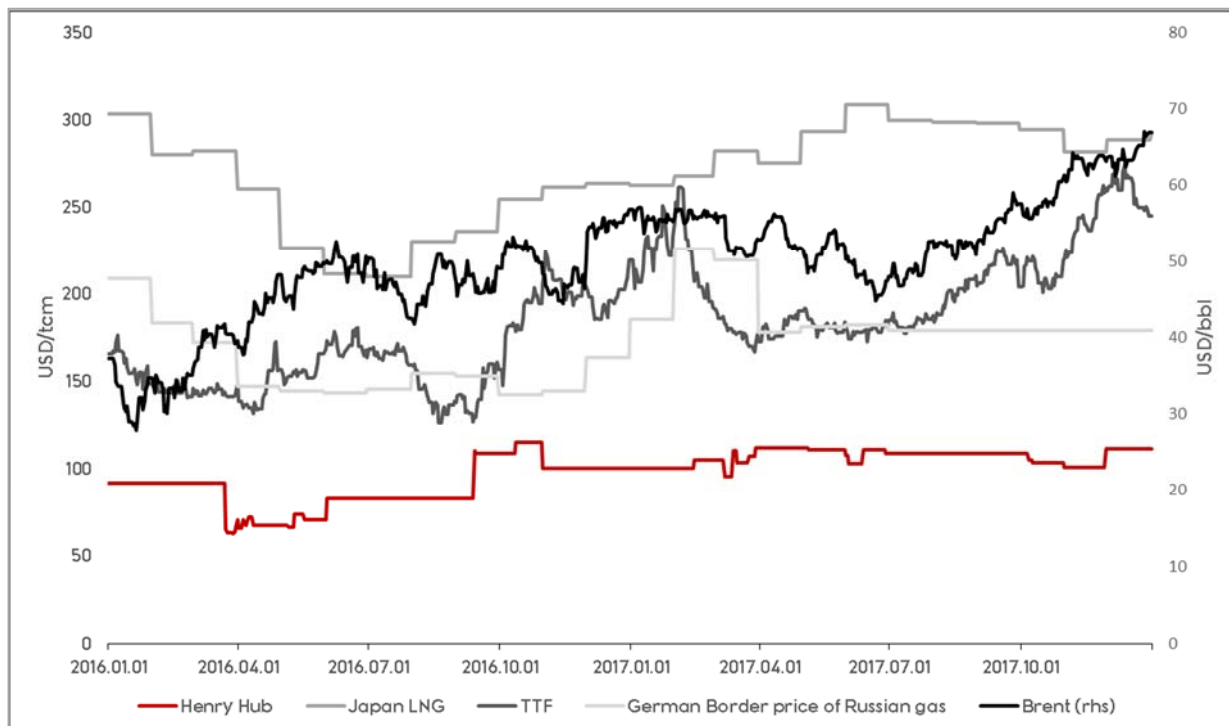
Benchmark crude oil price, dated Brent averaged at USD 54/bbl in 2017, however crude prices moved in a broad range throughout the year. Dated Brent reached its minimum at USD 44/bbl in June, then climbed to its maximum, to USD 67/bbl by the end of the year, beating a 3-year record.

Despite a positive outlook in the first quarter of 2017 caused by high demand expectations and a successful OPEC agreement, dated Brent started to decrease from its Q1 average of USD 55/barrel to USD 44/bbl in June, its lowest value in the year. The first half of the year was dominated by questions around the sustainability/(non-)compliance rate in respect of the OPEC agreement, and by increasing shale production in the US, which together with the limited decline rate of conventional fields resulted in a technically unchanged inventory overhang.

In the second half of 2017, crude prices started their increase mainly due to temporary factors, like heightened geopolitical and political tensions both in the Middle East, North-Korea and in Venezuela, and also due to an extreme hurricane season in the U.S. High expectations regarding the November OPEC meeting put an upward pressure on crude prices, which remained above USD 60/barrel after a successful extension of the supply cut into 2018. In the meantime, structural factors like an upward revision of global growth, the renewed strengthening relationship between economic growth and oil demand growth, and the enormous demand potential of Asia further supported the price increase. Moreover, the drop in OECD inventories finally signaled a clear tightening of the market. Unexpected supply disruptions (closure of the Forties pipeline, disruptions in Libya, crisis of Venezuela) in the end of the year further supported the price increase, which was only slightly eased by the slowly increasing production in the U.S.

Gas prices remained at historically low levels, however cold winter in the U.S. and in Asia supported prices through increased consumption. The convergence of gas prices continued during 2017 supported by a fast growing LNG market. Although the difference between Japan LNG (the highest gas price globally) and Henry Hub (the lowest gas price) increased slightly from its 2016 average of 162 USD/tcm to 180 USD/tcm in 2017, it is still largely below its 2011-2015 average of 414 USD/tcm. European TTF gas price averaged at 206 USD/tcm, 26% higher than in 2016, which is attributable to relatively low storage levels in the beginning of the year, depleting domestic production, ongoing coal-to-gas switching, rising oil and coal prices, cold winters, Norwegian outages and persistent concerns about French nuclear availability.

Figure 2 Brent and gas prices dtd



Source: Bloomberg

Downstream

The good margin environment that started late 2016 continued in 2017. Indeed, European refinery margins outperformed 2016 in the first three quarters and stayed on average above the 5-year historical average throughout the whole year. High margins were driven by the strong demand increase for refined products and the high level of unplanned shutdowns. In particular, the severe hurricane season in the U.S. meant extra import need and European refineries could step in to fill the shortage. The first half of the year was dominated by strong fuel oil cracks due to limited supplies because of previous refinery upgrades and a competitive naphtha compared to LPG. Fuel demand was also robust in line with the broad-based GDP growth. On the other hand, rising crude prices in the second half of the year weighed on margins.

Petrochemicals showed healthy but below 2016 margins for most of the time. While polymer margins narrowed significantly, monomer margins stayed relatively strong. 2017 saw the launch of the first new ethane-based steam cracking capacities in the U.S. In parallel, new petrochemical plants integrated with world scale refineries in the Middle East stabilized production, too. These two factors led to increased competition on polyethylene markets. This was, however, largely offset by the strong demand growth so far, especially in China. In the first half of the year, low crude prices supported naphtha-based steam crackers and associated polymer production and sales in Europe. Later, in parallel to the increasing crude prices ethane based ethylene production regained some advantages against naphtha based ethylene production, leading to lower integrated margins. This tendency was somewhat slowed down by the hurricane-related shutdowns in the U.S. when the import pressure decreased temporarily on European markets. Even though integrated margins were on average below 2015 and even 2016 figures, they remained above the 5-years historical average.

Central and Eastern Europe

The Central and Eastern Europe (CEE) region showed very robust GDP growth rates in 2017 (ranging between 3.1% and 6.7% p.a.), as the surprisingly fast expansion of the Eurozone was coupled with

strong household demand, private investment activity and reaccelerating EU fund inflows. Regional growth has become more broad-based.

Hungary

Growth picked up in 2017 following a temporary slowdown in 2016. In 2017Q4 Hungary posted the second strongest GDP expansion within the EU. Hungary's real GDP is estimated to have increased by 3.8% in 2017 on the back of strong domestic demand. Consumer confidence remained high and private consumption was supported by rapid wage increases and continued employment growth. The main driver of the acceleration of investment growth was the resumption of EU fund absorption under the new multiannual financial framework. Business and household investment also increased dynamically as the global economic recovery improved the prospects for businesses and strong demand for new homes spurred residential construction. Fiscal policy measures and favourable financing conditions further supported domestic demand.

Gasoline demand increased by 4.1% yoy, supported by the improved real income position of households and the end of deleveraging efforts. Diesel demand growth was 3.4% supported both by passenger and freight traffic.

Slovakia

In 2017, Slovakia's economy maintained the growth of 3.3% matching the figure of the previous year. The growth was driven mainly by accelerating household consumption and to some extent by re-raised investments, while lower net export weighed on growth. The unemployment rate declined further to 8.3% and is set to remain on a falling path, reflecting the continued economic expansion. The general government deficit declined to 1.4% of GDP in 2017, the second lowest deficit of the country.

Both gasoline and diesel demand growth, 1.5% and 3.9% respectively, remained below 2016 growth rates (3.2% and 5.8% respectively).

Croatia

Economic growth kept accelerating in 2017 to an estimated growth rate of 3.2% after expanding by 2.8% in 2016. The growth was driven primarily by domestic factors: while consumption – especially household consumption – strengthened, investment growth turned out to be weaker compared to 2016 although above the historical average growth rate. Net export of goods and services, turned negative in 2017 detracting from the growth. Government deficit remained low, similarly to 2016, at -0.9%. Unemployment is still a significant issue even after falling to 11.1% from 13.4% and showing a decreasing trend.

Croatian gasoline demand declined by 4.1%, even more than in 2016, while diesel demand rose by 1.8% yoy.

Disclaimer:

- *This chapter is based on information available for the period ending 28 February, 2018.*
- *Crude oil figures are based on EIA.*
- *Regional diesel and gasoline figures do not reflect full year in the case of Croatia; because of data availability the average of January-November YoY figure is presented.*

Macro figures (average)	FY 2017	FY 2016	Ch %
Brent dated (USD/bbl)	54.3	43.7	24
Ural Blend (USD/bbl) ⁽¹⁰⁾	53.3	42.5	25
Brent Ural spread (USD/bbl) ⁽⁵⁾	1.2	2.1	(43)
Premium unleaded gasoline 10 ppm (USD/t) ⁽¹¹⁾	557	467	19
Gas oil – ULSD 10 ppm (USD/t) ⁽¹¹⁾	493	397	24
Naphtha (USD/t) ⁽¹²⁾	467	367	27
Fuel oil 3.5 (USD/t) ⁽¹²⁾	298	206	45
Crack spread – premium unleaded gasoline (USD/t) ⁽¹¹⁾	147	136	8
Crack spread – gas oil (USD/t) ⁽¹¹⁾	83	66	26
Crack spread – naphtha (USD/t) ⁽¹²⁾	57	36	58
Crack spread – fuel oil 3.5 (USD/t) ⁽¹²⁾	(106)	(125)	15
Crack spread – premium unleaded gasoline (USD/bbl) ⁽¹¹⁾	12.7	12.4	2
Crack spread – gas oil (USD/bbl) ⁽¹¹⁾	12.0	9.5	26
Crack spread – naphtha (USD/bbl) ⁽¹²⁾	(1.8)	(2.5)	28
Crack spread – fuel oil 3.5 (USD/bbl) ⁽¹²⁾	(7.1)	(11.3)	(37)
MOL Group refinery margin (USD/bbl)	6.5	5.7	14
Complex refinery margin (MOL + Slovnaft) (USD/bbl)	7.1	6.3	13
Ethylene (EUR/t)	1,017	909	12
Butadiene-naphtha spread (EUR/t)	698	313	123
NEW MOL Group petrochemicals margin (EUR/t) ⁽⁹⁾	504	543	(7)
OLD Integrated petrochemical margin (EUR/t)	512	613	(16)
HUF/USD average	274.4	281.5	(3)
HUF/EUR average	309.2	311.5	(1)
HUF/HRK average	41.4	41.4	0
HRK/USD average	6.6	6.8	(3)
3m USD LIBOR (%)	1.3	0.7	86
3m EURIBOR (%)	(0.3)	(0.3)	0
3m BUBOR (%)	0.1	1.0	(90)

Macro figures (closing)	FY 2017	FY 2016	Ch %
Brent dated closing (USD/bbl)	66.5	54.9	21
HUF/USD closing	258.8	293.7	(12)
HUF/EUR closing	310.1	311.0	0
HUF/HRK closing	41.6	41.1	1
HRK/USD closing	6.2	7.1	(13)
MOL share price closing (HUF)	3,005	2,579	17

Notes and special items are listed in Appendix I and II.

2. INTEGRATED CORPORATE RISK MANAGEMENT

As operators in a high risk industry we stay committed to professionally manage and maintain our risks within acceptable limits as per best industry practice.

The aim of MOL Group Risk Management is to keep the uncertainties of the business environment within acceptable levels and support stable and sustainable operations and the future growth of the company. MOL Group has developed the risk management function as an integral part of its corporate governance structure.

Assessment and mitigation of the broadest variety of risks is arranged on group level into one comprehensive Enterprise Risk Management (ERM) system. ERM is a risk management framework

covering group-level business units and functional units as well as flagship and operating companies, with specific attention to projects as well.

The risk management methodology applied by MOL is based on international standards and best practices. It considers the organisation's exposure to uncertainty in regard to value creation, meaning factors critical to the success and threats related to the achievement of objectives, also occurrence of incidents causing potential threat to people, assets, environment or reputation.

Risks are managed by risk owners, who are managers responsible for supervising the existing control framework and implementation of defined risk mitigation actions in responsible organisations. Monitoring and reporting of risks is performed by the Group Risk Management department to the Finance and Risk Management Committee of the Board of Directors.

During 2017, we renewed our risk management processes to ensure special attention is given to our 2030 Strategy: we identified major long-term risks that may impact our strategic objectives and detailed analysis is ongoing.

At the same time, mid-term risks related to our business plans are assessed and managed over the full lifetime of assets, performed at business segment level and coordinated by the group-level risk management team.

As in previous years, the short-term risk profile of the company is regularly reviewed with main focus on the 1-year budget of MOL Group.

Regular reporting to top management provides oversight on top risks and assurance that updated responses, controls, and appropriate mitigation actions are set and followed by the Executive Board.

The main risk drivers of the Group

Risks are categorised to ensure effective risk reporting and consistent responses for similar or related risks.

a) Market and financial risks include, but are not limited to:

- i. **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from the integrated business model with downstream processing more crude and selling more than our equity crude oil production. We monitor this risk in order to support our strong financial position and capacity to fund operations and investments. When necessary, we consider commodity hedging to eliminate risks other than 'business as usual' risks or general market price volatility.
- ii. **Foreign exchange (FX) risk:** Business operation is economically driven mainly by USD. MOL's current FX risk management policy is to monitor the FX risk, and to balance the FX exposures of the operating cash flow with the financing cash flow exposures when necessary and optimal.
- iii. **Credit risk:** MOL Group provides products and services to a diversified customer portfolio - both from business segment and geographical point of view – with a large number of customers representing an acceptable credit risk profile. MOL Group's risk management tracks these risks on a continuous basis, and provides support to the sales processes in accordance with MOL Group's sales strategy and ability to bear risk.

b) Operational risks include, but are not limited to:

- i. **Physical asset safety and equipment breakdown risk:** High asset concentration in Downstream is a significant risk driver. The potential negative effects are mitigated by comprehensive HSE activities and a group-wide insurance management program.

- ii. **Crude oil supply risk:** Crude supply disruption is a major risk factor for the Downstream business, as it can hamper continuous operations. In order to mitigate this risk, supplies of crude oil via pipelines are currently diversified with regular crude cargo deliveries from the Adriatic Sea.
 - iii. **Cyber risk:** Cyber risk needs attention and effective management to ensure the company is able to monitor, detect and respond to cyber threats. MOL has adapted and changed the way it deals with cyber defence and cyber threats (people, process and technology): a clear vision and strategy has been set up to manage cyber incidents with end-to-end ownership and accountability.
- c) Strategic risks include, but are not limited to:
- i. **Regulatory risk:** MOL has significant exposure to a wide range of laws, regulations, environmental and government policies that may change significantly over time. Due to the economic, and also in some regions political crisis, the risk of potential government actions increased, as well as potential impact of such decisions.
 - ii. **Country risk:** The international portfolio requires proper management of country risk exposures, therefore possible political violence, compliance with local regulations or sanctions are monitored to enhance the diversification effect in the investment portfolio.
 - iii. **Reputation risk:** Reputation of energy industry players has been in the focus of media for the past years due to extreme negative events. MOL, as a major market player in the region, operates under special attention from a considerable number of stakeholders, and we are constantly seeking to meet our responsibilities towards them.
 - iv. **Climate change risk:** The effects of climate change have the potential to adversely impact MOL's current operations. As a response, MOL Group launched its 2030 Strategy based on the expected decrease in demand for fossil fuels, primarily driven by a combination of electrification and digitalization of transportation, energy and fuel efficiency gains, as well as changes in consumer behaviour and advances in technology. MOL Group's transformational strategy is meant as a response to the fast-developing consequences of global warming and climate change. Several measures have already been taken at group and divisional level in the past, and actions are ongoing. For more details, go to the Notes on Sustainability Performance.

Main risk management tools

Enterprise Risk Management is a framework covering business units and functional units, which ensures incorporation of risks faced by the company into risk maps. The risk assessment activity supports stable and efficient operation by identifying key risks that threaten the achievement of company objectives and require specific attention by top management through strengthened controls or execution of mitigation actions.

To ensure the profitability and the financial stability of the group, financial risk management is in place to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured regularly by using a complex model based on Monte Carlo simulation, and are managed – if necessary - with hedging measures.

Transferring of the financial consequences of our operational risks is done by insurance management, which represents an important risk mitigation tool used to cover the most relevant exposures and liabilities arising out of our operations. Insurance is managed through a joint program for the whole group to exploit considerable synergy effects.

Following best industry practice and focusing on low probability high potential risks that could disrupt our operations, value chain and cash generation, MOL Group has implemented and is currently working

to integrate a crisis management and business continuity program in order to reduce recovery times within tolerable limits for processes critical to our business.

Besides providing information on the most imperative risks that MOL Group faces, risk management also supports the top management and the Board of Directors to take more educated decisions on capital allocation for major CAPEX projects.

3. FINANCIAL AND OPERATIONAL OVERVIEW OF 2017

3.1 SUMMARY OF 2017 RESULTS

MOL delivered Clean CCS EBITDA of HUF 673bn in 2017 (USD 2.45bn), 11% above the 2016 level and exceeding its upgraded target (USD 2.3bn+) for the year. The Downstream segment EBITDA levelled off compared to last year and contributed nearly half of the total group-level EBITDA, while the Upstream, Consumer Services and Gas Midstream segments substantially increased their EBITDA contribution year-on-year. Upstream turned into a material earnings contributor on the back of increasing hydrocarbon prices, while Consumer Services continued its double-digit EBITDA growth.

Net operating cash flow increased by 8% year-on-year (to HUF 560bn), while organic CAPEX was at a similar level in 2017 compared to the previous year, hence free cash flow generation further improved in 2017 year-on-year and exceeded USD 1bn. As a result, the balance sheet substantially strengthened during 2017 and Net debt/EBITDA fell to 0.65, while net gearing decreased to 17% by the end of the year.

- ▶ The Upstream segment's EBITDA, excluding special items, reached HUF 235bn in 2017, representing a 23% increase compared to 2016 due to higher Brent (+24%) and higher realized gas prices (+10%). A 24% decrease in CAPEX spending meant that the segment doubled its simplified free cash flow (EBITDA less organic CAPEX), thus became a major free cash flow contributor in 2017. Total hydrocarbon production declined by 5% year-on-year to 107 mboepd, while group-level average unit OPEX increased slightly to USD 6.1/bbl, but remained at a highly competitive level.
- ▶ Downstream Clean CCS EBITDA remained broadly unchanged from 2016 level and came in at HUF 324bn in 2017. Profitability was supported by strong refining macro environment (MOL complex refining margin was USD 7.1/bbl, up 13% year-on-year) and USD ~100mn contribution from the final year of the Next Downstream Program. These factors were mitigated by normalising petrochemicals margins (MOL Group Petrochemicals margin down by EUR 40/t year-on-year) and higher energy, maintenance and personnel expenses.
- ▶ Consumer Services, a separate business segment from 2017, increased its EBITDA by 13% year-on-year and reached HUF 97bn in 2017. Earnings were supported by increased volumes and sustained growth in both fuel and non-fuel margins.
- ▶ Gas Midstream brought in full-year EBITDA of HUF 61bn in 2017, 13% higher year-on-year, as strong transmission volumes counterbalanced the impact of adverse tariff changes.
- ▶ Corporate and other segment delivered an EBITDA loss of HUF 40bn in 2017, widening slightly year-on-year.
- ▶ Net financial expenses declined significantly to HUF 7bn in 2017 compared to HUF 50bn in the previous year, primarily on the back of large FX gains and substantially lower interest expenses year-on-year.
- ▶ Total CAPEX spending reached HUF 280bn (USD 1.04bn) in 2017, down by 9% year-on-year on declining spending in E&P and the lack of any material M&A activity.
- ▶ Operating cash flow before working capital changes increased by 18% to HUF 644bn, in line with the increase in underlying EBITDA. Accounting for the HUF 84bn build in net working capital, reflecting

the higher oil price environment, net cash provided by operating activities came in at HUF 560bn, 8% higher year-on-year.

- ▶ Net debt decreased to HUF 435bn in 2017 from HUF 606bn a year ago due to the substantial free cash flow generation during the year. As a result Net Debt/EBITDA decreased to 0.65 from 0.97 in 2016, and net gearing also dropped to 17.5% from 25.2%, thus the balance sheet became even more robust in 2017. In December 2017 MOL signed a EUR 750mn revolving credit facility agreement contributing to a financial headroom of USD 4.4bn at year end. In November 2017 S&P upgraded MOL to BBB-, therefore MOL is now a full investment grade issuer.

Summary of results	HUF billion			USD million		
	FY 2017	FY 2016	Ch %	FY 2017	FY 2016	Ch %
Net sales revenues	4,130.3	3,553.0	16	15,114	12,624	20
EBITDA	672.6	623.4	8	2,444	2,217	10
EBITDA excl. special items⁽¹⁾	679.6	630.0	8	2,472	2,240	10
Clean CCS-based EBITDA^{(1) (2)}	672.7	605.4	11	2,447	2,153	14
Profit from operation	354.4	307.9	15	1,278	1,099	16
Profit from operation excl. special items⁽¹⁾	383.9	330.9	16	1,391	1,179	18
Clean CCS-based operating profit^{(1) (2)}	377.0	306.3	23	1,366	1,092	25
Net financial gain / (expenses)	(6.7)	(49.8)	87	(25)	(176)	86
Net profit attributable to equity holders of the parent	307.0	263.5	17	1,112	941	18
Operating cash flow before ch. in working capital	643.8	547.3	18	2,349	1,948	21
Operating cash flow	559.7	519.4	8	2,070	1,843	12
EARNINGS PER SHARE						
Basic EPS, HUF ⁽⁶⁾	436.8	359.0	22	1.6	1.3	23
Basic EPS excl. special items, HUF	475.9	375.6	27	1.7	1.3	31
INDEBTEDNESS						
Simplified Net debt/EBITDA	0.65	0.97	-			
Net gearing ⁽⁴⁾	17%	25%	-			

Notes and special items are listed in Appendix I and II.

Key financial data by business segment

Net Sales Revenues ^{(3) (6)}	HUF billion			USD million		
	FY 2017	FY 2016 restated	Ch %	FY 2017	FY 2016 restated	Ch %
Upstream	411.7	371.6	11	1,501	1,318	14
Downstream	3,643.5	3,056.9	19	13,333	10,863	23
Gas Midstream	98.5	89.4	10	359	317	13
Consumer Services	1,128.0	1,000.2	13	4,132	3,556	16
Corporate and other	215.1	188.6	14	793	668	19
Total Net Sales Revenues	5,496.8	4,706.7	17	20,118	16,722	20
Total External Net Sales Revenues⁽⁶⁾	4,130.3	3,553.0	16	15,114	12,624	20
EBITDA						
Upstream	232.5	183.7	27	844	652	29
Downstream	326.5	348.0	(6)	1,184	1,238	(4)
Gas Midstream	61.4	54.5	13	223	194	15
Consumer Services	97.3	86.3	13	358	307	17
Corporate and other	(40.4)	(38.9)	(4)	(149)	(137)	(9)
Intersegment transfers ⁽⁷⁾	(4.7)	(10.3)	54	(16)	(37)	54
Total EBITDA	672.6	623.4	8	2,444	2,217	10

Depreciation	FY 2017	FY 2016 restated	Ch %	FY 2017	FY 2016 restated	Ch %
Upstream	158.0	146.6	8	580	520	12
Downstream	99.7	100.5	(1)	364	356	2
Gas Midstream	13.1	13.0	1	48	46	3
Consumer Services	25.2	33.4	(24)	92	117	(21)
Corporate and other	24.0	23.7	2	88	84	5
Intersegment transfers ⁽⁷⁾	(1.8)	(1.7)	(8)	(6)	(5)	(12)
Total Depreciation	318.2	315.5	1	1,166	1,118	4

Operating Profit	FY 2017	FY 2016 restated	Ch %	FY 2017	FY 2016 restated	Ch %
Upstream	74.5	37.1	101	264	132	100
Downstream	226.8	247.6	(8)	820	881	(7)
Gas Midstream	48.2	41.4	16	175	147	19
Consumer Services	72.1	53.0	36	266	190	40
Corporate and other	(64.4)	(62.5)	(3)	(238)	(221)	(7)
Intersegment transfers ⁽⁷⁾	(2.8)	(8.7)	67	(10)	(30)	67
Total Operating Profit	354.4	307.9	15	1,278	1,099	16

EBITDA Excluding Special Items ⁽¹⁾	FY 2017	FY 2016 restated	Ch %	FY 2017	FY 2016 restated	Ch %
Upstream	234.8	190.3	23	853.9	675	26
Downstream	331.2	348.0	(5)	1,202.4	1,238	(3)
Downstream - clean CCS-based ⁽²⁾	324.3	323.5	0	1,177.8	1,151	2
Gas Midstream	61.4	54.5	13	223.3	194	15
Consumer Services	97.3	86.3	13	358.3	307	17
Corporate and other	(40.4)	(38.9)	(4)	(149.4)	(137)	(9)
Intersegment transfers ⁽⁷⁾	(4.7)	(10.2)	54	(17.0)	(37)	54
Total - clean CCS-based^{(1) (2)}	672.7	605.4	11	2,446.9	2,153	14
Total EBITDA Excluding Special Items	679.6	630.0	8	2,471.5	2,240	10

Notes and special items are listed in Appendix I and II.

Operating Profit Excluding Special Items ⁽¹⁾	HUF billion			USD million		
	FY 2017	FY 2016 restated	Ch %	FY 2017	FY 2016 restated	Ch %
Upstream	95.2	43.6	118	343	155	121
Downstream	231.6	252.0	(8)	838	897	(7)
Gas Midstream	48.2	41.4	16	175	147	19
Consumer Services	72.1	58.9	22	266	211	26
Corporate and other	(60.4)	(56.5)	(6)	(222)	(200)	(11)
Intersegment transfers ⁽⁷⁾	(2.8)	(8.5)	67	(10)	(31)	67
Total Operating Profit Excluding Special Items	383.9	330.9	16	1,391	1,179	18

Capital Expenditures	FY 2017	FY 2016 Restated	Ch %	FY 2017	FY 2016 restated	Ch %
Upstream	87.0	114.4	(24)	320	407	(21)
Downstream	128.9	110.3	17	478	390	23
Gas Midstream	4.9	7.5	(36)	18	26	(31)
Consumer Services	39.7	61.8	(36)	148	220	(33)
Corporate and other	21.7	16.3	33	81	57	40
Intersegment transfers ⁽⁷⁾	(1.9)	(1.6)	(20)	(7)	(6)	(26)
Total	280.3	308.7	(9)	1,037	1,095	(5)

Notes and special items are listed in Appendix I and II.

3.2 OUTLOOK ON THE STRATEGIC HORIZON

2017 was another year of MOL Group delivering strong financial results, but equally importantly it was also a year of visible progress along the transformation journey set out in the MOL 2030 strategy. The recovering, albeit still low oil prices, the strong economic growth in the region and the continued strength in downstream margins provided a healthy tailwind during the year.

MOL Group managed to comfortably beat the original USD 2bn+ and even the upgraded USD 2.3bn+ EBITDA target in 2017, as all business segments increased their earnings contribution (in USD terms), a further testament to the high-quality, low-cost asset base and the resilient, integrated business model. Upstream more than doubled its free cash flow contribution, Downstream clean CCS EBITDA increased further somewhat from a high base, while Consumer Services sustained its double-digit earnings growth. Coupled with the strong capex discipline, this meant Simplified Free Cash Flow (EBITDA less organic capex) jumped to over USD 1.4bn in 2017, well ahead of the initial plans.

Regarding strategic transformation and the execution of the MOL 2030 long-term strategy, the flagship chemicals (polyol) project made major progress in 2017 with all technology licences secured and substantial, EUR 131mn state-aid endorsed by the European Commission. Consumer Services have also been launching new, innovative mobility-related services, such as fleet management and e-mobility.

The financial framework for 2017-21 remains intact, with the impressive 2017 delivery implying some upside to the 5-year cash flow. The primary financial target of MOL Group remains to generate enough operating cash flows to cover the internal investment needs – including the transformational projects –, financial costs, taxes and rising dividends to shareholders, while retaining a safe and strong balance sheet. With unchanged underlying assumptions (oil price in the range of USD 40-60/bbl, normalizing downstream margins), but with some upside risks, MOL shall deliver around 2.2bn EBITDA in 2018, while capex should be in a range of USD 1.1-1.3bn, including up to USD 300m spending on the strategic projects. This implies sustained free cash flow generation in 2018, allowing MOL to fund peak transformational capex in 2019-20 and also to be able to pay rising dividends to its shareholders.

In Downstream, 2018 will be the first year of the recently announced DS2022 program, a program of transformation, growth and efficiency. In 2018, MOL shall see final investment decision on some of the key transformational projects (including the polyol plant), while other strategic projects shall also see progress (including the completion of the synthetic rubber plant). Downstream targets USD 100mn efficiency improvement in 2018 as part of the DS2022 program and plans to make up for some of the shortfall experienced in the final year of the NXDSP delivery. In particular, the LDPE4 plant shall start contributing to the bottom line in 2018. At the same time, Downstream has to ensure the highest possible asset availability so that its high quality, integrated, highly cash generative platform continues to benefit from the still supportive external environment.

In Consumer Services, 2018 and the coming years shall again be the years of delivery and transformation. MOL will continue to exploit the remaining fuel market potential in the growing CEE markets and push forward with its massive site reconstruction and non-fuel concept rollout program. The segment is right on track to deliver on its 2021 target of reaching USD 450mn EBITDA. At the same time, the segment is also working on its own long-term transformation. Digitalization will gain momentum and new mobility services will continue to be launched and expanded in the coming years.

In Upstream, the focus has been gradually shifting from “fixing the basics” and ensuring a robust existing business towards working on a sustainable long-term future for the business. In 2017, Upstream generated more than USD 500mn (or USD 14/boe) Simplified Free Cash Flow, more than doubling year-on-year. This was the result of two years of rebalancing, rigorous cost control and discipline, which made MOL fit to prosper even in a very low oil price environment. While keeping a relentless focus on efficiency and cash generation, 2018 and the coming years shall see increasing focus

on reserves replacement. MOL expects oil and gas production to be around 110 mboepd in 2018-2019, but in case of no addition to reserves, production is likely to decline from 2020 onwards. Organic reserves replacement is not sufficient to stabilize production in the medium term, hence inorganic steps are necessary. Such inorganic steps and options will increasingly be in focus in the coming years.

3.3 UPSTREAM

3.3.1 Overview of 2017

Key achievements

- ▶ In 2017 Upstream doubled its simplified free cash-flow delivery, exceeding USD 500 mn;
- ▶ ~14 USD/boe unit free cash-flow achieved on portfolio level in a 54 USD/bbl oil price environment;
- ▶ Production decreased by 5% in 2017 on portfolio level driven by lower UK volumes affected by the wax build-up in the Scolty and Crathes pipeline system and lower volumes in the CEE mainly due to natural depletion;
- ▶ Production Optimization Program (PO) continued in the CEE region, and delivered 3.2 mboepd production increment on an annualized basis, which partly offset the lower volumes from mature fields;
- ▶ Within the international portfolio the Floating Production, Storage and Offloading (FPSO) installation on the Catcher field was delivered and first oil was achieved in December 2017, while in Pakistan in the MOL-operated TAL Block gross production exceeded 85 mboepd as a result of several tie-ins were completed in 2017;
- ▶ Unit direct production cost stayed at a very competitive level of 6.1 USD/boe on portfolio level;
- ▶ In the frame of the well cost optimization project ~20% cost reduction was delivered in Hungary through the improvement in well design and activity rationalization;
- ▶ Strong CAPEX discipline remained in place in 2017; total organic CAPEX spending¹ declined to USD ~320 mn from USD ~410 mn;
- ▶ Exploration portfolio was extended through successful licencing rounds in Hungary and in Norway. MOL Hungary acquired three new hydrocarbon exploration licences in the 5th bid round in the areas of Órség, Somogybükkösd, Somogyvámos. MOL Norge has been also offered three new licences with reputable partners in the 2017 APA licencing round, including two operated blocks;
- ▶ 2P oil and gas reserves stood at 356 MMboe at the end of 2017, affected by reclassification in Syria (-36 MMboe) and negative revision in Kazakhstan (-37 MMboe).

Outlook for 2018-2020

- ▶ Sustain self-funding and a value-generating operation even in a below 50 USD/bbl oil price environment;
- ▶ Maintain production at ~110 mboepd through PO in the CEE and international field development program, with Catcher having a significant contribution from 2018;
- ▶ MOL Upstream will continuously pursue efficiency to maintain unit direct production cost competitively low, in the single-digit territory (USD/boe) on a portfolio level;
- ▶ Exploration CAPEX will be spent on near-field exploration activities in the CEE and in Pakistan, while in 2018 the first operated offshore will be drilled in Norway. Development CAPEX will be used to

¹ Pure CAPEX, excluding JV's and associates.

unlock undeveloped 2P reserves in CEE, and continue the Production Optimization Program. International field development activity will focus on the UK, Pakistan, and Kazakhstan and on the Baitugan field in Russia;

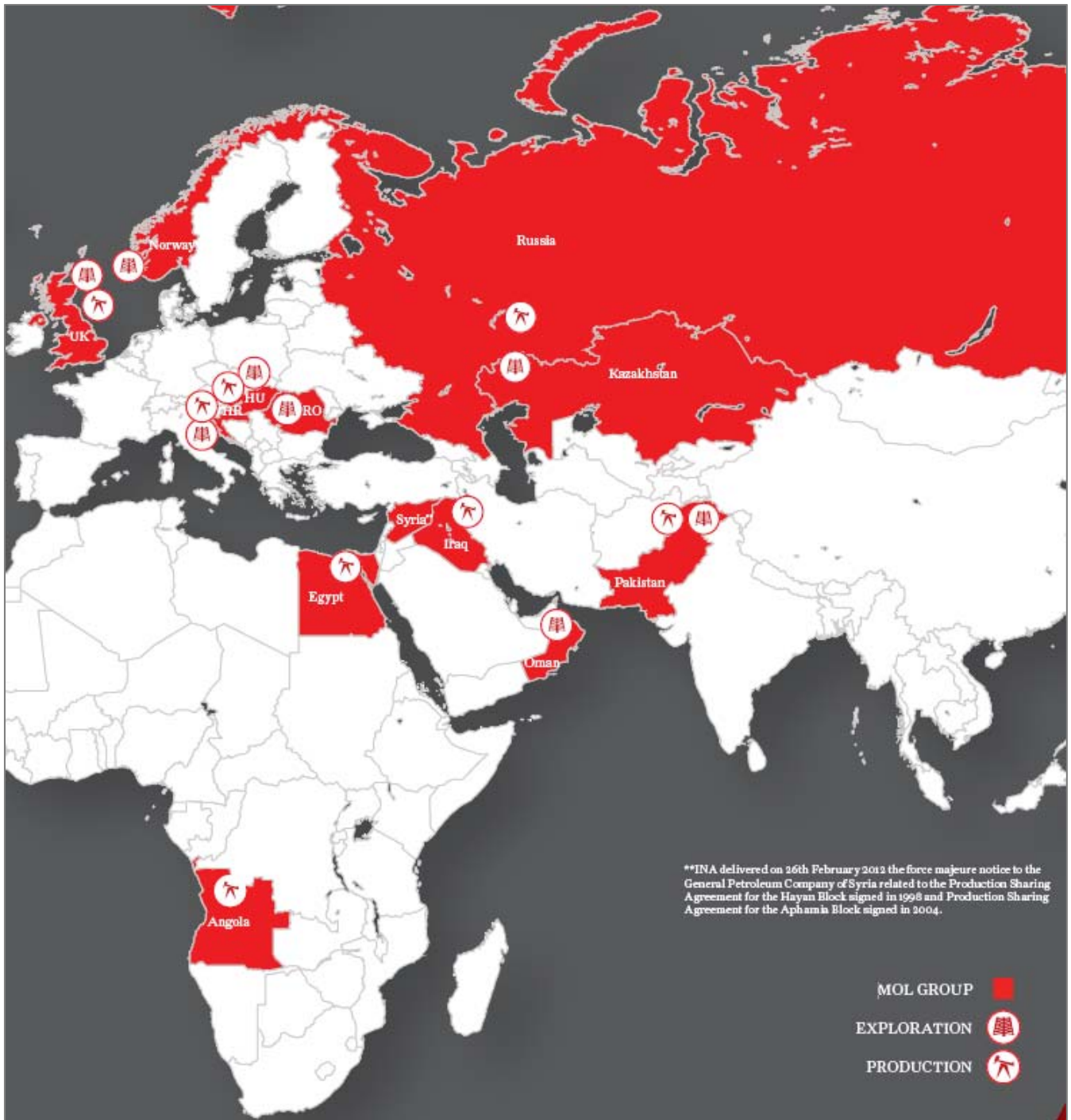
- ▶ The free cash-flows generated by the Upstream business shall be sufficient to cover 100% reserve replacement even in an oil price environment of 50 USD /bbl.
- ▶ For efficient organic reserve replacement MOL Upstream intends to achieve competitive finding and development unit costs (12-16 USD/boe).

What have been the most important tasks for MOL Group Upstream recently?

“I am very proud to say that we doubled our free cash flow in 2017 due to the CAPEX/ OPEX efficiency and PO initiations of the New Upstream Program launched in 2016. In 2018 we will put strong focus on reserve replacement, while we maintain our highly efficient and cash positive operation.”

Berislav Gašo Dr. – Executive Vice President, Exploration and Production

3.3.2 Upstream map



3.3.3 Key achievements

MOL Group Upstream has 80 years of experience. MOL Group’s portfolio consists of oil and gas exploration and production assets in 13 countries with production activity in 8 countries. MOL Group is committed to the key principles of sustainable operations, aiming at zero HSE incidents and accidents, protecting the environment by reducing the number of spills and decreasing greenhouse gas emissions from routine flaring including the participation in the World Bank’s Zero Routine Flaring Initiative.

The Central Eastern European region

In 2017 CEE production decreased by 3% driven by lower offshore volumes in Croatia, and lower production in Hungary. The Production Optimization Program continued in both countries and added more than 3.2 mboepd on an annualized basis, which partly offset the negative effects of natural decline.

In Hungary three exploration wells were drilled and tested. Kunágota-5 and Tóalmás North-2 wells were proved to be dry, extended well test (EWT) is ongoing on Mezősas-SouthWest-2. MOL was awarded three new hydrocarbon exploration licences in the 5th bid round in the areas of Órség, Somogybükkösd, Somogyvámos. The licences are within one of MOL's core areas in western Hungary. One tie-in and one development drilling started in 2017 and implementation of three inert gas projects progressed with well interventions, tests and surface facility preparation.

MOL successfully continued its Production Optimization (PO) Program, with an annualized production uplift of 2.1 mboepd. In the frame of PO project 15 fracks, 49 well workovers (including ALS optimization and acid jobs) were completed.

MOL continuously pursues higher efficiency. In the frame of the well cost optimization project ~20% cost reduction was delivered through the improvement in well design and activity rationalization. The program will be continued next year. In 2017 installation of Agyó Power Plant was completed, which will bring substantial cost savings from 2018.

In 2017 several measures were implemented in Hungary in order to avoid spills and leakages, including pipeline reconstruction, system modernization and technology improvement of equipment.

In Croatia exploration program started on Drava-02 exploration area with one drilling and preparation works on the second well. Two development wells were drilled and a 3D development seismic survey was completed in 2017.

Production Optimization Program continued in Croatia, contributing to the 2% increase of onshore production (year-on-year). 45 well workovers and 20 well stimulations were performed as part of Full Field Optimization (FFO), WWO and Well Stimulation campaigns which together resulted in a total of 1.1 mboepd additional production on an annualized basis. Within the EOR Project, injection of CO₂ and water continued throughout the year on Ivanić and Žutica North fields. Lower offshore volumes were driven by the natural decline and increasing water cuts.

INA achieved significant CO₂ emission decrease by the EOR projects at Ivanić and Žutica fields in 2017. The rehabilitation and replacement of critical pipelines' sections have resulted in a multi-year trend of reduction in total number of environmental pollution incidents.

In Romania exploration activity started with preparation and permitting procedures for seismic acquisition on EX-1 while magnetic survey was completed on EX-5.

The North Sea

The delivery of the FPSO on the Catcher field and reaching first oil in December 2017 were the key achievements in the region. The key challenge remains to find a permanent solution to the wax build-up in Scolty and Crathes pipeline system. In 2017 MOL Norge successfully participated in the APA (Norwegian Awards in Predefined Areas) licensing round adding three new licences. MOL Norge's licence portfolio is currently comprises 17 licences of which 6 are operated.

In the **UK** FPSO construction and installation was completed on Catcher Field, and the first oil was achieved on Catcher in December 2017. The project was delivered with outstanding HSE results. Circa 20 million man hours have been spent on Catcher with industry leading safety performance, utilizing the workforce based on multiple locations including Singapore, Korea, Japan, Indonesia and the UK.

Production of Scolty and Crathes was significantly below expectations in 2017 due to wax build up in the pipeline system, which was treated with chemical solvents as an interim solution.

Effective February 2017, MOL Norge was awarded operatorship of one licence and partnership in three other North Sea licences in the 2016 APA in **Norway**. MOL Norge submitted four applications for new licences in the 2017 APA licencing round, and has been offered operatorship for two licences and partnership in one licence. In 2017 Hyrokkin (PL 677) well was drilled and completed within planned schedule and significantly below budget but the well proved to be dry. Preparations for Raudasen (PL790) well was completed in 2017, the well will be spudded in Q1 2018. The first MOL operated drilling in Oppdal/ Driva (PL 860) is planned for 2018.

The Middle East

In Pakistan the MOL Group-operated TAL Block production exceeded 85 mboepd (gross) as a result of several tie-ins completed in 2017.

In **Pakistan**, MOL Group has interests in 5 blocks and operates the TAL Block, one of the largest hydrocarbon producing blocks of the country.

In 2017 tie-in of the Makori Deep-1 and Maramzai-4 wells were completed. Tolanj Processing Facility was established by relocating the Makori Early Production Facility and equipment. Tolanj West-1 and Tolanj X-1 wells were tied in to the new facility. As for field development Makori East-6 development well and Mardankhel-2 & 3 appraisal wells were drilled in 2017. Construction works of Mamikhel Well Head Compression were completed, and Central Front End Compression Facility on Makori East Field progressed. In 2017 exploration program continued, drilling of the Tolanj East-1 and Mamikhel Deep wells started. In the Karak Block, Kalabagh well was put into production through a rental Production Facility in 2017. Exploration program continued in the other blocks.

MOL continuously pursues improved safety management. In Pakistan road transportation has been carrying the highest risk in terms of safety in recent years, therefore HAZMAT² Transportation Program was launched in 2017.

MOL Pakistan carried on several programs in order to improve community relations including investment in local renewable energy projects, establishment of a local school and provision of technical scholarships.

In the **Kurdistan Region of Iraq**, production was stable on both non-operated blocks developed by Shaikan PSC (Shaikan field) and Pearl Petroleum Company (Khor Mor and Chemchemal fields).

In **Oman**, geological work continued in the Block 66, and the company decided to enter the second phase of exploration with involving a partner. The commitment includes one exploration drilling within two years.

The CIS region

MOL Group has presence in the region for more than twenty years. Baitugan field's contribution to the international portfolio's production is significant. As a result of the drilling program Baitex delivered 8% (year-on-year) ramp up in production during 2017. In the Fedorovsky Block in Kazakhstan, field development program was started in partnership with KMG and FIOC.

In the MOL-operated Baitugan Block in **Russia** focus has been on production volumes enhancement via the High Density Drilling Campaign and workovers. In the frame of the program, 53 wells were drilled within schedule and budget, and 94 workovers and one frack job were completed. In 2017 infrastructure development program was carried out, including pipeline integrity project, telemetry

² Hazardous materials

program, new oil and water pipeline, powerline and road construction. The program aims to reduce the number of pipe leakages and the inherent environmental impact, strives to prevent the scaling and corrosion problems and pursues utilization of formation water.

In Baitugan, HSE programs were extended, and good progress was achieved in spill prevention via pipeline integrity program and associated gas usage in power generation. Several Health and Safety projects were launched, related to production process, road safety and health promotion.

In the **Fedorovsky Block in Kazakhstan**, Trial Production Project (TPP) preparation progressed, Geological Static and Dynamic model building was completed. Licence extension was requested for the Fedorovsky exploration program.

3.3.4 Financial overview of 2017

Segment IFRS results (HUF bn)	FY 2017	FY 2016	Ch %
EBITDA	232.5	183.7	27
EBITDA excl. spec. items⁽¹⁾	234.8	190.3	23
Operating profit/(loss)	74.5	37.0	101
Operating profit/(loss) excl. spec. items⁽¹⁾	95.2	43.6	118
CAPEX and investments	87.0	114.4	(24)
o/w exploration CAPEX	11.7	15.9	(26)
o/w organic CAPEX	87.0	114.4	(24)

Hydrocarbon Production (mboepd)	FY 2017	FY 2016 Restated	Ch %
Crude oil production	37.6	40.9	(8)
Hungary	12.8	13.3	(4)
Croatia	12.2	11.9	3
Russia	0.0	1.3	(100)
Kurdistan Region of Iraq	3.7	3.6	3
United Kingdom	5.4	6.6	(18)
Pakistan	1.1	1.1	0
Other International	2.4	3.1	(23)
Natural gas production	54.2	56.0	(3)
Hungary	26.3	26.9	(2)
Croatia	21.3	22.4	(5)
o/w. Croatia offshore	7.7	9.3	(17)
United Kingdom	0.8	1.7	(53)
Pakistan	5.7	5.0	14
Condensate	7.1	7.6	(7)
Hungary	3.7	4.2	(12)
Croatia	1.8	1.9	(5)
Pakistan	1.7	1.5	13
Average hydrocarbon production of fully consolidated companies	98.8	104.5	(5)
Russia (Baitex)	6.2	5.8	7
Kurdistan Region of Iraq (Pearl Petroleum)*	2.4	2.3	4
Average hydrocarbon production of joint ventures and associated companies	8.6	8.1	6
Group level average hydrocarbon production	107.4	112.6	(5)

* excluding gas

Main external macro factors	FY 2017	FY 2016	Ch %
Brent dated (USD/bbl)	54.3	43.7	24
HUF/USD average	274.4	281.5	(3)

Average realized hydrocarbon price	FY 2017	FY 2016 Restated	Ch %
Crude oil and condensate price (USD/bbl)	48.8	38.9	25
Average realized gas price (USD/boe)	30.5	27.7	10
Total hydrocarbon price (USD/boe)	39.1	33.3	17

Production cost	FY 2017	FY 2016 Restated	Ch %
Average unit OPEX of fully consolidated companies	6.7	6.3	7
Average unit OPEX of joint ventures and associated companies	1.7	1.3	31
Group level average unit OPEX (USD/boe)	6.1	5.7	7

Notes and special items are listed in Appendix I and II.

Summary of 2017 results

Upstream EBITDA, excluding special items, rose 23% year-on-year in 2017 and amounted to HUF 235bn. The financial performance was primarily driven by:

(+) Average realized hydrocarbon prices increasing by 17% (or by 6 USD/boe) to 39 USD/boe. This was driven by a 25% increase in realized crude prices (as Brent crude price advanced by also 24%) and a 10% rise in realized gas prices.

(+) Exploration expenses fell by HUF 3bn in 2017 compared to the previous year on continued strong scrutiny of all projects.

(-) Total group production (including JVs and associates) declined by 5% year-on-year to 107 mboepd.

(-) Group-level average direct production cost, excluding DD&A, increased slightly, by 7%, to 6.1 USD/boe, primarily reflecting lower production, but remained at very competitive levels.

Reported EBIT reached HUF 75bn in 2017, while EBIT excluding special items amounted to HUF 95bn, both more than doubling year-on-year. A total of HUF 21bn special items affected reported EBIT including year-end impairment of exploration and development assets, the disposal of North Karpovskiy in Kazakhstan and the settlement of a legal dispute partly offset by the provision release in Angola.

Oil and gas production in 2017

Total average daily hydrocarbon production (including JVs and associates) reached a 107 mboepd in 2017, representing a 5%, or 5 mboepd decline year-on-year. The lower production was primarily due to the declining contribution of the UK (-2 mboepd), affected by the wax build-up in the pipeline problems at Scolty & Crathes, and CEE (-2.5 mboepd) mainly due to natural decline.

CAPEX

FY 2017	Hungary	Croatia	Kurdistan Region of Iraq	Pakistan	United Kingdom	Norway	Other	Total - FY 2017	Total - FY 2016
HUF bn									
Exploration	8.3	1.2	0.0	1.5	0.0	0.7	0.0	11.7	15.9
Development	18.8	18.5	0.4	1.3	24.7	0.0	0.9	64.6	88.0
Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	5.2	5.1	0.0	0.0	0.4	0.0	0.0	10.7	10.5
Total - FY 2017	32.3	24.8	0.4	2.8	25.1	0.7	0.9	87.0	
Total - FY 2016	27.4	25.3	0.6	3.6	46.1	1.4	10.0		114.4

In 2017, Upstream CAPEX amounted to HUF 87bn, declining 24% year-on-year, primarily due to lower development spending in the UK as the 2016 spending was inflated by concluding development activities in the Scolty & Crathes field. CEE continued to be the biggest user of CAPEX spending with HUF 57bn, nearly two-third of the total mostly driven by production optimisation initiatives. UK saw CAPEX declining to HUF 25bn in 2017, while other regions had small investments in 2017.

Changes in the Upstream regulatory environment

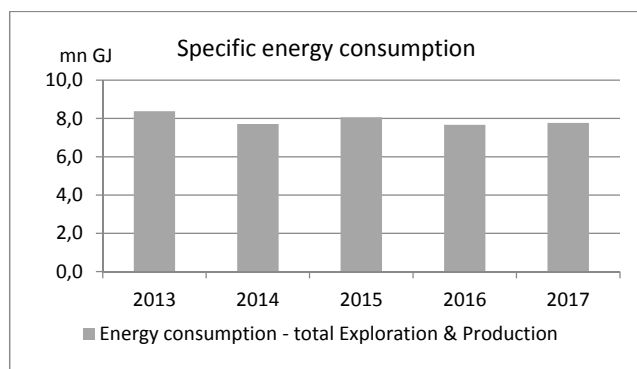
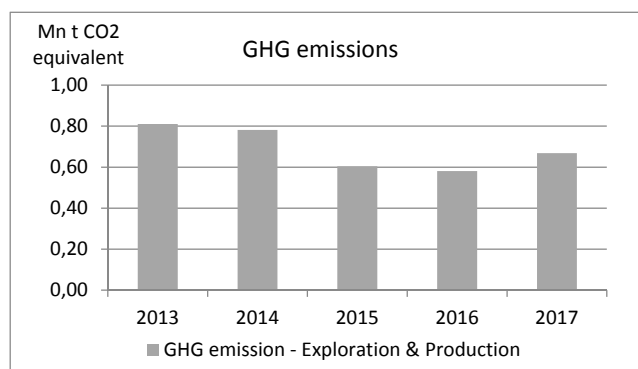
Croatia: As of 1 April 2017 there is no regulatory price applied for upstream activities.

Norway: The corporate income tax rate was reduced to 23% (from 24%) with a corresponding increase of the special petroleum tax (ST) rate to 55%. The uplift (an investment-based additional depreciation for ST purposes only) reduces from 5.4% to 5.3%. The new regulation is effective from 1 January 2018.

Russia: Changes in the Mineral Extraction Tax (MET) calculation were introduced at the end of 2016, having direct implications on royalty payments both in 2017 and in following years. According to the new regulations, the MET was raised by 306 RUB/t for 2017, 357 RUB/t for 2018, 428 RUB/t for 2019. Furthermore, in 2017 the parliament approved that the oil MET for 2020 will increase by 428 RUB/t. The increases were put in place in order to compensate the deficit of the state budget.

3.3.5 Upstream sustainability highlights 2017

Climate change



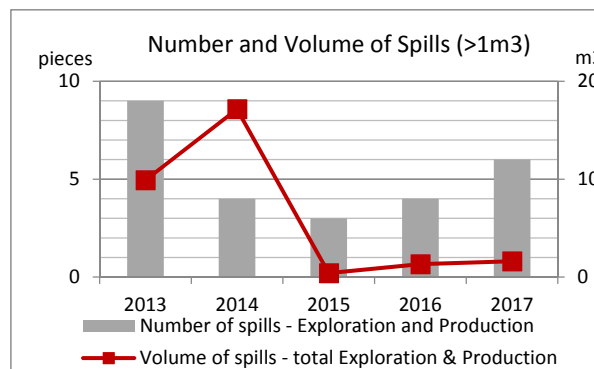
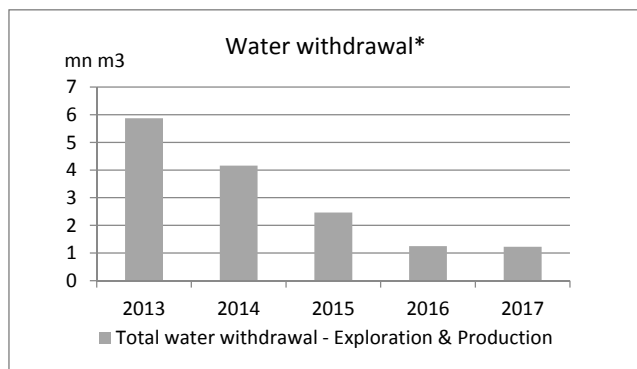
Strategic goal:

Contribute to the overall GHG emission reduction targets of MOL Group.

Performance:

The GHG emissions have increased in 2017 as compared with 2016 due to several reasons: increase production in Croatia in one of the field, more drilling activities in Pakistan and a change in the calculation model at the Russian operations. Energy consumption remained stable.

Water and spills



*Excluding produced water

Strategic goal:

By 2020 reduce the number of spills by 30% compared to 2015 level.

Performance:

Water withdrawal has remained at a stable level as compared with 2016. The number and volume of spill is still on ascending trend, due to the aging infrastructure in CEE countries.

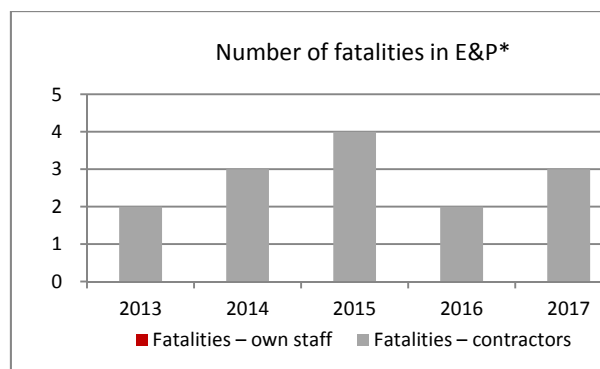
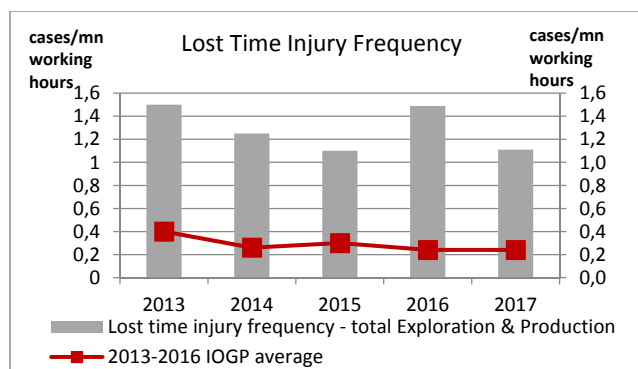
Reserves and R&D

	2012	2013	2014	2015	2016	2017
Reserve Life Index (years) (SPE 2P)	15	15	16	14	12	9
R&D Expenditures (HUF mn)	730	486	286	1,164	1,627	1,500

Comment:

Reserve Life saw a considerable decrease y-o-y caused by a stable level of production of around 40 million barrels for 2017, combined with reserves reconciliation in Kazakhstan, as well as reserves in Syria being re-classified into contingent resources.

Safety



*Excluding third party fatalities

Strategic goal:

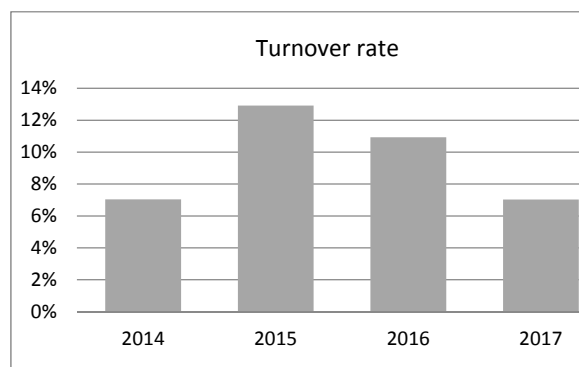
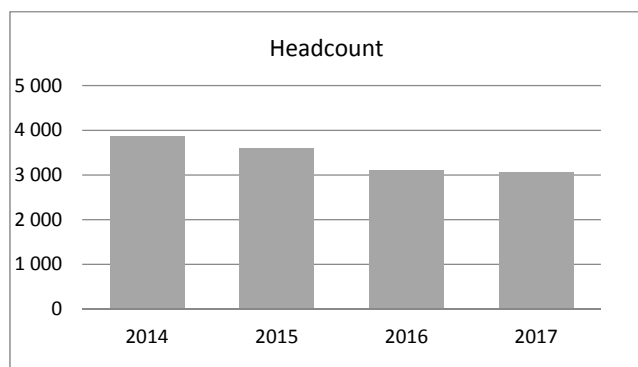
Implement programs aiming for zero incidents.

Performance:

In 2017, despite a 10% decrease in working hours, the number of lost time injuries by own staff decreased by a third, resulting in 25% improvement in the Lost time injury frequency (LTIF). During 2017 MOL suffered 3 contractor fatalities. 2 occurred in Baitex (Russia) as a result of violation of Life Saving

Rules during maintenance activities. One fatality occurred in Pakistan, which was linked to HAZMAT (Hazardous material) transportation. Multiple HSE awareness sessions and meetings were conducted with local contractors throughout the year to enhance capacity building.

Human capital



Strategic goal:

Increase employee engagement level & further develop and utilize the Technical Career Ladder program.

Performance:

Headcount continued to remain stable after previous year’s decline following the implementation of efficiency measures. Furthermore, the turnover rate continued to decline for a second consecutive year running, a highly positive development as increasing employee engagement and career ladder programs have helped increased retention of staff despite an increasing competition for talent.

Communities

	2012	2013	2014	2015	2016	2017
Community investments in international E&P* (HUF mn) (Total MOL Group without INA Group)	191	354	205	601	279	231

* Covering social spending in 2017 in the following operations: Kurdistan, Pakistan.

Comment:

Community investments continued its decline driven by the continued optimization of budgets and constant revision of actions.

3.4 DOWNSTREAM

3.4.1 Overview of 2017

2017 Highlights

- ▶ In 2017 Downstream generated HUF 324bn (USD 1.18bn) Clean CCS EBITDA, slightly above last year's performance, primary due to the exceptionally strong refining macro (the complex margin averaged at USD 7.1 USD/bbl). Organic CAPEX spending came in at USD 478mn as a result the Downstream business delivered a cash-pile of USD 700mn representing 50% of the total group cash-flow.
- ▶ Next Downstream Program, the three-year efficiency program was completed and delivered USD 440mn improvement in the 2015-2017 time horizon.
 - ▶ Efficiency actions were executed according to our expectations in the amount of USD 350mn.
 - ▶ The fulfillment of Strategic Projects was somewhat lagging behind initial targets.
- ▶ In November 2017 DS2022, a five-year transformational program has been announced, which is the first milestone of the long-term "MOL Group 2030 Enter Tomorrow" strategy.
- ▶ Significant milestones were achieved in the Polyol project: key contracts of technology licenses were signed with Evonik and thyssenkrupp during 2017. Additionally the European Commission endorsed a EUR 131mn regional investment aid for the project that is to be built adjacent to MOL Petrochemical's existing facilities in Tiszaújváros.
- ▶ Development of organizational culture started in 2017 as part of the Culture2030 Program Roadmap.

Outlook

- ▶ DS2022 represents a major milestone towards achieving MOL's 2030 Strategy. The program aims at enhancing the cash-flow generation ability of the business ('Cash Engine') and supports the gradual "fuel to chemicals transformation" ('Rise of Chemicals'). DS2022 is aiming to transform not only our business but also the culture and the way we operate to become the best choice of customers, employees and investors.
- ▶ The DS2022 Program aims to add a total of USD 500mn to Downstream EBITDA by 2022, the program rests on three pillars:
 - ▶ "Efficiency gains" mainly intend to improve asset availability and market position improvement with a USD 180mn EBITDA increment target.
 - ▶ "Strategic projects": USD 180mn EBITDA is expected to be added from large capex projects.
 - ▶ "Growth": the polyol project shall deliver a further USD 140mn EBITDA gain.
- ▶ In DS2022 soft and enabler actions are as important as the ones that bring a measurable financial benefit.

QUOTES

"One year ago, we formulated our vision how we imagine the future in 2030, and we created an answer for the challenge in the form of the Enter Tomorrow Strategy. With DS2022 Program we make the first big step toward our Strategy. The successful delivery of New and Next DS Programs provide us a strong basis and credit, however DS2022 is not just another efficiency program. While New and NxDSPs targeted mainly a more efficient and extended operation of our Core activity, DS2022 is a transformational program: both the large investments and the enabler actions (incl. Cultural Development and how to value People) target a new operation of our activities. I firmly believe that all the DS2022 goals are equally important and transforming us into a company, where we are the leaders in employee's engagement, customer satisfaction as well as operational and financial performance."

(Ferenc Horváth – Executive Vice President, Downstream)

“We are continuously developing safety culture and HSE leadership engagement, and improving our process safety status. Long-term forecasts for transportation fuels market in Europe show decline and therefore efficiency is prerequisite for being competitive. On top of our costs, main contribution for our competitiveness and high net cash margin will come from developments of our yield structure and flexibility. We put significant efforts and support to decision making process on our strategic growth directions to go deeper to propylene value chain - namely polyols. For this purpose we have as well reshaped our organization and to further strengthen and develop technical capabilities in Downstream we have launched career ladder programs for both engineers and front line employees.”

(Miika Eerola – Group Downstream Production SVP)

“In 2017 we reorganized ourselves and created the Downstream Commerce & Optimisation organization. We have set up a new operating model where three business units: Fuel, Petrochemicals and Special Products and three service units: Asset, Supply & Trading and Business and subsidiary support were established. Together, our role is to connect customers with DS capabilities in order to maximize MOL Group-level margin. As customer oriented organisation we know that they are the most important people for us therefore we focus to continuously meet and fulfil their needs.”

(Zsolt Pethő – Group Downstream Commerce & Optimization SVP)

„The Logistics team focused on meeting customer expectations, reducing costs and strengthening HSE performance, while embracing various new technologies to further enhance visibility of products and assets across the Downstream region. Logistics provided the critical link between Production, Sales, Supply, Trading and Retail.”

(Howard Lamb – Group Logistics VP)

Competitive advantage

MOL Group’s Downstream operates 6 production units, 4 refineries and 2 petrochemical sites, and an extended regional logistics and wholesales network as an integrated value chain. This value chain turns crude oil into a range of refined products, which are moved and marketed for household, industrial and transport use. In addition, MOL produces and sells petrochemicals worldwide and holds a leading position in the petrochemical sector in the Central Eastern Europe region.

MOL Group is operating complex, high quality assets with a total of 20.9 mtpa refining and 2.2 mtpa petrochemicals capacity. The high net cash margin-producing refineries in Hungary and Slovakia benefit from their landlocked geographical locations as well as their well-balanced product and customer portfolios. MOL Group Petrochemicals bring distinct advantages to MOL Group’s refineries whilst delivering high quality products to our customers. MOL is already present in the butadiene market and forward integration into derivatives is in progress, in line with the new long term strategy, MOL Group is aiming to further expand in chemicals and petrochemicals to become a regional leader.

3.4.2 Downstream map



3.4.3 Key achievements

Closing of Next Downstream Program

The Next Downstream Program has been an essential part of MOL Group Downstream Strategy for 2015-2017, serving as a measurement framework for the implementation of strategic actions. The focus was on long-term sustainable improvement in order to exploit market opportunities and meet both external and internal challenges.

For the Core DS and Retail altogether an ambitious USD 500mn EBITDA improvement target was set in the program on the three year time horizon. Benefits were mostly expected from extended margin capture building on two main pillars of program:

- ▶ Asset and Market Efficiency Improvements
- ▶ Strategic Growth Projects

In 2017 the Next Downstream Program added around USD 100mn to the Group result above the USD 340mn already delivered in the initial two years. The NxDSP delivered USD 440mn improvement from internal actions to Group Downstream (together with Retail) over the full lifetime of the program. More than 300 efficiency actions contributed to the successful delivery of the original USD 350mn target, while benefits of strategic projects somewhat lagged behind, mainly because reaching smooth operation in the new LDPE4 unit in Slovakia lasted longer than anticipated. Delivered internal benefit of the program was partially offset by lower inland premium versus 2014 due to higher import pressure and higher operating expenses.

Production

Crude oil processing reached 15,6 Mtons in 2017 same level as in 2016. In line with strategic targets the seaborne, alternative crude processing ratio increased significantly, primarily in the Danube Refinery, where it reached 25% of import crude, 1,5 Mtons level.

Successful turnarounds were executed in Danube and Bratislava refineries, together with several technology improvement and revamp projects. Preparation of transformational projects of DS2022 proceeded according to the plans.

In order to successfully answer challenges of the labor market as part of a comprehensive strategy 'Pay for competence' and 'Technical Career Ladder' programs we initiated in the Group.

Commerce & Optimization

Total refined and petrochemical product sales reached 19.5 Mtons level in 2017, 2% above the base period.

In May 2017, building on a strong expert and management base, as well as by responding to market trends, Commerce & Optimization organization has been established with a new operating model and focus on customers need along three business lines: Fuel, Petrochemicals and Special Product.

After the ramp-up of the new Butadiene Unit of the Group MOL successfully entered and built its strong presence on the butadiene market in 2017.

Fuel and Petrochemical segments strategies were updated and expanded in line with MOL2030 "Enter Tomorrow" Program.

Logistics

Volumes handled increased by more than 5% to over 22 Mtons, while overall transportation unit cost dropped by more than 2%.

Visibility of our products throughout the downstream region and of our assets in transit are areas of increased focus for improved optimization and efficiency, for which significant investments have been made in IT technology with roll-outs already implemented or underway in 2018.

Investment in our people continues to be a key focus area, with successful launch of a technical career ladder and a blue collar career ladder in our key markets.

DS2022 transforms Downstream towards 2030 vision

MOL Group has launched its new Downstream program, DS2022, a major milestone in the implementation of the MOL 2030 strategy. The program is based on the following pillars: strategic transformational projects; efficiency initiatives; increasing customer satisfaction, safety and employee engagement in order to become the best choice of employees, customers and investors in line with the vision of MOL Group 2030 strategy. The program once again aims to deliver USD 500mn EBITDA improvement similarly to its predecessors the New Downstream Program (2012-2014) and the Next Downstream Program (2015-2017).

DS2022 is not just another efficiency program, it is rather the first milestone on the way towards the 2030 transformation. Both large investments and smaller enabler actions target a new operation of business activities.

During the development of the DS2022 program, nearly 450 mid- and long-term actions were designed by hundreds of Downstream colleagues, deployed in 20 subprograms by field of action. Each subprogram targets specific areas of improvement and contribute to the 7 ‘Lighthouse targets’. The 7 ‘Lighthouse’ are all integral part of the Program encompassing Financial, Customer, People, HSE and Strategic Roadmap related targets.

With a USD 2.1 bn investment the program targets USD 500mn incremental EBITDA. The DS2022 program includes 12 large CAPEX projects such as the construction of a Delayed Coker unit in the Rijeka Refinery, the revamp of the Danube refinery’s Fluid Catalytic Cracker and the refurbishment of the Hydrocracker in the Bratislava refinery), which will deliver nearly 65% of targeted EBITDA improvements and consumes nearly 85% of CAPEX.

With the DS2022 transformation program Downstream is expected to deliver above USD 1.5bn EBITDA even in mid-cycle environment, which shows the robust growth potential of the division. However, DS2022 is not only about financials, soft and enabler actions are as important as the ones that bring a measurable financial benefit.



Main targets – 7 Lighthouses

1. **Employee engagement best in the region:** Culture development, capability development and employee experience are in the focus.
2. **Increase customer satisfaction to 95%:** We are proactively listening to customers' needs and feedback and then acting accordingly in order to be their first choice.
3. **1st quartile safety:** HSE is a top priority for us and we aim to be the leading HSE performer among our peers.
4. **Polyol project (USD 140mn):** Polyol is the biggest downstream project in the history of MOL Group, through which we widen our chemical product portfolio entering into a growing market and deliver substantial financial benefit.
5. **Efficiency and strategic projects / development (USD 360mn):** Through 11 transformational projects and more than hundred efficiency actions we deliver further benefit from our existing high performing assets and in the meantime adjusting our Cash engine to strategic challenges
6. **USD 1.5bn+ DS EBITDA:** Delivering DS2022 will increase the EBITDA to minimum USD 1.5 bn, which shows the robust growth potential of the division even in a normalizing external environment.
7. **Roadmap 2030:** DS2022 is not only about actions till 2022. A detailed strategic, technological and commercial roadmap will be worked out to prepare for the next investment cycle to reach 2030 strategic goals.

Chemical transformation: POLYOL investment

2017 Highlights

With a USD 1bn investment by 2021 MOL Group is aiming to establish a new polyol product line, which will move the Company further along the Downstream value chain towards semi-commodity and specialty chemicals products. MOL intends to produce polyols from own produced propylene and enjoy the benefits of forward integration. By completing the project MOL will be able to access the attractive regional polyol market, which faces a regional product shortage. Additionally well-established customer relationship channels in petrochemicals would further support the profitability of the project.

In July 2017, MOL has secured the main licenses and process design packages for the HPPO (hydrogen peroxide to propylene oxide) technology of propylene oxide production. The licensor of the hydrogen-peroxide unit for captive use is Evonik IP GmbH, while a consortium formed by Evonik and tyssenkrupp Industrial Solutions licenses the propylene oxide unit. Propylene oxide production is a key technology for producing polyether polyols.

In October 2017, MOL has signed another contract pertaining to the Polyol Project with Tyssenkrupp Industrial Solutions (Thailand) Ltd covering the technological steps following the propylene-oxide production. This contract concerns the purchase of technology licenses, process design packages and front-end engineering design of the production units that convert propylene-oxide into polyether polyols and propylene glycols.

In the same month, the European Commission has authorized EUR 131mn of regional investment aid, which the Hungarian authorities intended to grant to MOL for the construction of the Polyol complex in Tiszaújváros. The investment aid would take the form of a corporate tax allowance – to be utilized following the commissioning of the new plant – and to a smaller extent a direct cash grant of EUR 37.7mn (HUF 11.7bn). The cash grant would be provided by the Hungarian Investment Promotion Agency (HIPA), based on the decision of the Ministry of Foreign Affairs and Trade.

A dedicated Petrochemical Strategic Project organization was established in 2017, which is in charge of the implementation through the whole lifecycle of the projects. Additionally MOL Group has selected Fluor as Project Management Consultant (PMC) for the front end engineering design and engineering, procurement and construction phases.

Outlook

The front end engineering design of the hydrogen-peroxide, propylene oxide, polyether polyol and propylene glycols units, along with that of the related offsite and utility facilities is expected to be finalized in Q2 2018. Simultaneously, MOL is negotiating the EPC (detailed engineering, procurement and construction) contracts for the Project's implementation phase (final investment decision) which may start after the closure of FEED.

3.4.4 Operating review of 2017

Segment IFRS results (HUF bn)	FY 2017	FY 2016 Restated	Ch %
EBITDA	326.5	348.0	(6)
EBITDA excl. spec. items⁽¹⁾	331.2	348.0	(5)
Clean CCS-based EBITDA^{(1) (2)}	324.3	323.5	0
o/w Petrochemicals ^{(1) (2)}	126.8	144.3	(12)
Operating profit/(loss) reported	226.8	247.6	(8)
Operating profit/(loss) excl. spec. items⁽¹⁾	231.6	252.0	(8)
Clean CCS-based operating profit/(loss)^{(1) (2)}	224.7	227.5	(1)
CAPEX	128.9	110.3	17
o/w organic	128.9	110.3	17

MOL Group Without INA			
EBITDA excl. spec. items ⁽¹⁾	318.7	343.8	(7)
Clean CCS-based EBITDA^{(1) (2)}	319.3	328.3	(3)
o/w Petrochemicals clean CCS-based EBITDA ⁽¹⁾ (2)	126.8	144.3	(12)
Operating profit/(loss) excl. spec. items ⁽¹⁾	236.3	264.3	(11)
Clean CCS-based operating profit/(loss)^{(1) (2)}	236.9	248.8	(5)
INA Group			
EBITDA excl. spec. items ⁽¹⁾	12.5	4.2	197
Clean CCS-based EBITDA^{(1) (2)}	5.0	(4.8)	n.a.
Operating profit/(loss) excl. spec. items ⁽¹⁾	(4.7)	(12.3)	(61)
Clean CCS-based operating profit/(loss)^{(1) (2)}	(12.2)	(21.3)	(43)
Refinery margin			
	FY 2017	FY 2016	Ch %
Total MOL Group refinery margin (USD/bbl)	6.5	5.7	14
Complex refinery margin (MOL+Slovnaft) (USD/bbl)	7.1	6.3	13
NEW MOL Group petrochemicals margin (EUR/t) (9)	504	543	(7)
External refined product and petrochemical sales by country (kt)			
	FY 2017	FY 2016	Ch %
Hungary	4,660	4,532	3
Slovakia	1,756	1,809	(3)
Croatia	1,956	1,923	2
Italy	1,928	1,931	0
Other markets	9,153	8,861	3
Total	19,453	19,056	2
External refined and petrochemical product sales by product (kt)³			
	FY 2017	FY 2016	Ch %
Total refined products	18,040	17,811	1
o/w Motor gasoline	3,820	3,816	0
o/w Diesel	10,044	9,724	3
o/w Fuel oil	581	509	14
o/w Bitumen	468	541	(13)
Total petrochemicals products	1,413	1,245	13
o/w Olefin products	210	190	11
o/w Polymer products	1,122	1,001	12
o/w Butadiene products	81	54	50
Total refined and petrochemicals products	19,453	19,056	2

Notes and special items are listed in Appendix I and II.

Annual performance

MOL Group Downstream results were similarly strong in 2017 as was the case a year before. The clean CCS EBITDA contribution increased marginally to HUF 324bn. R&M contributed slightly above 60% of the total clean CCS EBITDA, while Petrochemicals made up the rest. The external Downstream environment remained supportive, both the refining and petrochemicals margins averaged well above mid-cycle levels so the business continued to generate excess simplified cash-flows of HUF 195bn. The results came on the back of: (+) Exceptionally strong refining macro (complex refinery margin at 7.1 USD/bbl from 6.3 USD/bbl) with the highest annual average margin over the past years;

³ Retail segment sales are shown in chapter 3.5.4. ("Consumer services operating review").

(-) Normalizing petrochemical margins, a decrease of 40 EUR/t to 504 EUR/t.

(-) Rising operating expenses mainly affected by higher energy costs in line with rising oil prices, an increasing maintenance bill and higher personal costs on the back of the regional wage pressure.

Regional demand / Market trends and sales analysis

Demand evolution in the CEE countries was heavily influenced by strong underlying economic performance as well as the continuation of relatively low end-user prices. Substantial increases in demand was recorded in both Slovakia and Hungary with growth rates reaching 4% and 3% respectively, while Croatian demand levelled out compared to the base year.

Change in regional motor fuel demand FY 2017 vs. FY 2016 in %	Market*			MOL Group sales		
	Gasoline	Diesel	Motor fuels	Gasoline	Diesel	Motor fuels
Hungary	4	3	4	5	3	3
Slovakia	1	4	3	(3)	1	0
Croatia ⁽⁴⁾	(4)	2	0	(2)	2	1
Other	2	9	7	(19)	4	(2)
CEE 10 countries	2	8	7	(8)	3	0

*Source: Company estimates

CAPEX

CAPEX by type (in HUF bn)	FY 2017	FY 2016 Restated	Ch %
Total	128.9	110.3	17
Strategic projects	15.0	3.3	353
Normalized CAPEX	113.9	107.0	6

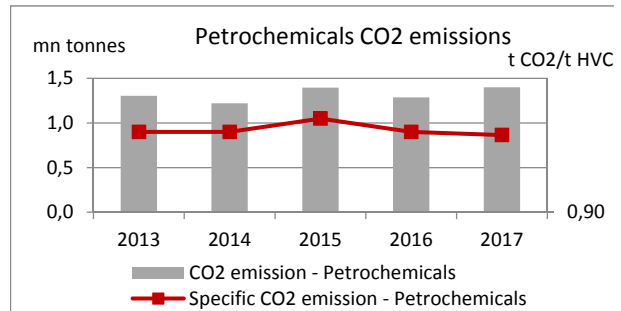
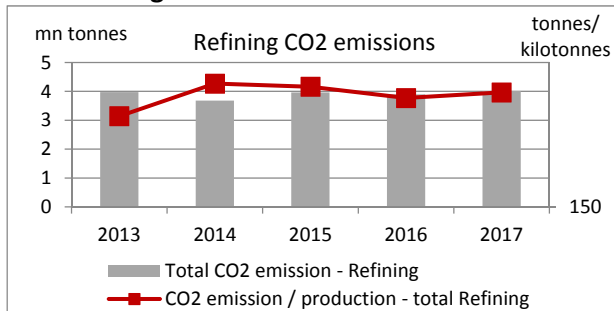
CAPEX (in bn HUF)	FY 2017	FY 2016 Restated	YoY Ch %	Main projects in FY 2017
R&M CAPEX and investments	98.8	77.5	27	MOL: Turnaround, Catalyst, Inline Blending, Compliance with future air pollution regulation and Hydrogen Plant efficiency improvement SN: Turnaround, Catalyst and Desalter replacement projects INA (Rijeka): Preparations for Delayed Coker project, Revitalization of WWTP and Port Bakar modernization
Petrochemicals CAPEX	28.4	30.3	(6)	MOL: Polyol, Steam Cracker and Waste water projects SN: Ethylene Storage Tank, Steam Cracker reconstruction and LDPE4
Power and other	1.7	2.5	(32)	
Total	128.9	110.3	17	

Downstream investments grew by 17% versus the 2016 base. The increase was entirely driven by growing refining and marketing capital expenditures and was mainly attributable to more maintenance related activity and the preparations for the Delayed Coker project in INA's Rijeka refinery. In 2017 polyol project related investments were recorded as the engineering activities commenced.

⁴ Regional diesel and gasoline figures do not reflect full year in the case of Croatia; because of data availability the average of January-November YoY figure is presented.

3.4.5 Downstream sustainability highlights 2017

Climate change



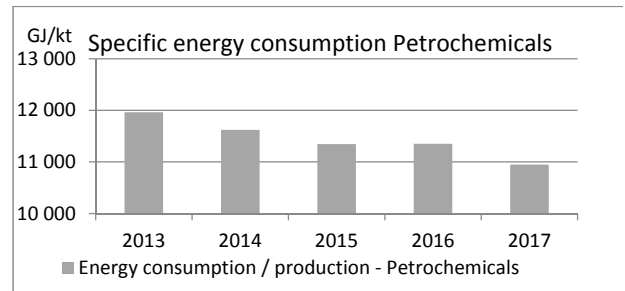
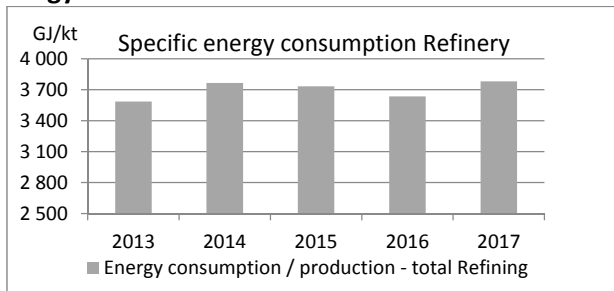
Strategic goal:

By 2020 decrease direct and indirect GHG emissions by 200 thousand tonnes of CO2 equivalent through energy efficiency initiatives.

Performance:

Rijeka Refinery energy efficiency gains were not able to offset the increasing usage of fuel gas in Sisak and the fact that this unit operates in an on/off mode. Increasing CO2 likewise occurred due to increasing production in Hungarian petrochemicals operations.

Energy



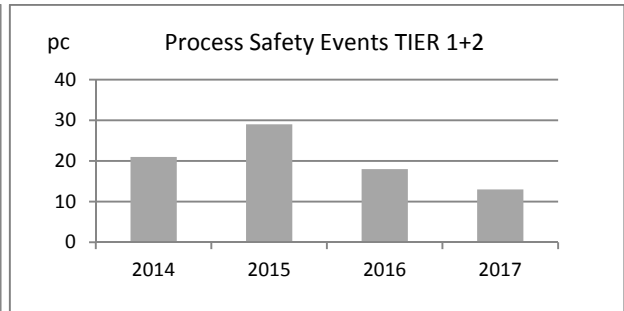
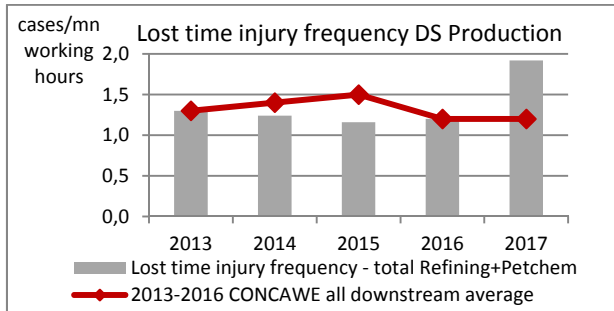
Strategic goal:

Decrease downstream production energy consumption by min. 5%.

Performance:

Energy consumption per kt continued to decline in petrochemicals, as the growth in processed materials for both sites exceeded energy consumption. The increase in energy consumption per kt at the refineries was mainly driven by a combination of increasing energy usage at the Danube refinery combined with stable production, as well as from both Croatian refineries where the growth in energy consumption exceeded the growth in processed materials, especially Sisak.

Safety



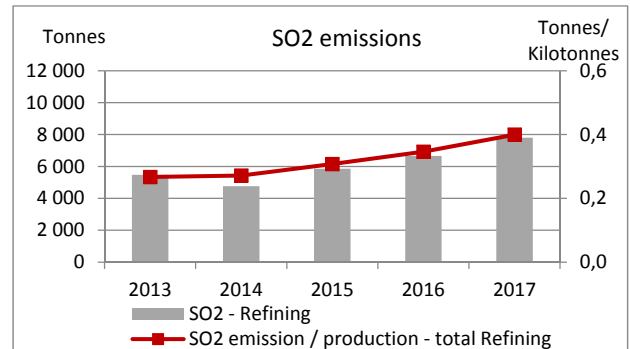
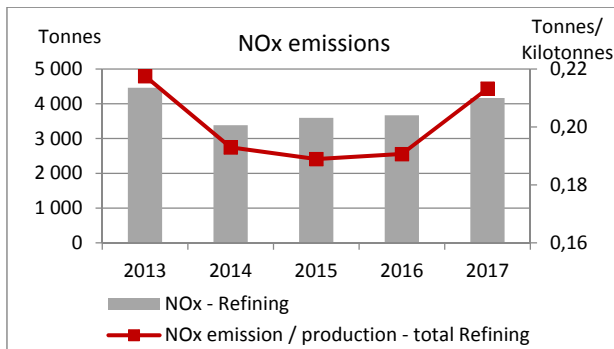
Strategic goal:

Zero lost-time injury frequency (LTIF) for both MOL employees and contractors by 2020.

Performance:

2017 saw a decrease in TIER1-2 Process safety events (PSEs) in line with previous years, whilst LTIF recorded a significant increase driven by own staff lost time injury numbers in 2017 compared to last year's (14 vs. 9), as worked hours decreased by 3 percent.

Air emissions



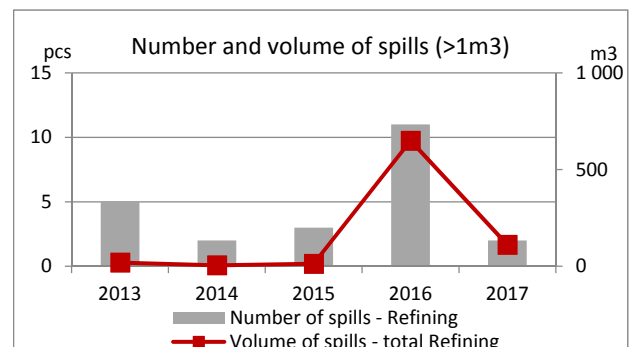
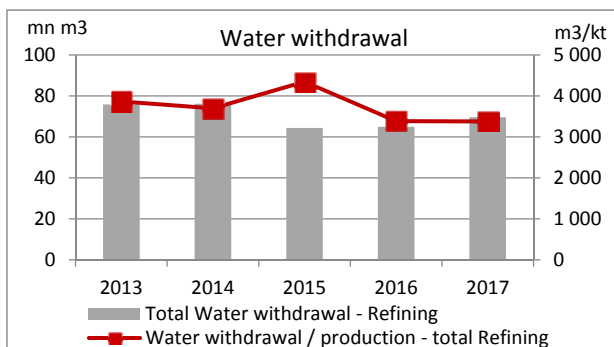
Strategic goal:

By 2020 decrease NOX & SO2 emissions by 15%.

Performance:

NOx and SO2 emissions increased for the third consecutive year in 2017. The main factor behind the increase was the acquisition of CMEPS (power plant supplying the Slovnaft refinery). Other contributing reasons were increased flaring due to unplanned shutdowns in the Slovnaft refinery (Slovakia), as well as increased secondary processing combined with different fuel quality in the Sisak refinery (Croatia).

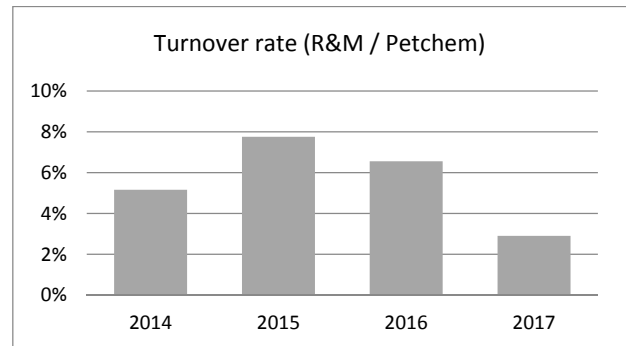
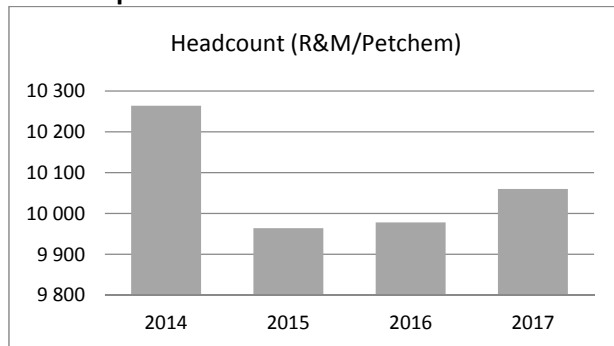
Water and spills



Performance:

2 spills occurred in Slovakia, whilst one spill, although initiating in late 2016, continued into the first weeks of 2017 in Croatia. The increase in water withdrawal was mainly due to a combination of the acquisition of the CEMPS Plant in Slovakia and overall increase in production.

Human capital



Strategic goal:

Increase employee engagement level and Develop Technical Career Ladder in Downstream.

Performance:

Headcount continued to remain stable after previous year’s efficiency measures. Furthermore, the turnover rate continued to decline for a second consecutive year running, a highly positive development as increasing employee engagement and career ladder programs have helped increase retention of staff despite an increasingly tight labour market in the region.

3.5 INNOVATIVE BUSINESSES AND SERVICES

3.5.1 Overview of 2017

2017 Highlights

Consumer Services

- ▶ 2017 was a strong year overall with all-time high financial performance
- ▶ Consumer Services has delivered record high HUF 97 bn (USD 358 mn) consolidated EBITDA
- ▶ After the successful integration of networks acquired from ENI in Hungary and in Slovenia, 1,881 strategically located service stations in 9 countries can fulfil the needs of customers on the go from Bucharest to Adria and from Belgrade to Prague
- ▶ 447 Fresh Corner stations operated by end of the year
- ▶ 41 mn cups of coffee sold at service stations in 2017
- ▶ All the proposed mobility initiatives – B2B fleet solutions, B2C car sharing platform and EV-charger deployment – have been launched
- ▶ On the basis of own car pool, MOL Fleet Solutions have successfully entered the external fleet management market, by the end of 2017
- ▶ By the end of the year, the number of managed cars by MOL Fleet Solution was roughly 1,000

Industrial Services⁵

- ▶ More than 25% overhead cost reduction was achieved at oilfield service companies
- ▶ Maintenance service companies increased the scope of works they cover at our core businesses, resulting in a more cost efficient and reliable asset operation

Outlook

Consumer Services

- ▶ Deliver an average 7% year-on-year EBITDA growth rate over the upcoming years in order to reach the target of USD 450 mn by 2021
- ▶ Bring closer to our customers the Fresh Corner coffee concept, by doubling the number of stations where premium coffee will be offered as the best coffee experience to our customers
- ▶ Setting up 253 EVCS⁶'s in CEE in cooperation with other partners within the framework of NEXT-E program funded by INEA, EC
- ▶ Extend MOL Limo's service area and increase the fleet number year by year
- ▶ Enter other markets with MOL Fleet Solution in the neighbouring countries, like Slovakia and Croatia

Industrial Services

- ▶ Further optimize operations, utilize synergies between the service companies, invest in our existing asset base and by that improve service level towards internal customers
- ▶ Increase business development efforts to expand service portfolio and enter into new markets

In the MOL Group 2030 Enter Tomorrow Strategy it has been decided that MOL will separate its service type businesses from its core, industrial operations as these two types of segments require different management approaches. Also, MOL declared its intention to manage any new, non-core business initiative that is not closely linked to its existing businesses within the frame of the new organisation. In line with this direction, as of 1st December, 2016, Innovative Businesses and Services (hereinafter IBS) department has been established. The new organisation is founded for those business activities and initiatives which are not directly connected to the traditional oil and gas industries but serve the individual consumers (B2C – Consumer Services) and the industrial customers (B2B – Industrial Services) as well. The long-term vision of IBS is driven by customers and their behaviour and needs. MOL Group would like to become a connected and innovative solution provider building upon its extensive customer and network base. Today's actions and existing key foundations enable it to start understanding its customers as individuals and be able to provide complex tailor-made solutions in line with their rapidly changing habits.

QUOTES:

“In 2017 we have developed the new corporate identity of MOL which aims to get closer to the customer and to focus on providing internal and external services. The last year's activities were characterized by building up the fundamentals to reach our long-term strategic targets and to be a successful profit centre. The benefits of these steps are expected to be visible even in 2018. Our long-

⁵ Internal corporate governance and external reporting structure of Innovative Businesses and Services are different, thus the financial result of the Industrial Services and new Ventures unit of the Innovative Businesses and Services segment is reported within „Corporate and other“ segment.

⁶ EVCS – Electric Vehicle Charging Stations

term goal is to be the engine of the rapidly developing new world and to play an active role in the business environment on the basis of service orientation.”

(dr. Oszkár Világi – Group Innovative Businesses and Services EVP)

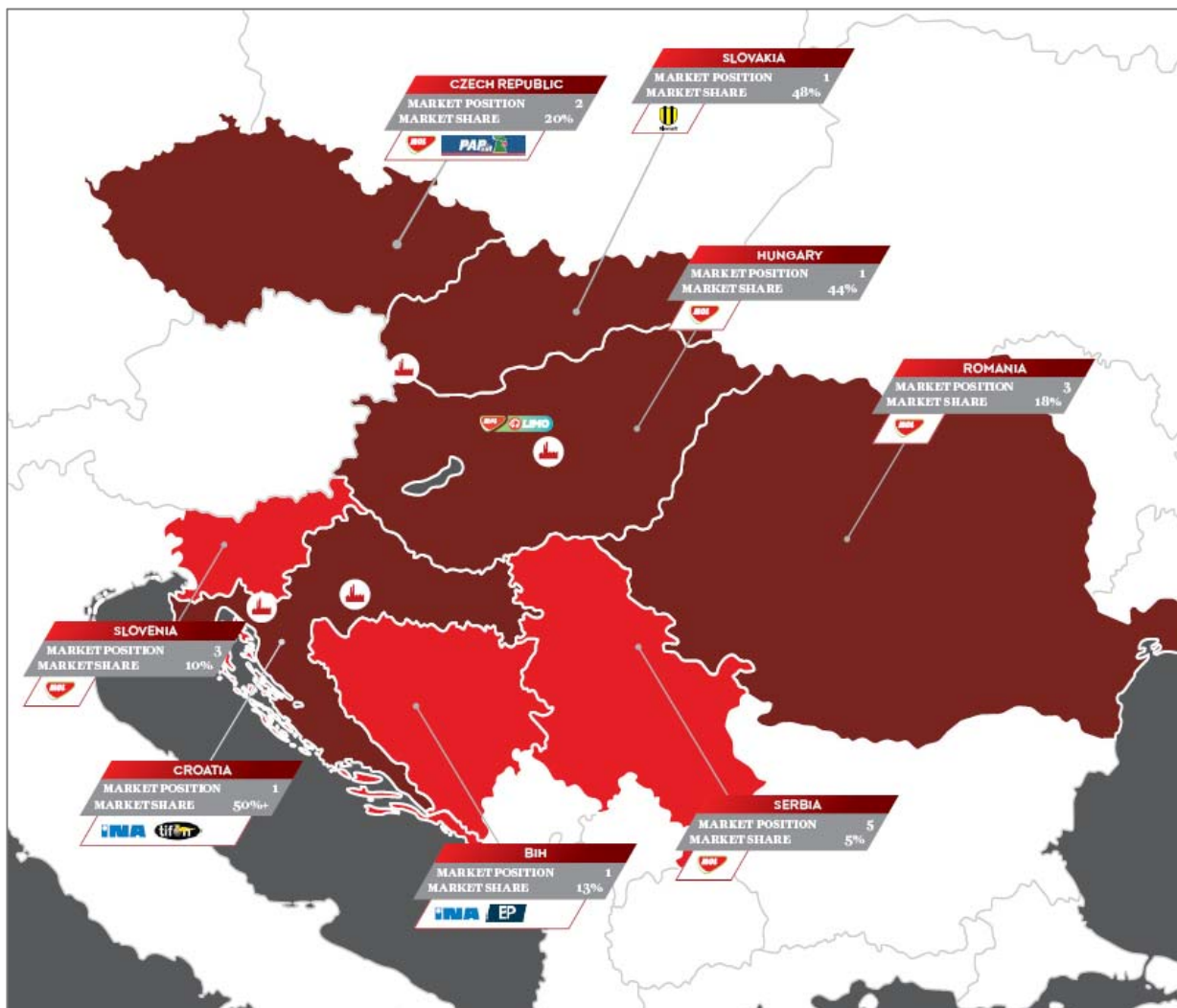
„In 2017 we increased our EBITDA by double digits as both our fuel and non-fuel earnings continued to grow. As a result of the further rollout of “Fresh Corners” the growth of non-fuel margin continued to outpace fuel margin growth. We also made decisive steps in the implementation of our ground-breaking and innovative strategy to drive the revolution of transportation in CEE. As the first building blocks of our mobility services, we have launched our fleet management subsidiary and have started to ramp up our alternative fuel presence and have introduced our new car sharing service, MOL LIMO. In 2018 we will maintain strong financial delivery with further scrutiny on costs, while at the same time we will continue on our transformational journey to become a leading 360° service provider by gearing up our digital capabilities.”

(Péter Ratatics – Group Consumer Services EVP)

“By the formation of the new Group Industrial Services organization our aim is to improve quality level and to provide competitive services towards internal customers. Besides that we are already on our way, starting with oilfield services, to generate EBITDA from external markets. We are determined to continuously improve and simplify our internal processes. “

(Imrich Tomasek – Group Industrial Services VP)

3.5.2 Consumer services map



3.5.3 Consumer services key achievements

Consumer services

In 2017 Consumer Services delivered all financial targets in line or above the expectations, meaning a +17% EBITDA (USD 358 mn) increase compared to last year’s performance (USD 307 mn). The segment consists of two main business lines: “Retail” includes both fuel and non-fuel retailing, while “Mobility” is comprised of all otherservices provided for people “on-the-go”.

Retail

Retail completed more than 400 reconstruction projects, including the installation of the new non-fuel concept, Fresh Corner at the stations. In 2017 the main focus was on rebranding and successful integration of the newly acquired ex-ENI stations in Hungary (100) and Slovenia (11) as well as on the implementation of COCA (Company Owned – Commission Agent) operating model in the Slovakian network. MOL Group maintained a leading position on the Hungarian, Croatian and Slovakian markets, became second largest market player on the Romanian and Czech markets, and third largest market player on the Slovenian market. Productivity Excellence project has been kicked-off across the group with the aim to identify improvement possibilities in our daily working efficiency, first results are expected to come in 2018.

One of our most important values is putting our people first, therefore we are continuously working on the organisation capability. Last year we have built up competencies in terms of innovation, negotiation and category management, and filled some strategically important positions within Retail. On service station level we started this journey a few years ago when we started to think about how we can move from the attendant behaviour to a more genuine and host behaviour. Our unique SMILE program is not only a project or a training programme, but an entire movement, it is a driver of our cultural transformation. During 2017 altogether almost 400 Area and Service Station Managers, more than 2,000 Hosts and over 100 Management colleagues took part in the SMILE training across the group.

By the end of 2017 MOL Group completed close to 450 Fresh Corner service stations across the region with zero lost time injuries. Retail has moved to industry tier one in terms of consumer acceptance and becoming the number one brand in our region, while reaching the highest net promoter score ever in Hungary. We managed to increase our active customer base by 15% YoY by optimized loyalty strategy which is based on life cycle management and digitalization. In Slovakia we have opened Pristavna, our first future service station with the latest innovations in digital consumer friendly solutions and fresh food offers. In Hungary we have opened our first pilot drive-through station on Szentendre Street 100, offering a various number of coffee and food for our customers “on the drive”.

MOL Group has always been striving for to offer fuels of outstanding quality to its customers, thus from June 2017, we came out with an upgraded offering at our service stations. As of now, main grade and premium fuels are called MOL EVO / INA Class and our renewed fuel range is proved to clean the engine and thanks to the special additives, they remove existing deposits, prevent deposit formation and provide protection against corrosion. Our new generation of MOL EVO and INA Class products are going to outperform the European standard quality expectations of their categories, with outstanding results in the area of engine cleaning.

We believe that we drive the change that shapes our future, therefore in Group Retail we aim to make sure that we are always relevant in all aspects of our business. Within store format development projects we are focusing on connecting the location based consumer potential with right offers and services. As an important milestone Retail digital strategy and roadmap has been aligned and agreed. Over the next years, we will put a great amount of effort to deliver this roadmap and achieve the three goals that we set out: personalize interactions with our customers via leveraging data and artificial intelligence, enhance convenience via introducing digital channels and improve internal operations via increased and real-time access to relevant transaction and customer information.

MOL Group’s new long-term strategy sees Retail aiming to become the customer’s first choice in fuel and convenience retailing and being a power brand in our core markets. In 2018 we are continuing to deliver our business plan and especially focus on the non-fuel categories relevant strategic directions, while shaping further our group wide operation under the newly established organisational setup within Retail. We expect to deliver an average 7% YoY EBITDA growth over the years in order to reach Retail 2021 target of USD 450 mn, while non-fuel margin expectedly will outpace fuel in 2018 in terms of growth. Our vision is to invest in new initiatives and store formats, we are continuously evaluating new business concepts out of the service station network. In 2018 we aim to bring closer to our customers our Fresh Corner coffee concept, by doubling the number of stations where our premium coffee concept will be offered as the best coffee experience to our customers.

In terms of SD&HSE we are continuing with the initiative of collecting used cooking oil at our stations, and reached 232 tons of used oil in Hungary during 2017. We have started a Consumer Safety Awareness campaign and address HSE aspects related to car sharing, charging & other new activities at service stations. Additionally as a proud HSE achievement, thanks to the readiness and prevention of our service station employees, our locations were not endangered due to high number of forest fires in Croatia.

Mobility

E-mobility

Group E-Mobility has been established in order to develop and provide the charging infrastructure for Electric Vehicles (EVs or Battery Electric Vehicles - BEVs) in the region. Group E-Mobility will create the possibility of EV owners to freely travel across the countries. MOL Group is aiming to become a market leader on the e-mobility market and to differentiate the company itself in the operation of the electric charging network with state of the art service level. In 2017, the team achieved to deploy several EV charging points in order to serve our internal car sharing solution and cover as much area as we can within Budapest.

In July 2017, the NEXT-E project was selected by the European Commission for co-financing through the Connecting Europe Facility (CEF). The NEXT-E consortium will be granted 18.84 mn EUR to implement the project, which is the largest CEF grant ever awarded to an EV project. Besides MOL Group, the consortium consists of companies of E.ON Group, HEP in Croatia, PETROL (in Slovenia and Croatia), as well as Nissan and BMW. The project includes installation and operation of more than 250 ultra chargers (at least 150 kW) and fast chargers (50 kW) along main highways. The NEXT-E project is another milestone in the implementation of MOL Group's long-term strategy, which is built on the premise that fossil fuel will eventually lose its monopolistic dominance in transportation. MOL Group will implement 55 EVCS across the region till the end of 2018.

MOL Fleet Solution

MOL Fleet Solution has been established as part of MOL Group new mobility strategy at the spring of 2017. The main target was to finance and manage vehicles owned and used by MOL Group, and external clients, like multinational or Hungarian companies, and fleets of small-, medium- or big- size businesses. Providing excellent and flexible services, MOL Fleet Solution would like to become a dominant player in the fleet management market.

In 2017, MOL Fleet Solution have successfully entered the external fleet management market and by the end of the year, the number of financed and managed cars by MOL Fleet Solution were roughly 1,000. MOL Fleet Solution have to continue the vehicle fleet building, the target is minimum 2,000 financed and managed cars and the ratio of the external fleet should be over 25%. The main target is to increase the number of electric cars, to be the number one electric car fleet owner and to enter other markets in the neighbouring countries, like in Slovakia and Croatia.

MOL LIMO

Based on the 2030 strategic directions MOL has established a separate legal entity for shared mobility. MOL Limitless Mobility Ltd. is responsible for launching car sharing service in MOL Group countries. In 2017 the preparation for entering the new market segment were completed, including the purchase and equip the fleet for Budapest, which consist of 100 BEV VW eUp! and 200 ICE VW Up! The launch of the service was scheduled for January 2018 in Budapest with a 60 square kilometre service area in a free-floating model.

For 2018 the MOL Limo service will be extended to 80 square kilometres and the fleet number will be increased by 100 vehicle reaching a total number of 400. The main goals for 2018 are to capture a significant market share and to become the market leader. Preparation for international expansions will also begin in 2018. Midterm plans include the launch of the service in all the capitals and some major cities in CEE and the expansion of the service in Budapest to 600 only BEV cars and enlarging the service are to 150 square kilometres. In the first month of operation the 2018 target registration number has been already reached and on the daily level more than 1,000 individual customers are already using the MOL Limo service.

3.5.4 Consumer services operating review of 2017

Consumer Services IFRS results (HUF bn)	FY 2017	FY 2016	Ch %
EBITDA	97.3	86.3	13
EBITDA excl. spec. items⁽¹⁾	97.3	86.3	13
Operating profit/(loss) reported	72.1	53.0	36
Operating profit/(loss) excl. spec. items⁽¹⁾	72.1	58.9	22
CAPEX	39.7	61.8	(36)
o/w organic	39.7	31.1	28

Notes and special items are listed in Appendix I and II.

Annual performance

2017 Consumer Services EBITDA jumped by 13% and reached HUF 97bn in 2017 representing the best ever performance of the segment. The increase was mainly driven by a combination of strong sales growth on the back of increasing CEE fuel consumption and continued fuel margin expansion. Earnings growth was additionally supported by the continued growth of non-fuel as the roll-out of the Fresh Corner concept accelerated also driving the 28% uplift in organic capital expenditures. The increases of the statutory minimum wage in Hungary and Romania on the other hand had a downward effect on earnings for the year, as a result higher salaries affected the performance of around a third of the network.

Retail sales

Total retail sales (kt)	FY 2017	FY 2016	Ch %
Hungary	1,199	1,059	13
Croatia	1,068	1,060	1
Slovakia	664	617	8
Romania	717	662	8
Czech Republic	484	468	3
Other ⁽⁸⁾	367	380	(3)
Total retail sales	4,499	4,246	6

Notes and special items are listed in Appendix I and II.

Retail sales continued to rise at 6% as CEE fuel consumption continued its ascent. Like-for-like⁷ sales in the 2017 were up by 4% against last year.

Non-fuel

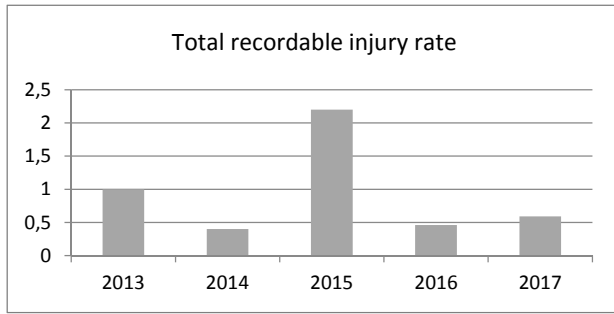
Non-fuel indicators	FY 2017	FY 2016
Non-fuel margin	24.6%	23.6%
Number of Fresh corner sites	447	248

The implementation of the non-fuel concept accelerated, almost 200 Fresh corners were added across the network taking the average Fresh Corners number to 447. Consequently the non-fuel margin continued to increase at a higher pace than fuel margin, leading to a one percentage point increase within the total margin compared to last year.

⁷ Correcting for the effect of increasing network size.

3.5.5 Consumer services sustainability highlights 2017

Safety



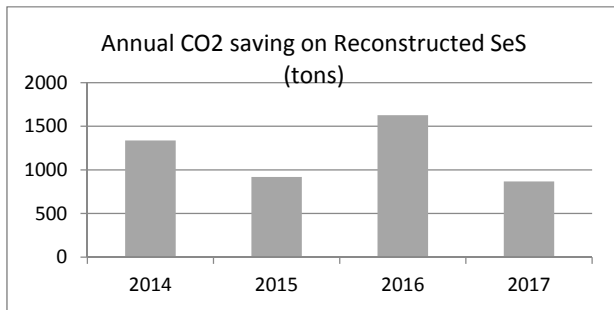
Strategic goal:

Continuous improvement in the TRIR with the ultimate aim of zero accidents.

Performance:

The 2017 Consumer Services target was set at 1.0, and the overall number came in at 0.6 in line with previous years' results. For 2018 MOL targets a TRIR of 0.9 for Consumer Services in line with the strategic goal of continuous improvements.

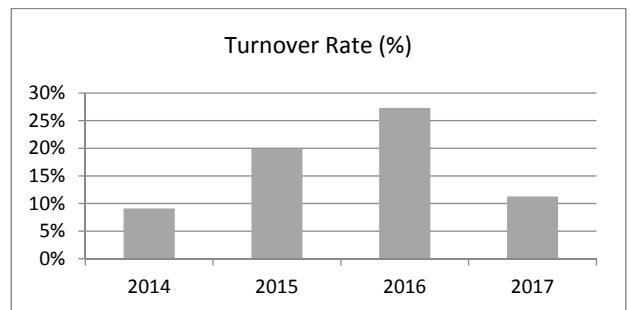
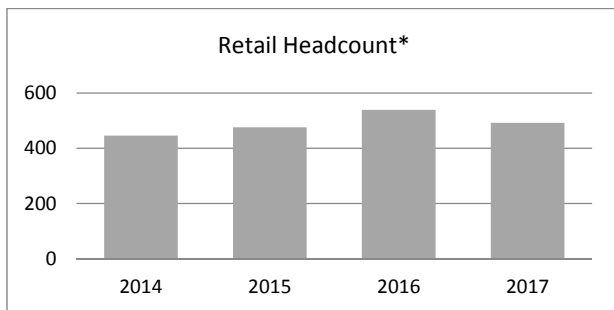
Climate change



Performance:

In 2017 MOL achieve a reduction in CO2 emissions of 868 tons mostly driven by the continuous installation of LED lighting technology of reconstructed service stations.

Human capital



* Headcount data reflects only to retail head offices (white collar). Headcount of SeS workers is approximately 17.000 on group level, of which 4500 are employed under COCO model.

Strategic goal:

In Retail, the focus will be on major competency development to build internal FMCG knowledge supported by different KPIs and target setting reviews.

Performance:

Consumer Services, as well as IBS organization were established during 2017, including the formation of entirely new organizations and businesses, as well as the transformation of traditional ones.

Retail headcount, as part of CS, remained stable on Group Level. The slight increase in terms of Consumer Services is driven by new business areas such as mobility and digital experience. Total HQ

retail headcount was reduced following further efficiency measures at HQ level during 2017. Turnover Rate decreased considerably during 2017 following an increasing trend in the period of 2014-16.

3.5.6 Industrial services and Open Innovation HUB

Industrial Services

Industrial Services was established with the aim to provide services for MOL Group internal customers covering oil field services and maintenance services with the clear intention to create value by providing these services to other third party companies as well. The strategic aim of Industrial Services is thus twofold: to further increase the quality and level of services provided to internal customers as well as to utilize our vast knowledge and provide our services to third party customers. Non-HC procurement is also part of Industrial Services as a professional commercial function, fully embedded into the business value chain. During 2017 extensive cost rationalization and operation optimization programs were launched at oilfield service companies, resulting in a more than 25% overhead cost reduction. In the meantime there was a significant increase in third party engagements. As a result of these efforts, oilfield service companies managed to turn their negative EBITDA into positive, exceeding initial expectations.

Maintenance service companies increased the scope of works they cover at our core businesses, resulting in a more cost efficient and reliable asset operation.

In 2018 the main focus of Industrial Services will be to further optimize operations, utilize synergies between the service companies, invest in existing asset base and by that improve service level towards internal customers. Business development efforts to expand service portfolio and enter into new markets are to be further increased.

Open Innovation HUB

Our ambitious, transformational MOL Group 2030 Enter Tomorrow Strategy is built on the premise that advancements in technology, coupled with environmental consciousness and new consumer habits are fundamentally changing the entire oil & gas industry. At MOL, we see embracing an open innovation culture as the right response to these challenges, and reaching out to innovation ecosystem is an important step for us. We believe that partnering up with the players of the innovation community such as incubator houses, VC funds, universities and other research institutions as well as startups, SME's and corporates could support our goals that we would like to achieve. The aim of the new Group level organisation is to have one source of market view of highly innovative and most promising solutions and ideas available today and in the near future. By investigating and connecting these solutions with the goals of the business units, supporting units we can reach our aim faster and in a more efficient way.

3.6 GAS MIDSTREAM

3.6.1 Overview of 2017

Highlights

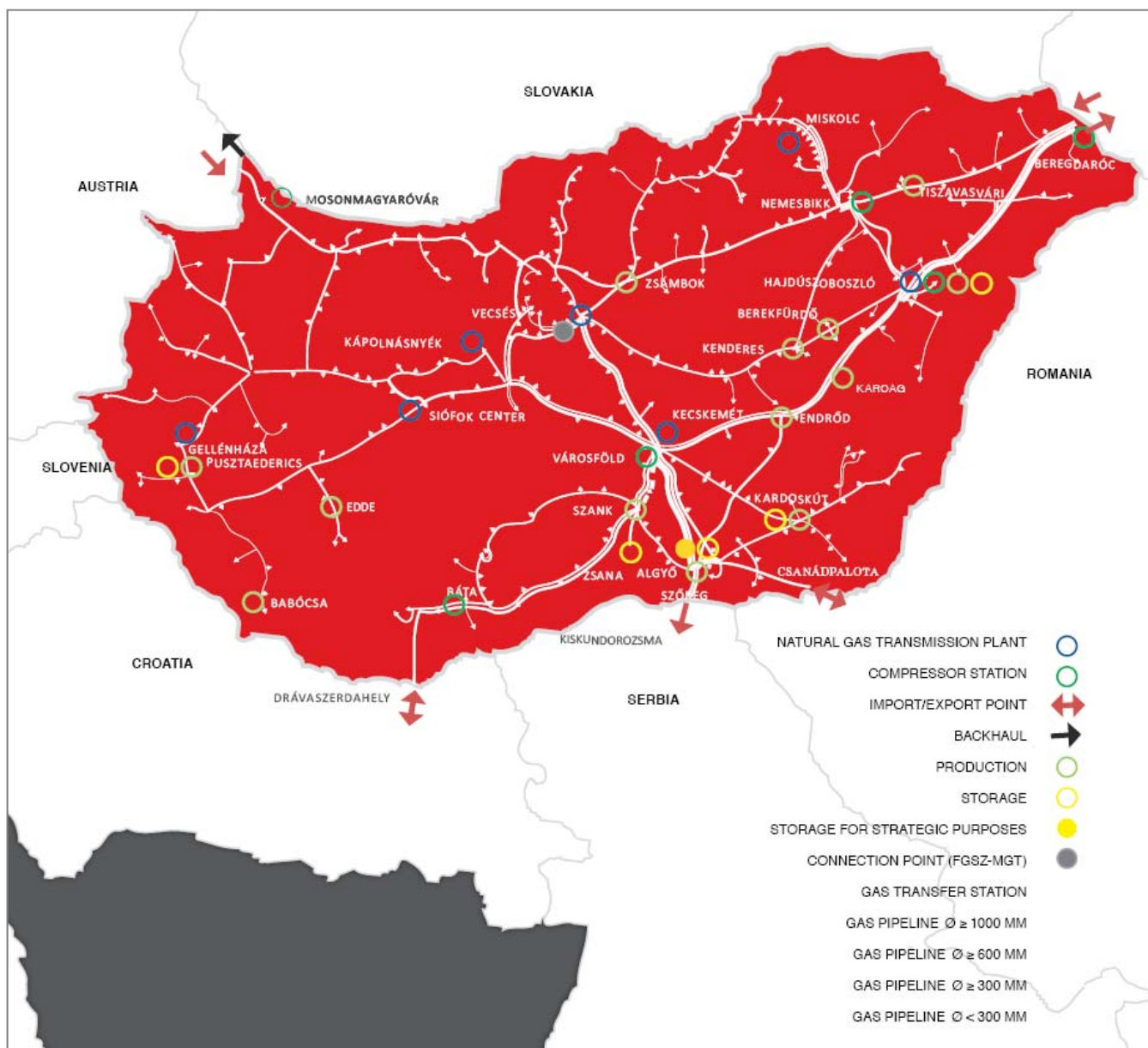
- ▶ 5782 km long pipeline system
- ▶ 25 entry points, nearly 400 gas exit points
- ▶ 3 regional centres with 2-2 plants, 6 compressor stations
- ▶ High technical class control centre in Siófok

FGSZ Földgázszállító Ltd (hereinafter referred to as: FGSZ) is the largest transmission system operator in Hungary. It performs its activity under market conditions regulated by law. Beside the domestic natural gas transmission, FGSZ is also engaged in transit activities to Serbia, Bosnia-Herzegovina, as well as it conducts transmission activities towards Romania, Croatia, Ukraine and – through the network of MGT Zrt. – towards Slovakia. The security of supply of Hungary is inseparable from the energy security of the CEE region and whole Europe. Therefore, within the framework of European gas market cooperation based on mutual advantages, we aim to ensure the interoperability of the natural gas networks of the region on the part of Hungary; we also strive to increase the volume of transmission and transit through Hungary. The developments of the pipeline and trade infrastructure implemented by FGSZ in the recent years laid down the foundations for the company's future, the completion of the company's role in the regional gas distribution.

The Regional Booking Platform (RBP) of FGSZ is an IT application developed in accordance with the EU network code governing the capacity allocation mechanisms used in natural gas transmission networks and with other relevant EU and Hungarian legislation⁸. The capacity allocation application enables the conduct of capacity allocation procedures not only at the cross-border and domestic pipeline nodes located on the network of FGSZ, but even at pipeline nodes independent from the cooperating domestic natural gas transmission network. The customer base of RBP is expanding continuously as a result of the previous years' consistent work; today – beyond FGSZ – seven further transmission system operators use it throughout the EU: Eustream (Slovakia), Transgaz (Romania), Plinacro (Croatia), MGT (Hungary), Bulgartransgaz (Bulgaria), DESFA (Greece) and Gas Connect Austria (Austria).

⁸ Commission Regulation (EU) No 2017/459 on capacity allocation, Commission Regulation (EU) No 2017/460 on tariff, Regulation (EU) No 2012/490 (contractual congestion management), Regulation (EU) No 1227/2011 (REMIT), Regulation (EU) No 703/2015 (interoperability), Directive 2000/31/EC (electronic commerce), Regulation (EU) No 910/2014 (eIDAS)

3.6.2 Gas midstream map



3.6.3 Operating review of 2017

Segment IFRS results (HUF bn)	FY 2017	FY 2016	Ch %
EBITDA	61.4	54.5	13
EBITDA excl. spec. items⁽¹⁾	61.4	54.5	13
Operating profit/(loss) reported	48.2	41.4	16
Operating profit/(loss) reported excl. spec. items⁽¹⁾	48.2	41.4	16
CAPEX and investments	4.9	7.5	(36)
o/w organic	4.9	7.5	(36)

Notes and special items are listed in Appendix I and II.

Adverse regulatory changes off-set by higher volumes and focus on cost

Following a cost and asset review procedure regulated tariffs are significantly lower than those applied so far both for capacity and volumetric fees as of January 2017. The tariff adjustment came on the back of a 25% reduction of the regulated asset base.

However colder winter weather conditions, higher level of gas storage activities and export transmission demands had a favourable effect on operating revenues and resulted in significant additional capacity bookings. Domestic transmission and transmitted volumes to gas storages rose by 22% compared to 2016, while regulated export volumes (to Ukraine and Croatia) increased threefold from a very low base. Transmission volumes to Serbia and Bosnia and Herzegovina were higher by 17% in 2017 compared to prior year.

As a result the unfavourable effect of changes in domestic regulatory environment and higher operating expenditures were overcompensated by increased transmission demand and significant additional capacity bookings. Consequently FGSZ's EBITDA totalled HUF 61bn in 2017, 13% above the prior year's figure.

3.6.4 Outlook

European dimensions

FGSZ's intends to create a more efficient gas market, which rests on several pillars. Therefore, in the 10-year period between 2018 and 2027 it wishes to participate in comprehensive infrastructure developments at both Hungarian and international level to promote the creation of a gas distribution hub and a liquid domestic gas market. The transformation of the gas market makes it possible for the domestic consumers to gain access to competing gas sources.

The transformation of the Transdanubian central odourization facility was successfully implemented in 2016, facilitating the increasing of the entry capacity in the Austria-Hungary direction. As a result of this development there is a great increasing in the flexibility of the transmission system in Western-Hungary.

The planned 2019-2022 strategic investment phase focuses on the southeast-north transmission route, the implementation of the Romanian-Hungarian-Slovakian transmission corridor and on establishing reverse flow directions of cross-border points.

For the purpose of security of supply, FGSZ aims to ensure the inward transmission possibility of natural gas from every possible direction. FGSZ also strives to become an integral part of the surrounding region by making the established cross-border interconnections reversible. In this regard, the establishment of the possibility for transmitting natural gas from and to Romania was an important step. The initial set-up increased entry capacities to a smaller extent only; however, FGSZ and its Romanian partner (Transgaz) work together to achieve a significant capacity expansion. The business rationale of the investment decision is based by the result of the capacity booking procedure (open season) launched in October 2017. The transmission capacity of both flows from Romania to Hungary and from Hungary to Romania will reach 4.4 billion m³/year, provided the successful bidders do not exercise their exit right by December 2018. The possibility to deliver natural gas from the Black Sea sources could mean actual diversification for Hungary and countries of the region.

4. APPENDICES

APPENDIX I

IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT AND EBITDA (in HUF mn)

Special items - operating profit (HUF mn)	FY 2017	FY 2016	Ch %
OPERATING PROFIT EXCLUDING SPECIAL ITEMS	383,920	330,873	16
Upstream	(20,655)	(6,578)	214
Matjushkinskaya Vertical divestment	-	(3,234)	100
Kalegran inventory impairment	-	(3,344)	100
North Karpovsky divestment	(5,920)	-	n.a.
Angola provision release	10,528	-	n.a.
CEOC arbitration	(6,874)	-	n.a.
Hungarian year-end impairments	(18,389)	-	n.a.
Downstream	(4,755)	(4,471)	6
HCK (HydroCracker) impairment	-	(4,471)	100
INA environmental provision	(4,755)	-	n.a.
Consumer services	-	(5,982)	100
IES Impairment (Asset held for sale IFRS 5)	-	(5,982)	100
Corporate and other	(4,142)	(5,937)	30
Impairment in INA Group	-	(5,937)	100
Labin platform	(4,142)	-	n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT	(29,553)	(22,968)	(29)
OPERATING PROFIT	354,367	307,905	15

Special items - EBITDA (HUF mn)	FY 2017	FY 2016	Ch %
EBITDA EXCLUDING SPECIAL ITEMS	679,605	629,966	8
Upstream	(2,266)	(6,578)	66
North Karpovsky divestment	(5,920)	-	n.a.
Angola provision release	10,528	-	n.a.
CEOC arbitration	(6,874)	-	n.a.
Matjushkinskaya Vertical divestment	-	(3,234)	100
Kalegran inventory impairment	-	(3,344)	100
Downstream	(4,755)	-	n.a.
INA environmental provision	(4,755)	-	n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA	(7,021)	(6,578)	(7)
EBITDA	672,583	623,388	8

IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT AND EBITDA (in USD mn)

Special items - operating profit (USD mn)	FY 2017	FY 2016	Ch %
OPERATING PROFIT EXCLUDING SPECIAL ITEMS	1,391	1,179	18
Upstream	(79)	(23)	(246)
Matjushkinskaya Vertical divestment	-	(12)	100
Kalegran inventory impairment	-	(11)	100
North Karpovsky divestment	(22)	-	n.a.
Angola provision release	38	-	n.a.
CEOC arbitration	(27)	-	n.a.
Hungarian year-end impairments	(69)	-	n.a.
Downstream	(18)	(15)	(19)
HCK (HydroCracker) impairment	-	(15)	100
INA environmental provision	(18)	-	n.a.
Consumer services	-	(20)	100
IES Impairment (Asset held for sale IFRS 5)	-	(20)	100
Corporate and other	(16)	(21)	27
Impairment in INA Group	-	(21)	100
Labin platform	(16)	-	n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT	(113)	(80)	(42)
OPERATING PROFIT	1,278	1,099	16
Special items - EBITDA (USD mn)	FY 2017	FY 2016	Ch %
EBITDA EXCLUDING SPECIAL ITEMS	2,472	2,240	10
Upstream	(10)	(23)	57
North Karpovsky divestment	(22)	-	n.a.
Angola provision release	38	-	n.a.
CEOC arbitration	(27)	-	n.a.
Matjushkinskaya Vertical divestment	-	(12)	100
Kalegran inventory impairment	-	(11)	100
Downstream	(18)	-	n.a.
INA environmental provision	(18)	-	n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA	(28)	(23)	(21)
EBITDA	2,444	2,217	10

APPENDIX II

Notes

Number of footnote	
(1)	Special items that affected operating profit and EBITDA are detailed in Appendix I.
(2)	As of Q2 2013 our applied clean CCS methodology eliminates from EBITDA/operating profit inventory holding gain / loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains / losses on debtors and creditors; furthermore adjusts EBITDA/operating profit by capturing the results of underlying commodity derivative transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.
(3)	Both the 2016 and 2017 figures have been calculated by converting the results of each month in the period on its actual monthly average HUF/USD rate.
(4)	Net gearing: net debt divided by net debt plus shareholders' equity including non-controlling interests.
(5)	Brent dated price vs. average Ural MED and Ural ROTT prices
(6)	Net external sales revenues and operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Upstream transfers domestically produced crude oil, condensates and LPG to Downstream and natural gas to the Gas Midstream segment. The internal transfer prices used are based on prevailing market prices. The gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.
(7)	This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. Unrealised profits arise principally in respect of transfers from Upstream to Downstream and Gas Midstream.
(8)	From 2016 Austrian retail operations were reclassified into wholesale.
(9)	As of January 2018 an updated formula for calculating the „MOL Group petrochemicals margin” was introduced, replacing the previous „Integrated petrochemical margin”. The purpose of the new formula is to better reflect the petchem product slate of the group.
(10)	CIF Med parity
(11)	FOB Rotterdam parity
(12)	FOB Med parity

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
statement of profit or loss as of 31 December 2017

of the parent company financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 restated HUF million
Net sales		1,539,530	1,258,348
Other operating income		9,538	4,010
Total operating income	3	1,549,068	1,262,358
Raw materials and consumables used		1,220,101	969,580
Employee benefits expense		70,787	64,771
Depreciation, depletion, amortisation and impairment		81,220	62,646
Other operating expenses		105,975	86,875
Change in inventory of finished goods & work in progress		(12,037)	(11,352)
Work performed by the enterprise and capitalised		(17,185)	(11,555)
Total operating expenses	4	1,448,861	1,160,965
Profit from operation		100,207	101,393
Finance income		278,026	325,234
Finance expense		141,021	199,627
Total finance income, net	5	137,005	125,607
Profit before tax		237,212	227,000
Income tax expense / (benefit)	6	51,345	(27,396)
PROFIT FOR THE YEAR		185,867	254,396

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
statement of comprehensive income as of 31 December 2017

of the parent company financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 HUF million
Profit for the year		185,867	254,396
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of available-for-sale financial assets	7	6	225
Changes in fair value of cash flow hedges	7	(58)	665
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(52)	890
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement of post employment benefit obligations	7	(1,024)	879
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(1,024)	879
Other comprehensive income for the year		(1,076)	1,769

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
statement of financial position as of 31 December 2017

of the parent company financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 HUF million
NON-CURRENT ASSETS			
Property, plant and equipment	8	362,125	311,948
Intangible assets	8	37,062	42,831
Investments	9	1,587,848	1,606,033
Other non-current financial assets	17	114,981	202,102
Deferred tax asset	6	118,464	160,412
Other non-current assets	10	943	1,792
Total non-current assets		2,221,423	2,325,118
CURRENT ASSETS			
Inventories	11	186,285	162,613
Trade and other receivables	19	171,587	155,681
Securities	17	26,043	53,910
Other current financial assets	17	119,727	136,125
Income tax receivable	6	496	232
Cash and cash equivalents	20	108,191	131,559
Other current assets	12	17,676	16,370
Total current assets		630,005	656,490
Total assets		2,851,428	2,981,608
EQUITY			
Share capital		80,809	80,791
Retained earnings and other reserves		1,343,250	1,141,054
Profit for the year		185,867	254,396
Total equity		1,609,926	1,476,241
NON-CURRENT LIABILITIES			
Long-term debt	17	423,996	399,611
Other non-current financial liabilities	17	420	121
Non-current provisions	13	309,462	390,471
Other non-current liabilities	14	1,196	2,130
Total non-current liabilities		735,074	792,333
CURRENT LIABILITIES			
Short-term debt	17	29,969	269,760
Trade and other payables	17	188,703	177,778
Other current financial liabilities	17	217,896	189,329
Current provisions	13	13,100	15,839
Other current liabilities	15	56,760	60,328

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
statement of changes in equity as of 31 December 2017

 of the parent company financial statements prepared in accordance with International
Financial Reporting Standards

	Issued share capital	Treasury shares ¹	Share capital	Share premium	Fair valuation reserve	Retained earnings	Retained earnings and other reserves	Profit/ (Loss) for the year	Total equity
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Opening balance									
01 Jan 2016	104,519	(17,741)	86,778	223,866	(607)	1,240,501	1,463,760	(197,151)	1,353,387
Profit for the year	-	-	-	-	-	-	-	254,396	254,396
Other comprehensive income for the year	-	-	-	-	1,769	-	1,769	-	1,769
Reclassification ²	-	-	-	-	(878)	878	-	-	-
Restated total comprehensive income for the year	-	-	-	-	891	878	1,769	254,396	256,165
Transfer of retained profit of the previous year to reserves	-	-	-	-	-	(197,151)	(197,151)	197,151	-
Treasury shares repurchase	-	(6,006)	(6,006)	-	-	(79,856)	(79,856)	-	(85,862)
Cancellation of treasury shares	(2,090)	2,090	-	(4,477)	-	4,477	-	-	-
Dividends	-	-	-	-	-	(55,000)	(55,000)	-	(55,000)
Settlement of share option agreement	-	-	-	-	-	7,218	7,218	-	7,218
Equity recorded for share- based payments	-	19	19	-	-	314	314	-	333
Restated closing balance									
31 Dec 2016	102,429	(21,638)	80,791	219,389	284	921,381	1,141,054	254,396	1,476,241
Profit for the year	-	-	-	-	-	-	-	185,867	185,867
Other comprehensive income for the year	-	-	-	-	(52)	(1,024)	(1,076)	-	(1,076)
Total comprehensive income for the year	-	-	-	-	(52)	(1,024)	(1,076)	185,867	184,791
Transfer of retained profit of the previous year to reserves	-	-	-	-	-	254,396	254,396	(254,396)	-
Dividends	-	-	-	-	-	(58,007)	(58,007)	-	(58,007)
Settlement of share option agreement	-	-	-	-	-	5,327	5,327	-	5,327
Equity recorded for share- based payments	-	18	18	-	-	368	368	-	386
Equity recorded for share- based incentive plans via MRP organization ³	-	-	-	-	-	1,188	1,188	-	1,188
Closing balance									
31 Dec 2017	102,429	(21,620)	80,809	219,389	232	1,123,629	1,343,250	185,867	1,609,926

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
statement of cash flows as of 31 December 2017

of the parent company financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 HUF million
Profit before tax		237,212	227,000
<i>Adjustments to reconcile profit before tax to cash flows from operations before changes in working capital</i>			
Depreciation, depletion, amortisation and impairments	4	81,220	62,646
Increase / (decrease) in provisions	13	(89,026)	95,044
Net (gain) / loss on asset disposal and divestments		(572)	(1,966)
Net interest expense / (income)	5	18,385	25,079
Other finance expense / (income)	5	(66,101)	(244,426)
Other non-cash item	22	11,143	5,299
Income taxes paid	6	(9,660)	(6,522)
Cash flows from operations before changes in working capital		182,601	162,154
<i>Change in working capital</i>			
(Increase) / decrease in inventories	11	(25,005)	(37,754)
(Increase) / decrease in trade and other receivables	19	(18,725)	(50,113)
Increase / (decrease) in trade and other payables		24,164	43,953
(Increase)/decrease in other assets and liabilities	12,15	(10,681)	9,571
Cash flows from operations		152,354	127,811
Capital expenditures	2	(92,839)	(76,342)
Proceeds from disposal of fixed assets		2,174	1,509
Increase / (decrease) in other financial assets		18,284	(126,453)
Interest received and other financial income	5	9,704	11,446
Dividends received	5	141,232	180,165
Cash flows from investing activities		78,555	(9,675)
Proceeds from issue of bonds, notes and debentures		-	233,348
Repayments of bonds, notes and debentures		(234,840)	-
Proceeds from borrowings		319,979	456,355
Repayments of borrowings		(237,633)	(442,749)
Interest paid and other finance expense	5	(48,230)	(233,434)
Dividends paid to owners of parent		(52,666)	(47,832)
Cash flows from financing activities		(253,390)	(34,312)
Currency translation differences relating to cash and cash equivalents		(4,030)	1,968
Change of bank overdraft balances		3,143	256
Increase/(decrease) in cash and cash equivalents		(23,368)	86,048
Cash and cash equivalents at the beginning of the period		131,559	45,511
Cash and cash equivalents at the end of the period		108,191	131,559

**MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
AND SUBSIDIARIES**

consolidated statement of profit or loss as of 31 December 2017

of the consolidated financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 HUF million
Net sales	3	4,130,320	3,553,005
Other operating income	3	25,543	25,316
Total operating income	3	4,155,863	3,578,321
Raw materials and consumables used		3,080,556	2,571,717
Employee benefits expense		255,664	240,260
Depreciation, depletion, amortisation and impairment		318,216	315,483
Other operating expenses		233,549	221,382
Change in inventory of finished goods & work in progress		(28,131)	(33,771)
Work performed by the enterprise and capitalised		(58,358)	(44,655)
Total operating expenses	4	3,801,496	3,270,416
Profit from operation		354,367	307,905
Finance income		62,096	49,502
Finance expense		68,769	99,254
Total finance expense, net	5	(6,673)	(49,752)
Share of after tax results of associates and joint ventures	6	17,944	14,390
Profit before tax		365,638	272,543
Income tax expense	7	49,228	20,888
Profit for the year		316,410	251,655
Attributable to:			
Owners of parent		306,952	263,497
Non-controlling interest		9,458	(11,842)
Basic earnings per share*	27	437	359
Diluted earnings per share*	27	437	359

**MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
AND SUBSIDIARIES**

consolidated statement of comprehensive income as of 31 December 2017

of the consolidated financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 HUF million
Profit for the year		316,410	251,655
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations, net of tax	8	(13,842)	(13,970)
Net investment hedge, net of tax	8	21,364	(5,161)
Changes in fair value of available-for-sale financial assets, net of tax	8	(251)	3,690
Changes in fair value of cash flow hedges, net of tax	8	249	789
Share of other comprehensive income of associates and joint ventures	8	(13,569)	7,849
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		(6,049)	(6,803)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement of post employment benefit obligations	8	(1,205)	839
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		(1,205)	839
Other comprehensive income / (loss) for the year, net of tax		(7,254)	(5,964)
Total comprehensive income for the year		309,156	245,691
Attributable to:			
Owners of parent		300,012	250,466
Non-controlling interest		9,144	(4,775)

**MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
AND SUBSIDIARIES**

consolidated statement of financial position as of 31 December 2017

of the consolidated financial statements prepared in accordance with International Financial
Reporting Standards

	Notes	31 Dec 2017 HUF million	31 Dec 2016 HUF million
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,261,166	2,193,419
Intangible assets	9	181,451	183,561
Investments in associates and joint ventures	6	206,374	257,090
Other non-current financial assets	21	78,400	63,652
Deferred tax asset	7	120,633	125,055
Other non-current assets	13	43,555	44,403
Total non-current assets		2,891,579	2,867,180
CURRENT ASSETS			
Inventories	14	436,572	385,142
Trade and other receivables	23	538,986	476,531
Securities	21	26,043	53,910
Other current financial assets	21	55,715	26,829
Income tax receivable	7	9,865	7,945
Cash and cash equivalents	24	202,041	216,928
Other current assets	15	69,828	66,239
Assets classified as held for sale	19	1,071	3,082
Total current assets		1,340,121	1,236,606
Total assets		4,231,700	4,103,786

	Notes	31 Dec 2017 HUF million	31 Dec 2016 HUF million
EQUITY	20		
Share capital		79,279	79,260
Retained earnings and other reserves		1,354,723	1,149,315
Profit for the year attr. to owners of parent		306,952	263,497
Equity attributable to owners of parent		1,740,954	1,492,072
Non-controlling interest		314,817	309,554
Total equity		2,055,771	1,801,626
NON-CURRENT LIABILITIES			
Long-term debt	21	491,701	436,922
Other non-current financial liabilities	21	6,565	6,160
Non-current provisions	16	434,291	405,175
Deferred tax liabilities	7	50,068	47,766
Other non-current liabilities	17	23,522	22,658
Total non-current liabilities		1,006,147	918,681
CURRENT LIABILITIES			
Short-term debt	21	171,561	440,372
Trade and other payables	21	516,737	493,389
Other current financial liabilities	21	229,250	202,056
Current provisions	16	40,149	32,423
Income tax payable		1,754	2,615
Other current liabilities	18	210,331	212,624
Total current liabilities		1,169,782	1,383,479
Total liabilities		2,175,929	2,302,160
Total equity and liabilities		4,231,700	4,103,786

**MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
AND SUBSIDIARIES**

consolidated statement of changes in equity as of 31 December 2017

of the consolidated financial statements prepared in accordance with International Financial Reporting Standards

	Share capital	Share premium	Fair valuation reserve	Reserve of exchange differences on translation	Retained earnings with profit for the year attr. to owners of parent	Total reserves	Equity attr. to owners of parent	Non-controlling interests	Total equity
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Opening balance									
1 Jan 2016	79,241	223,866	1,246	245,772	902,094	1,372,978	1,452,219	364,349	1,816,568
Profit / (loss) for the year	-	-	-	-	263,497	263,497	263,497	(11,842)	251,655
Other comprehensive income / (loss) for the year	-	-	2,761	(17,488)	1,696	(13,031)	(13,031)	7,067	(5,964)
Total comprehensive income / (loss) for the year	-	-	2,761	(17,488)	265,193	250,466	250,466	(4,775)	245,691
Dividends	-	-	-	-	(47,782)	(47,782)	(47,782)	-	(47,782)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(2,533)	(2,533)
Equity recorded for share-based payments	19	-	-	-	314	314	333	-	333
Treasury share transactions	-	(4,477)	-	-	4,477	-	-	-	-
Acquisition / divestment of subsidiaries	-	-	-	-	-	-	-	(4,834)	(4,834)
Acquisition of non-controlling interests	-	-	-	-	(163,164)	(163,164)	(163,164)	(42,653)	(205,817)
Closing balance									
31 Dec 2016	79,260	219,389	4,007	228,284	961,132	1,412,812	1,492,072	309,554	1,801,626
Profit / (loss) for the year	-	-	-	-	306,952	306,952	306,952	9,458	316,410
Other comprehensive income / (loss) for the year	-	-	(196)	(3,489)	(3,255)	(6,940)	(6,940)	(314)	(7,254)
Total comprehensive income / (loss) for the year	-	-	(196)	(3,489)	303,697	300,012	300,012	9,144	309,156
Dividends	-	-	-	-	(52,681)	(52,681)	(52,681)	-	(52,681)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(3,917)	(3,917)
Equity recorded for share-based payments	19	-	-	-	1,556	1,556	1,575	-	1,575
Treasury share transactions	-	-	-	-	-	-	-	-	-
Acquisition / divestment of subsidiaries	-	-	-	-	-	-	-	58	58
Acquisition of non-controlling interests	-	-	-	-	(24)	(24)	(24)	(22)	(46)
Closing balance									
31 Dec 2017	79,279	219,389	3,811	224,795	1,213,680	1,661,675	1,740,954	314,817	2,055,771

**MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
AND SUBSIDIARIES**

consolidated statement of cash flows as of 31 December 2017

of the consolidated financial statements prepared in accordance with International Financial Reporting Standards

	Notes	2017 HUF million	2016 HUF million
Profit before tax		365,638	272,543
<i>Adjustments to reconcile profit before tax to net cash provided by operating activities</i>			
Depreciation, depletion, amortisation and impairment	4	318,309	315,483
Increase / (decrease) in provisions	16	(4,149)	(27,272)
Net (gain) / loss on asset disposal and divestments		3,764	659
Net interest expense / (income)	5	27,351	40,790
Other finance expense / (income)	5	(20,705)	8,963
Share of after tax results of associates and joint ventures	6	(17,944)	(14,390)
Other non-cash item		15,691	13,908
Income taxes paid	7	(44,159)	(63,415)
Cash flows from operations before changes in working capital		643,796	547,269
<i>Change in working capital</i>			
(Increase) / decrease in inventories	14	(58,052)	(41,706)
(Increase) / decrease in trade and other receivables	23	(126,404)	(47,040)
Increase / (decrease) in trade and other payables		89,124	78,389
(Increase)/decrease in other assets and liabilities	15, 18	11,232	(17,527)
Cash flows from operations		559,696	519,385
Capital expenditures	2	(285,532)	(289,438)
Proceeds from disposal of fixed assets		7,013	4,623
Acquisition of businesses (net of cash)	10	(2,567)	(29,935)
Proceeds from disposal of businesses (net of cash)	11	9,996	(3,562)
Decrease in other financial assets		(22,542)	(423)
Interest received and other financial income	5	5,935	3,962
Dividends received	5, 26	32,477	7,805
Cash flows used in investing activities		(255,220)	(306,968)
Proceeds from issue of bonds, notes and debentures		-	233,348
Repayments of bonds, notes and debentures		(234,840)	-
Proceeds from borrowings		933,026	1,056,074
Repayments of borrowings		(911,255)	(1,088,709)
Interest paid and other finance expense	5	(50,640)	(61,255)
Dividends paid to owners of parent	20	(52,666)	(47,802)
Dividends paid to non-controlling interest		(3,781)	(2,550)
Transactions with non-controlling interest		(23)	(214,987)
Cash flows used in financing activities		(320,179)	(125,881)
Currency translation differences relating to cash and cash equivalents		(5,032)	(1,446)
Increase/(decrease) in cash and cash equivalents		(20,735)	85,090
Net cash and cash equivalents at the beginning of the year		216,928	131,838
Change in Cash and cash equivalents		(14,887)	85,090
Net cash and cash equivalents at the end of the year		202,041	216,928
Overdraft		(5,848)	-
Cash and cash equivalents		196,193	216,928

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2017 financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2017 - showing an asset total of HUF 2,851,428 million and a net profit for the year of HUF 185,867 million -, the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of MOL Hungarian Oil and Gas Plc. as at 31 December 2017 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Oil and natural gas reserve estimation process

The estimation of oil and natural gas reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's share of reportable volumes. We considered the oil and natural gas reserve estimation process to be a key audit matter as oil and natural gas reserves are also a fundamental indicator of the future potential of the Company's performance and these estimates affect significant income statement and balance sheet amounts.

Audit procedures included understanding of the process for determination of the oil and natural gas reserves and testing of the design of internal controls implemented in the process. We assessed the competence and objectivity of technical experts of the Company, to evaluate whether they are qualified to carry out the oil and natural gas reserve volumes estimation. We performed an inquiry of the management of the Company and our procedures were planned and executed to assess that the applied methodology for oil and natural gas reserves estimate is consistent with previous year.

We have performed the test of detail and we have selected the items with significant movements compared to the prior year. For these we tested if the changes were made in the appropriate period, and in compliance with the Company's internal policies and we validated these volumes against underlying information such as technical evaluations and Reserve and Resources Committee decision papers. We also performed analytical procedures on movements in oil and natural gas reserves during the year and reviewed whether all significant changes were approved by the Reserves and Resources Committee.

We assessed the adequacy of the Company's disclosures in respect of oil and natural gas reserves.

The Company's disclosures about oil and natural gas reserves estimation policies are included in Note 8.c) Depreciation, depletion and amortization to the financial statements.

Wholesale Revenue recognition

The Company's net revenue derives from different activities and we identified wholesale revenue as a significant revenue stream. Revenue is recognized when the risks and

Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies including those relating to discounts, incentives and rebates. We assessed compliance with the policies in terms of applicable accounting standards. We tested the

rewards of the underlying products have been transferred to the customer.

Revenue is measured taking into account discounts, incentives and rebates earned by customers on the Company's sales. Due to the multitude and variety of contractual terms across the Company's markets, typically related to the wholesale activity, we consider the estimation of discounts, incentives and rebates recognized based on sales made during the year to be a complex area and therefore we consider revenue recognition related to wholesale activity as a key audit matter.

Asset impairments

Movements in oil and gas prices can have a significant effect on the carrying value of the Company's assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices will also quickly impact the Company's operations and cash flows. We assessed the principal risk arising in relation to the financial statements to be associated with the carrying value of the above

listed assets, many of which are supported by an assessment of future cash flows.

As asset impairments are complex and judgmental area with significant potential impact on the valuation of assets, we consider asset impairments a key audit matter.

design and operational effectiveness of the Company's controls over calculation of discounts, incentives and rebates and correct timing of revenue recognition. We tested a sample of the sales transactions close to the balance sheet date as well as credit notes issued after the balance sheet date to assess whether that revenue was recognized in the correct period. We also performed analytical reviews over revenue accounts and we assessed the adequacy of the Company's disclosures in respect of revenue.

The Company's disclosures about revenue and revenue recognition policies are included in Note 3 to the financial statements.

We examined the methodology used by management to assess the carrying value of respective assets, to determine its compliance with accounting standards and consistency of application. We performed understanding of the process and tested the design of the internal controls operated by the Company relating to the assessment of the carrying value of respective assets. For the assets where impairment indicators were not identified by the Company we assessed the assumptions used by the Company in its determination of whether impairment indicators exist. The assessment took into consideration current industry and Company expectations for the key inputs to impairment models.

In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in impairment testing, the most significant being future market oil prices, reserves and resources volumes and discount rates. We involved internal experts in the evaluation of discount rates. We also performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and procedures to assess the completeness of the impairment charges.

We assessed the adequacy of the Company's disclosures in respect of valuation of intangible assets and tangible fixed assets.

The disclosures about intangible assets and tangible fixed assets are included in Note 8 to the financial statements.

Trading operations

Unauthorized trading activity (which covers physical and paper trading of products and product related derivatives) gives rise to an inherent risk of fraud in revenue or profit recognition as there is an incentive to mismarking of the Company's trading positions to minimize trading losses or maximize trading profits or understate profits or move profits to subsequent periods when bonus ceilings have already been reached, to maximize individual bonuses across financial years. This risk together with the potential significant effect on the revenue or profit of the Company led us to identify the risk of unauthorized trading operation as a key audit matter.

Our audit procedures included testing of the design of internal controls implemented in the process and testing of the design and operating effectiveness of the controls implemented by the Company to avoid unauthorized trading activity. We selected a sample of third parties to whom we sent confirmation letters to confirm the year-end balances of open transactions.

We tested fair value of a sample of derivatives using contract and external market prices with the involvement of valuation experts. We performed test of the completeness of the trading transactions and amounts recorded in the financial statements through performing procedures to detect unrecorded liabilities as well as procedures related to the recognition of sales, purchases, trade receivables and trade payables. We assessed the appropriateness of disclosures made in relation of the result and details of trading transactions as detailed in Note 16 and Note 17 to the financial statements.

Other information

Other information consists of the 2017 business report of MOL Hungarian Oil and Gas Plc. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business

report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU IFRSs and the supplementary requirements of the Hungarian Accounting Law relevant for financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so..

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of MOL Hungarian Oil and Gas Plc. by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 16 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 1 March 2018.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

Unbundling of the activities

In accordance with section 105A/(1) of Act LXXXVI of 2007 on Electric Energy we have examined Note c) in Appendix 4 to the financial statements of the Company for 2017, which presents Unbundling of the activities.

Management is responsible for development and application of the accounting policies pertaining to unbundling, for pricing the various activities to ensure that various activities are free from cross financing and for the separate presentation of unbundled activities in the notes to the financial statements in accordance with section 105/(2)-(4) of act LXXXVI of 2007 on Electric Energy.

Our responsibility is to express a conclusion on information included in Note c) in Appendix 4. We performed our limited assurance engagement in accordance with Hungarian National Standard on Assurance Engagements. Those standards require that we comply with ethical requirements and plan and perform the limited assurance engagement in order to obtain a limited assurance that the Company meets the requirements on cross financing and separate presentation of unbundled activities contained in the Hungarian Accounting law and the guidance of the Hungarian Energy and Public Utility Regulatory Authority. The evidence-gathering procedures are more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement. We have also not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accounting policies applied by the Company and the information included in Note c) in Appendix 4, in all material respects, are not in line with the Hungarian Accounting law with section 105/(2)-(4) of act LXXXVI of 2007 on Electric Energy and the guidance of the Hungarian Energy and Public Utility Regulatory Authority related to unbundling and elimination of cross financing between activities.

The engagement partner on the audit resulting in this independent auditor's report is Szabó Gergely.

Budapest, 12 March 2018

Szabó Gergely
Partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2017 consolidated financial statements of MOL Hungarian Oil and Gas Plc. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017 - showing an asset total of HUF 4,231,700 million and a net profit for the year of HUF 316,410 million -, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our

opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements section” of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Oil and natural gas reserve estimation process

The estimation of oil and natural gas reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Group’s share of reportable volumes. We considered the oil and natural gas reserve estimation process to be a key audit matter as oil and natural gas reserves are also a fundamental indicator of the future potential of the Group’s performance and these estimates affect significant income statement and balance sheet amounts.

Audit procedures included understanding of the process for determination of the oil and natural gas reserves and testing of the design of internal controls implemented in the process. We assessed the competence and objectivity of technical experts of the Group, to evaluate whether they are qualified to carry out the oil and natural gas reserve volumes estimation. We performed an inquiry of the management of the Group and our procedures were planned and executed to assess that the applied methodology for oil and natural gas reserves estimate is consistent with previous year.

We have performed the test of detail and we have selected the items with significant movements compared to the prior year. For these we tested if the changes were made in the appropriate period, and in compliance with the Group’s internal policies and we validated these volumes against underlying information such as technical evaluations and Reserve and Resources Committee decision papers. We also performed analytical procedures on movements in oil and natural gas reserves during the year and reviewed whether all significant changes were approved by the Reserves and Resources Committee.

We assessed the adequacy of the Group’s disclosures in respect of oil and natural gas reserves.

The Group’s disclosures about oil and natural gas reserves estimation policies are included in Note 9.g) Depreciation, depletion and amortization to the consolidated financial statements.

Wholesale revenue recognition

MOL Group net revenue derives from different activities and we identified wholesale revenue as a significant revenue stream. Revenue is

Our audit procedures included considering the appropriateness of the Group’s revenue recognition accounting policies including those

recognized when the risks and rewards of the underlying products have been transferred to the customer.

Revenue is measured taking into account discounts, incentives and rebates earned by customers on the Group's sales. Due to the multitude and variety of contractual terms across the Group's markets, typically related to the wholesale activity, we consider the estimation of discounts, incentives and rebates recognized based on sales made during the year to be a complex area and therefore we consider revenue recognition related to wholesale activity as a key audit matter.

Asset impairments

Movements in oil and gas prices can have a significant effect on the carrying value of the Group's assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices will also quickly impact the Group's operations and cash flows. We assessed the principal risk arising in relation to the consolidated financial statements to be associated with the carrying value of the above listed assets, many of which are supported by an assessment of future cash flows.

As asset impairments are complex and judgmental area with significant potential impact on the valuation of assets, we consider asset impairments a key audit matter.

relating to discounts, incentives and rebates. We assessed compliance with the policies in terms of applicable accounting standards. We tested the design and operational effectiveness of the Group's controls over calculation of discounts, incentives and rebates and correct timing of revenue recognition. We tested a sample of the sales transactions close to the balance sheet date as well as credit notes issued after the balance sheet date to assess whether that revenue was recognized in the correct period. We also performed analytical reviews over revenue accounts and we assessed the adequacy of the Group's disclosures in respect of revenue.

The Group's disclosures about revenue and revenue recognition policies are included in Note 3 to the consolidated financial statements.

We examined the methodology used by management to assess the carrying value of respective assets, to determine its compliance with accounting standards and consistency of application. We performed understanding of the process and tested the design of the internal controls operated by the Group relating to the assessment of the carrying value of respective assets. For the assets where impairment indicators were not identified by the Group we assessed the assumptions used by the Group in its determination of whether impairment indicators exist. The assessment took into consideration current industry and Group expectations for the key inputs to impairment models.

In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in impairment testing, the most significant being future market oil prices, reserves and resources volumes and discount rates. We involved internal experts in the evaluation of discount rates. We also performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and procedures to assess the completeness of the impairment charges.

We assessed the adequacy of the Group's disclosures in respect of valuation of intangible assets and tangible fixed assets.

The disclosures about intangible assets and tangible fixed assets are included in Note 9 to the consolidated financial statements.

Trading operations

Unauthorized trading activity (which covers physical and paper trading of products and product related derivatives) gives rise to an inherent risk of fraud in revenue or profit recognition as there is an incentive to mismarking of the Group's trading positions to minimize trading losses or maximize trading profits or understate profits or move profits to subsequent periods when bonus ceilings have already been reached, to maximize individual bonuses across financial years. This risk together with the potential significant effect on the revenue or profit of the Group led us to identify the risk of unauthorized trading operation as a key audit matter.

Our audit procedures included testing of the design of internal controls implemented in the process and testing of the design and operating effectiveness of the controls implemented by the Group to avoid unauthorized trading activity. We selected a sample of third parties to whom we sent confirmation letters to confirm the year-end balances of open transactions.

We tested fair value of a sample of derivatives using contract and external market prices with the involvement of valuation experts. We performed test of the completeness of the trading transactions and amounts recorded in the consolidated financial statements through performing procedures to detect unrecorded liabilities as well as procedures related to the recognition of sales, purchases, trade receivables and trade payables.

We assessed the appropriateness of disclosures made in relation of the result and details of trading transactions as detailed in Note 20 and Note 21 to the consolidated financial statements.

Other information

Other information consists of the 2017 consolidated business report of the Group and the Overview Chapter, the Management & Discussion & Analysis Chapter, the Corporate Governance Chapter ("Statement on corporate governance"), the Supplementary and Sustainability Chapter and the Report on Payments to Governments of the Annual Report of MOL Hungarian Oil and Gas Plc. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statements as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statements as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards, and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of MOL Hungarian Oil and Gas Plc. by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 16 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 1 March 2018.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Szabó Gergely.

Budapest, 12 March 2018

Szabó Gergely
Partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

Proposal to Item No. 1 of the Agenda

Report of the Supervisory Board on the 2017 financial statements and on the proposal on the distribution of profit after taxation, and its opinion on the Board of Directors' proposals to be submitted to the General Meeting

The Supervisory Board and the Audit Committee performed their duties in 2017 in full accordance with their statutory obligations. The Supervisory Board and the Audit Committee held 5 meetings in 2017, the common agenda items were discussed on the joint meetings of the Supervisory Board and the Audit Committee. The Board of Directors regularly reported to the Supervisory Board on the management, the financial situation and the business policy of the Company. Regular agenda items of the Supervisory Board meetings included reports of Group Internal Audit and the Audit Committee itself, and reports on the activities of Group Compliance & Ethics and Group Security. The Supervisory Board was involved in the preparation and the review of different proposals and in the approval of the strategic priorities of the Group and its divisions. Finally, macroeconomic and industrial developments were monitored as well. The Supervisory Board reviewed proposals for the Annual General Meeting. The report of the Supervisory Board was prepared pursuant to the reports of the Board of Directors and the management, the opinions of the auditors, scheduled regular interim reviews and the work of the Audit Committee. The Supervisory Board continuously received information on the decisions of the Board of Directors and issues concerning the Company.

MOL, with a market capitalization of USD 9.5 billion at end of 2017, is one of the leading companies in the CEE region.

The Company's 2017 financial statements - prepared in compliance with International Financial Reporting Standards as adopted by the European Union ("IFRS") - provide a true and fair view of its economic operations and were audited by Ernst & Young Kft. The accounting methods applied in developing these financial reports are supported by the report of the Audit Committee, comply with the provisions of the Accounting Act and the IFRS rules and are consistent with the accounting policies of the Company. All figures in the balance sheet are supported by analytical book-keeping. Assessment and payment of tax obligations were executed as prescribed by law.

A total of 137 companies were fully consolidated, and a further 13 companies partially consolidated in MOL Group using the equity method. In 2017, there were significant changes in the ownership structure that led to a substantial increase in MOL's free-float, which now exceeds 45%. A large strategic shareholder, CEZ MH B.V., sold its full MOL stake, representing 7.5% of total shares outstanding, while Crescent Petroleum also fully exited its position. In April 2017 the Board of Directors approved an 8-for-1 split of MOL shares, which was successfully executed in September. MOL exercised its option rights arising out of different share option agreements, translating into a net increase of treasury shares. As a result, 9.9% of the total outstanding shares were held as treasury shares at the end of 2017. According to requests for the registration of shares received and published shareholder notifications, the Company had 3 shareholders that held more than 5% of the voting rights on 31 December 2017. MOL's largest shareholder is the Hungarian State, which holds 25.2% of MOL shares.

MOL Group again delivered a strong financial performance in 2017 and reported HUF 673 billion EBITDA, exceeding the 2016 result by 8%. In line with that net operating cash flow increased by 8%, while organic CAPEX was at a similar level in 2017 compared to the previous year, amounting to HUF 280bn, hence free cash flow generation further improved in 2017. These results are the reflection of the strength and resilience of MOL's high quality, low-cost integrated business model.

In Downstream, full year EBITDA reached HUF 327 billion, 6% below the 2016 result, and it was still supported by a strong macro environment. The 3-year Next Downstream Program that was concluded in 2017 brought in significant efficiency gains versus the 2014 base. Subsequently, a new 5-year program ("DS2022") was announced, a program of strategic transformation, growth and further

efficiency improvement, which defines the first Downstream milestones along the MOL 2030 long-term strategy.

The Upstream division's financial results improved substantially, as EBITDA reached HUF 233 billion in 2017, representing a 27% increase from the 2016 level, mainly driven by higher hydrocarbon prices. The strong earnings coupled with somewhat lower CAPEX meant that the segment became a material free cash flow contributor, providing more than one third of the Group's simplified free cash flow in 2017. Although total hydrocarbon production declined slightly (by 5%) compared to the previous year, group-level average unit OPEX stayed at a very competitive level at USD 6.1/bbl.

As part of the MOL 2030 strategy, the company also set the target of becoming the first choice of customers in the CEE region. In order to achieve this, a new business segment, Consumer Services, was set up in December 2016. Apart from continuing the operation of the successful fuel retailing business, this segment will be increasingly focusing on the non-fuel offerings and mobility services. The segment's 2017 EBITDA reached HUF 97bn, which is 13% higher than the 2016 result, driven by an increase in regional fuel consumption and supported by the continued growth of the non-fuel margin.

Overall, 2017 was another year of delivering strong financial results and equally importantly it was also a year of visible progress along the transformation journey set out in the MOL 2030 strategy. MOL managed to maintain its strong financial position, as indebtedness decreased further, net debt to EBITDA stood at 0.65x at year end 2017 versus 0.97x in 2016. Moreover, the company reached important milestones regarding its strategic transformation. The company's flagship chemicals project targeting the polyol value chain entry progressed well as all major technological licenses were secured during 2017 and the European Commission also endorsed EUR 131.5 million state aid for the project.

The Supervisory Board proposes that the General Meeting approves the audited financial statements of MOL Plc. for 2017 with total assets of HUF 2,851,428 million and net profit of HUF 185,867 million and the audited consolidated financial statements of MOL Group for 2017 with total assets of HUF 4,231,700 million and net profit of HUF 316,410 million.

In line with the Dividend Proposal the Supervisory Board endorses the recommendation of the Board of Directors to pay out a total HUF 94,278,069,345 as dividend – a including a regular dividend of HUF 62,852,046,230 and a special of HUF 31,426,023,115 – in 2018 based on the year ended 31 December 2017.

The Supervisory Board has reviewed and supports all proposals and materials of the Board of Directors to be submitted to the General Meeting and recommends to the General Meeting to approve the proposals.

The Audit Committee provided assistance to the Supervisory Board in supervising the financial report regime and the 2017 financial statements and supported the report of the Supervisory Board. The Audit Committee participated in the procedure of selecting the auditor and made a recommendation to the Supervisory Board regarding the appointment of the auditor.

Budapest, 19 March 2018

On behalf of the Supervisory Board and the Audit Committee of MOL Plc.:

György Mosonyi
Chairman of the Supervisory Board

Dr. Attila Chikán
Chairman of the Audit Committee

Proposal to Item No. 1 of the Agenda

Decision on the approval of the Company's 2017 IFRS parent company and consolidated financial statements, the distribution of profit after taxation and the amount of dividend

The Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting approves the 2017 parent company financial statement of MOL Plc. prepared based on Section 9/A of the Hungarian Accounting Act, in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS) and the related independent auditors' report with total assets of HUF 2,851,428 million and net profit of HUF 185,867 million.

The General Meeting furthermore approves the 2017 consolidated financial statement of MOL Plc. prepared based on Section 10 of the Hungarian Accounting Act, in accordance with the IFRS and the related independent auditors' report with total assets of HUF 4,231,700 million and net profit of HUF 316,410 million.

Proposal to Item No. 1 of the Agenda

Decision on the amount of dividend after 2017

MOL has always been following a conservative financial policy, making sure it has financial stability and sufficient liquidity with a robust balance sheet, which provides both safety and flexibility. Yet MOL also remains committed to provide its shareholders a competitive return on their investments through the distribution of cash dividends. Thus the dividend payment proposal of the Board of Directors is always a balancing act, taking into account the company's actual balance sheet – and a strong balance sheet is a top priority –, as well as the outlook for organic and inorganic growth opportunities. MOL considers cash dividends as the primary shareholder remuneration tool.

In the past six years MOL paid dividends to its shareholders in line with these principles, the 2017 dividend per share amounted to HUF 78.125.

In 2017 the external environment remained volatile. MOL managed to capture the upside provided by supportive Downstream macro conditions, while the Upstream business doubled its free cash-flow contribution allowing the company to generate simplified free cash-flows of over USD 1.4bn. Consequently, deleveraging of the balance sheet continued: at the end of 2017 MOL's Net Debt to EBITDA ratio stood at 0.65x, well below the comfort zone of 1.0-2.0x. From a balance sheet flexibility perspective MOL is now well positioned to enter the upcoming transformational CAPEX cycle. The company plans to invest up to USD 2bn into strategic projects until 2021, whilst also keeping inorganic reserve replacement on the agenda in order to ensure the long-term sustainability and competitiveness of the Upstream business. Having considered the outstanding 2017 results, the strength of the balance sheet, future investment plans and potential uncertainties of external market conditions the Board of Directors proposes to the General Meeting to continue the previous trend of gradually increasing the base dividend amount and additionally share the windfall free cash flows of 2017 with shareholders in the form of a special dividend.

In line with the proposal above, the dividend payment would be set so that the base dividend per share grows by 9% to HUF 85 from last year's HUF 78.125. Additionally, the special dividend would provide a 50% top-up of HUF 42.5 per share, thus implying a total dividend per share of HUF 127.5. These amounts would correspond to a total dividend payment of HUF 94,278,069,345 paid for the financial year 2017 – taking into account the expected number of treasury shares at the record date –, which the Board of Directors proposes to the General Meeting.

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting decides that a total sum of HUF 94,278,069,345 shall be paid out as dividend in 2018, for the 2017 financial year. The dividend on treasury shares will be distributed to those shareholders eligible for such dividend, in proportion to their number of shares.

Proposal to Item 1 of the Agenda

Approval of the corporate governance declaration

Budapest Stock Exchange ("BSE") published its corporate governance recommendations ("Recommendations") in 2004. In the same year, MOL voluntarily submitted its declaration on the compliance with the Recommendations among first issuers. From 2005 MOL is obliged to submit its declaration on the Recommendations. The Board of Directors approved the declaration in both years. Pursuant to the Company Act (Act IV of 2006 on Business Associations) effective in 2006, from 1 July 2006 the declaration needs to be approved by the general meeting, MOL however playing a pioneer role approved already in 2006 by its annual general meeting the declaration to be submitted to the BSE. The Civil Code (Act V of 2013 on the Civil Code) currently in force containing – among others – the provisions regarding the business associations requires the public limited company to present to the annual general meeting the company governance and management report prepared according to the rules applicable to the actors of the given stock exchange.

In 2007, BSE issued new Corporate Governance Recommendations ("CGR"). According to the CGR, companies listed on the stock exchange are required to express their views on their corporate governance practices in two ways. In the first part of the statement they have to give account of the corporate governance practices applied by their company in the given business year, including their corporate governance policy, and a description of any unusual circumstances.

In the second part of the statement, in accordance with the "comply or explain" principle, they have to indicate their compliance with those recommendations included in specified sections of the CGR ("R" - recommendation) and whether they apply the different suggestions formulated in the CGR ("S" - suggestion). If the issuer does not apply the recommendation or applies it in a different manner, an explanation of what the discrepancies are and the reasons for the said discrepancies should be provided ("comply or explain" principle). In the case of suggestions, companies shall only indicate whether they apply the given guideline or not; there is no need for a specific explanation. The size of the declaration increased significantly. Until 2007, issuers had to make declaration consisting of 22 questions, from that year more than 100 questions had to be responded.

The CGR was modified and the new Recommendation are effective from 1 December 2012. There were only smaller updates not referring to the content of the recommendations (neither conceptual nor structural changes). The number of questions increased as some recommendations and suggestions used to refer to several bodies or committees within the same item, such questions were separated in order to allow responses differentiated by bodies or committees. There was no change in 2017.

The Corporate Governance Guidelines of the BSE are available on: www.bse.hu

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting approves the Corporate Governance Declaration, based on the Corporate Governance Recommendations of the Budapest Stock Exchange.

DECLARATION

MOL Plc. Corporate Governance Report in accordance with Budapest Stock Exchange Corporate Governance Recommendations

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1. Introduction

MOL Hungarian Oil and Gas Public Limited Company (hereinafter: “MOL” or “Company”) has always been committed to implementing the highest standards of corporate governance structures and practices. This is not only with regard to national expectations but also with reference to the continually evolving and improving standards of good governance on an international level. As a result MOL is geared towards shareholders’ interests, whilst taking into account the interests of a broader group of stakeholders inevitably necessary to enhance the generation of exceptional value for MOL’s shareholders and people.

Among other things, the voluntary approval of the declaration on the Budapest Stock Exchange Corporate Governance Recommendations by the Annual General Meeting in 2006, before the official deadline, served as testament to the Company’s commitment to corporate governance. In addition, MOL made a declaration concerning the application of the corporate governance recommendations of the Warsaw Stock Exchange prior to the admission of its shares to the Warsaw Stock Exchange in December 2004. The Company submits its declaration on this topic to both stock exchanges each year.

MOL’s corporate governance practice meets the requirements of the regulations of the Budapest Stock Exchange and the relevant capital market regulations. MOL also subjects its policies to regular review to ensure that they take account of the continually evolving international best practice in this area. MOL’s Corporate Governance Code containing the main corporate governance principles of the Company was adopted in 2006 for the first time and its last update was fulfilled in 2015. This Code summarises its approach to shareholders’ rights, main governing bodies, furthermore remuneration and ethical issues. The Corporate Governance Code has been published on the website of the Company.

2. Shareholders (general meeting)

The general meeting is the supreme body of the Company consisting of the totality of shareholders. The general meeting, as the main decision-making body, enables shareholders to make decisions on issues that are of a material nature concerning the operations of the Company, to approve actual corporate governance actions and to exercise effective governance and control rights.

2.1. Exercising the shareholders’ rights, general meeting participation

Voting rights on the general meeting can be exercised based on the voting rights attached to shares held by the shareholders. Each “A” Series share entitles its holder to one vote. The actual voting power depends on how many shares are registered by the shareholders participating in the general meeting.

Condition of participation and voting at the general meeting for shareholders is that the holder of the share(s) shall be registered in the Share Register. The depositary shall be responsible for registering the shareholders in the Share Register pursuant to the instructions of such shareholders in line with the conditions set by the general meeting invitation. According to Article 8.6 of the Articles of Association: „Each shareholder – at the shareholder’s identification related to the closing of the share registry prior to the next general meeting –, shall declare whether he, or he and any other shareholder belonging to the same shareholder group as specified in Articles 10.1.1 and 10.1.2 holds at least 2% of the Company’s shares, together with the shares regarding which he asks for registration.” If the conditions described in the previous sentence are met, the shareholder requesting registration is obliged to declare the composition of the shareholder group taking into account the provisions of Articles 10.1.1 and 10.1.2.

Furthermore, the shareholder shall, on the request of the Board of Directors, immediately identify the ultimate beneficial owner with respect to the shares owned by such shareholder. In case the

shareholder fails to comply with the above request or in case there is a reasonable ground to assume that a shareholder made false representation to the Board of Directors, the shareholder's voting right shall be suspended and shall be prevented from exercising it until full compliance with the said requirements.

According to Article 10.1.1 of the Articles of Association: „No shareholder or shareholder group (as defined in Article 10.1.2 of Articles of Association) may exercise more than 10% of the voting rights with the exception of the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares (the latter shall be exempted only insofar as the ultimate person or persons exercising the shareholder's rights represented by the shares and securities deposited with them do not fall within the limitations specified here below).”

In accordance with Act V of 2013 on the Civil Code (hereinafter: “Civil Code”) the shareholders have the right to participate, to request information and to make remarks and proposals at the general meeting. Shareholders are entitled to vote, if they hold shares with voting rights. The shareholders having at least one per cent of the voting rights may request the Board of Directors to add an item to the agenda of the general meeting. Where a group of shareholders together controlling at least one per cent of the votes in the Company propose certain additions to the agenda in accordance with the provisions on setting the items of the agenda, or table draft resolutions for items included or to be included on the agenda, the matter proposed shall be construed to have been placed on the agenda if such proposal is delivered to the Board of Directors within eight days following the time of publication of notice for the convocation of the general meeting, and the Board of Directors publishes a notice on the amended agenda, and on the draft resolutions tabled by shareholders upon receipt of the proposal. The conditions to participate in the general meeting are published in the invitation to the general meeting. Invitations to the general meeting are published on the company website according to the Articles of Association. The ordinary general meeting is usually held in April, in line with the current regulations.

The ordinary general meeting, based on the proposal of Board of Directors approved by the Supervisory Board, shall have the authority to determine profit distribution, i.e. the amount of the profit after taxation to be reinvested into the Company and the amount to be paid out as dividends. Based upon the decision of the general meeting, dividend can be paid in a non-cash form as well.

The starting date for the payment of dividends shall be defined by the Board of Directors in such way as to ensure a period of at least 10 working days between the first publication date of such announcement and the initial date of dividend distribution. Only those shareholders are entitled to receive dividend, who are registered in the share register of the Company on the basis of shareholders identification executed on the date defined by the Board of Directors and published in the announcement on the dividend payment. Such date relevant to the dividend payment determined by the Board of Directors may deviate from the date of the general meeting deciding on the payment of dividend.

2.2. Relationship with the shareholders

The Board is aware of its commitment to represent and promote shareholders' interests, and recognises that it is fully accountable for the performance and activities of the MOL Group. To help ensure that the Company can meet shareholders' expectations in all areas, the Board continually analyses and evaluates developments, both in the broader external environment as well as at an operational level.

Formal channels of communication with shareholders include regular announcements, the annual report, the half-year report and quarterly earnings reports, furthermore extraordinary announcements. Regular and extraordinary announcements are published on MOL's website, on the Budapest Stock Exchange (primary exchange), on the Warsaw Stock Exchange and on the Capital Market Information Disclosure System operated by the National Bank of Hungary (Magyar Nemzeti Bank). Moreover we send e-mail announcements to those who subscribed to the distribution list of e-mail announcements of Investor Relations and to the international and domestic media. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting. Regular Roadshow visits are also made to various cities in the UK, the US and Continental Europe where meetings are held with representatives of the investment community, including MOL's shareholders and holders of MOL's Depository Receipts (DR). Furthermore, investors are able to raise questions or make proposals at any time during the year, including the Company's general meeting. Investor feedbacks are regularly reported to the Board of Directors.

MOL has an Investor Relations department which is responsible for the organisation of the above activities as well as for the day-to-day management of MOL's relationship with its shareholders (contact details are provided in the "Shareholder Information" section at the end of the annual report). Extensive information is also made available on MOL's website (<https://molgroup.info/en/>), which has a dedicated section for shareholders and the financial community. MOL has always paid special attention to provide a considerably wide range of information to the capital markets, in line with international best practice. Therefore Investor Relations Department of MOL is continuously renewing its website (direct link at: <https://molgroup.info/en/investor-relations>). The aim of the development is to make the website even more user-friendly, in line with the intention to continuously improve our services. These enable us to meet the expectations of our shareholders, analysts and other capital market participants more effectively.

In 2017 MOL conducted a total of 15 days of roadshow and participated in 16 conferences in the U.S. and Europe, having around 300 meetings with potential and existing shareholders and bondholders. Investor engagement in November-December 2017 was dedicated to give an update to the investment community on MOL's long-term strategy (MOL2030), summarizing the key steps taken and those upcoming in the near future.

3. Management and operation

3.1. Board of Directors

MOL's Board of Directors acts as the highest managing body of the Company and as such has collective responsibility for all corporate operations.

The Board's key activities are focused on achieving increasing shareholder value with also considering other stakeholders' interest; improving efficiency and profitability and ensuring transparency in corporate activities and sustainable operation. It also aims to ensure appropriate risk management, environmental protection and conditions for safety at work.

Given that MOL and its subsidiaries effectively operate as a single economic unit, the Board is also responsible for enforcing its aims and policies and for promoting the MOL culture throughout the entire Group.

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders, the executive management and the Company. The composition of the Board reflects this with the majority (seven of ten members) made up of non-executive directors. At present,

6 members of the Board of Directors qualify as independent on the basis of its own set of criteria (based on NYSE and EU recommendations) and the declaration of the directors.

The members of the Board of Directors and their independence status in 2017 (professional CVs of the members are available on the Company's website):

Name	Status	Mandate
Zsolt Hernádi, Chairman-CEO	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February, 1999
Dr. Sándor Csányi, Deputy Chairman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 20 October, 2000
József Molnár	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 12 October, 2007
Zsigmond Járai	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. László Parragh	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. Martin Roman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. Oszkár Világi	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 May, 2011
Dr. Anthony Radev	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April, 2014
Dr. Anwar al-Kharusi	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April, 2014
Dr. János Martonyi	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 July, 2014

3.1.1. Operation of the Board of Directors

The Board acts and adopts resolutions as a collective body.

The Board adopted a set of rules (Charter) to govern its own activities in 1991, when the Company was founded; these rules were updated in April, 2015 to ensure continued adherence to best practice standards.

The Charter covers:

- scope of the authority and responsibilities of the Board,
- scope of the committees operated by the Board,
- the scope of the information required by the Board and the frequency of reports,
- main responsibilities of the Chairman and the Deputy Chairman,
- order and preparation of Board meetings and the permanent items of the agenda, and
- decision-making mechanism and the manner in which the implementation of resolutions is monitored,
- rules on conflict of interest.

Members of the Board of Directors shall sign an Annual Declaration on Conflict of Interest in accordance with the form approved by the Board of Directors simultaneously assuming their membership, and in every calendar year 30 days prior to the date of the annual general meeting which is to be submitted to the Corporate Governance and Remuneration Committee. If any conflict of interest specified in the Charter of the Board of Directors occurs with respect to the member of the

Board of Directors, such member shall report in Ad hoc Declaration on Conflict of Interest to the Corporate Governance and Remuneration Committee.

The Board of Directors prepares a formal evaluation of its own and its committees' performance on a yearly basis and it continuously reviews its own activity.

3.1.2. Report of the Board of Directors on its 2017 activities

In 2017, the Board of Directors held 6 meetings with an average attendance rate of 93%. Attendance to the Board of Directors meetings during 2017 is set out in the table below:

	Number of Meetings	Attendance Ratio
TOTAL	6	93%
Zsolt HERNÁDI	5	83%
Dr. Sándor CSÁNYI	6	100%
József MOLNÁR	6	100%
Zsigmond JÁRAI	5	83%
Dr. László PARRAGH	4	66%*
Dr. Martin ROMAN	6	100%
Dr. Oszkár VILÁGI	6	100%
Dr. Anthony RADEV	6	100%
Dr. Anwar AL-KHARUSI	6	100%
Dr. János MARTONYI	6	100%

*Mr. Parragh did not attend the BoD meeting on the 16 of February, as he had to attend a business meeting with the leaders of Eurochambers, furthermore did not attend he meeting on the 7th of September as he had to attend a business event at the Hungarian Chamber of Commerce and Industry.

Alongside regular agenda items, such as reports by the committees' chairmen on the activities pursued since the last Board meeting, the Board of Directors received updates on key strategic issues as well as an overview of capital market developments and individually evaluated the performance of each of the company's business units.

The Board of Directors respectively paid attention to the follow-up of the industry macro trends, the treatment of the challenges driven by the external environment, the financial, operational and efficiency improvement challenges regarding INA and the strategy update process.

3.1.3. Committees of the Board of Directors

The Board operates its committees to increase the efficiency of the Board's operations and to provide the appropriate professional background for decision-making. The committees are preparatory, advisory, opinion-forming and proposal-preparing bodies of the Board of Directors and have prior opinion-forming rights, as set out by MOL Group's List of Decision-making Authorities, in certain questions belonging to the competency of the Board of Directors and in those which are delegated to the competency of respective executive members of the Board of Directors, as the executive management of the Company.

The responsibilities and the rules of procedure of the committees are determined by the Board of Directors.

The Chairman of the Board of Directors may also request the committees to perform certain tasks.

The members and chairmen of the committees are elected by the Board of Directors. The majority of committee members is non-executive and independent.

The Board allocates responsibilities to the various committees as follows:

a. Corporate Governance and Remuneration Committee:

Members and dates of appointment to the committee (professional CVs of members are available on the Company's website):

- Dr. Sándor Csányi - chairman, 17 November, 2000
- Zsolt Hernádi, 8 September, 2000
- Dr. Martin Roman, 4 June, 2010
- Dr. Anthony Radev, 30 May, 2014
- Dr. János Martonyi, 1 July, 2014

The Chairman of the Board of Directors is a permanent member of the Corporate Governance and Remuneration Committee.

Responsibilities:

- Analysis and evaluation of the activities of the Board of Directors,
- issues related to Board/Supervisory Board membership,
- promoting the relationship between shareholders and the Board,
- procedural, ethical and regulatory issues,
- reviewing corporate processes, procedures, organisational solutions and compensation and incentive systems and making recommendations on the implementation of best practices.

Report of the Corporate Governance and Remuneration Committee on its 2017 activities

In 2017 the Corporate Governance and Remuneration Committee held 5 meetings with a 96% average attendance rate. Attendance to the committee meetings during 2017 is set out in the table below:

	Number of Meetings	Attendance Ratio
TOTAL	5	96%
Dr. Sándor CSÁNYI	5	100%
Zsolt HERNÁDI	4	80%
Dr. Martin ROMAN	5	100%
Dr. Anthony RADEV	5	100%
Dr. János MARTONYI	5	100%

In addition to the issues of corporate governance, remuneration and the composition of the management, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

b. Finance and Risk Management Committee:

Members and dates of appointment to the committee (professional CVs of members are available on the Company's website):

- Zsigmond Járai – chairman, 4 June, 2010
- Dr. László Parragh, 20 February, 2014
- Dr. Anthony Radev, 30 May, 2014
- Dr. Anwar al-Kharusi, 30 May, 2014

The Chairman of the Board of Directors, the Chairman of the Supervisory Board and the Chairman of the Audit Committee are a permanent invitees to the meetings of the Finance and Risk Management Committee.

Responsibilities:

- Review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- review of the scope and results of the planning and audit,
- monitoring of the risk management system,
- monitoring the liquidity position of the Company, the financial and operational risks and the management thereof, review of the operation of Enterprise Risk Management (ERM) system,
- ensuring the independence and objectivity of the external auditor.

Report of the Finance and Risk Management Committee on its 2017 activities

In 2017, the Finance and Risk Management Committee held 5 meetings with an 85% average attendance rate. Attendance to the committee meetings during 2017 is set out in the table below:

	Number of Meetings	Attendance Ratio
TOTAL	5	85%
Zsigmond JÁRAI	4	80%
Dr. László PARRAGH	5	100%
Dr. Anthony RADEV	3	60%*
Dr. Anwar AL-KHARUSI	5	100%

* Mr. Radev could not attend the FRC meetings on the 16th of March as he had to attend a business trip and on the 3rd of August as he had to attend a private trip.

In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance to the auditor's work and the regular monitoring of the internal audit, the committee reviewed the major risk factors of the Company, considering the changed international financial situation and the status reports on risk management actions attached to these factors.

c. Sustainable Development Committee:

Members and dates of appointment (professional backgrounds of members are available on Company website):

- Dr. László Parragh – Chairman, 30 May, 2014
- József Molnár, 5 September, 2013 (interim Chairman between 20 February and 30 May, 2014)
- Dr. Anwar al-Kharusi, 30 May, 2014
- Dr. János Martonyi, 1 July, 2014

The Chairman of the Board of Directors, the Chairman and Deputy Chairman of the Supervisory Board are permanent invitees to the meetings of the Sustainable Development Committee.

Responsibilities:

- To review, evaluate and comment for the Board of Directors on all proposals related to sustainable development (SD),
- to monitor the development and implementation of all SD related policies (e.g. HSE, Code of Ethics, etc.) and discuss ethical issues,
- to supervise the progress on the strategic focus areas of SD in MOL Group,
- to request and discuss reports from business divisions and subsidiaries about their SD performance,
- to review sustainability related data and information of external reports.

Report of the Sustainable Development Committee on its 2017 activities

In 2017, the Sustainable Development Committee held 4 meetings with a 94% attendance rate. Attendance to the committee meetings during 2017 is set out in the table below:

	Number of Meetings	Attendance Ratio
TOTAL	4	94%
József MOLNÁR	4	100%
Dr. László PARRAGH	3	75%
Dr. Anwar AL-KHARUSI	4	100%
Dr. János MARTONYI	4	100%

The Committee evaluated the accomplishment of the sustainability related actions taken in 2017 with focus on the ones included in MOL Group's Sustainability Plan for 2016-2020. The Committee formed opinion on the annual Sustainable Development Report and on thematic reports submitted by selected business units. External evaluations made about MOL Group's sustainability performance were also reviewed with highlighted attention on the fact that the company remained a component of the Dow Jones Sustainability Index.

3.2. Executive Board
3.2.1. Relationship with the Board of Directors and MOL Group organisations

The governance of the Company is carried out in line with standardised corporate governance principles and practice, and, within its framework, the Board of Directors will meet its liabilities for the integrated corporate governance by defining the responsibilities and accountabilities of the Executive Board ("EB"), established by the Board of Directors and securing the corporate operative activities, operating and organisational procedures, as well as standardised system for target-setting, reporting and audit (performance control system and business control system).

A consistent document prescribes the distribution of decision-making authorities between the Board of Directors and the company's organisations, defining the key control points required for the efficient development and operation of MOL Group's processes.

Control and management of MOL Group will be implemented through business and functional organisations. The EB will be responsible for harmonising their activities.

The EB is a forum for decision preparation that has the role to provide a direct link between the Board of Directors and the Company's work organization and at the same time to examine and oversee the matters submitted to the Board of Directors. The EB renders preliminary opinions on certain proposals submitted to the Board of Directors and is also responsible for the oversight of the execution of the Board of Directors' resolutions. The EB is the highest decision-making forum regarding such matters, which fall within its competence based on the internal regulations, but do not fall within the exclusive competence of the Board of Directors based on law and Articles of Association.

Each EB member has one vote, the EB takes its resolutions by simple majority. The Chairman-CEO, or Group CEO or Group CFO (each independently "entitled EB member"), may refer a proposal submitted to EB, to the Board of Directors for a final decision as follows: if an entitled EB member disagrees (i.e. casts „NO" vote) with a proposal adopted by a majority decision of EB members, or, alternatively, disagrees with the „NO" votes casted by the majority of EB members, may request the Chairman-CEO to refer the proposal for a final decision to the Board of Directors.

3.2.2. Members of the EB in 2017:

Zsolt Hernádi	Chairman-CEO (C-CEO)
József Molnár	Group Chief Executive Officer (GCEO)
Zoltán Áldott	Executive Vice President, President of the Management Board, INA d.d.
Sándor Fasimon	Executive Vice President, MOL Hungary (COO)
Ferenc Horváth	Executive Vice President, Group Downstream
József Simola	Group Chief Financial Officer (GCFO)
Dr. Oszkár Világi	Executive Vice President, Innovative Businesses and Services; C-CEO, Slovnaft a.s.
Dr. Berislav Gašo	Executive Vice President, Group Exploration and Production

From 15th February, 2018, Péter Ratatics, Executive Vice President, Consumer Services has been appointed as member of the EB.

In 2017, the Executive Board held 23 meetings and discussed 9 issues on a meeting on average.

4. Control

4.1. Supervisory board

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders (general meeting). Members of the Supervisory Board shall be elected by the general meeting for a definite period, but for a maximum of five (5) years. The Supervisory Board has twelve members. In accordance with the Civil Code, 1/3 of the members shall be representatives of the employees, accordingly four members of the MOL Supervisory Board are employee representatives while the other eight external persons is appointed by the shareholders.

The members of the Supervisory Board and their independence status:

György Mosonyi, Chairman	non-independent
Dr. Attila Chikán, Deputy Chairman	independent
John I. Charody	independent
Slavomír Hatina*	independent
Attila Juhász*	non-independent (employee representative)
Andrea Hegedűs*	non-independent (employee representative)
Dr. Sándor Puskás	non-independent (employee representative)

Dr. Norbert Szivek	independent
Ivan Mikloš	independent
Vladimír Kestler**	independent
Ilona Dávid**	independent
Andrea Bártfai-Mager**	independent
Piroska Bognár**	non-independent (employee representative)
András Tóth**	non-independent (employee representative)
Tibor István Ördög**	non-independent (employee representative)

*Mr. Salvomir Hatina's, Ms. Andrea Hegedűs and Mr. Attila Juhász's mandates as members of the Supervisory Board expired on 31 May 2017.

** Ms. Ilona Dávid, Ms. Andrea Bártfai-Mager, Ms. Piroska Bognár, Mr. Vladimír Kestler, Mr. András Tóth and Mr. Tibor István Ördög was elected by the general meeting as member of the Supervisory Board from 1 June, 2017.

The Chairman of the Supervisory Board is a permanent invitee to the meetings of the Board of Directors, Finance and Risk Management Committee and Sustainable Development Committee meetings.

Regular agenda points of the Supervisory Board include the quarterly report of the Board of Directors on the Company's operations and the reports of Internal Audit and Corporate Security, furthermore it is informed on other relevant topics. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2017 the Supervisory Board held 5 meetings with a 92% average attendance rate.

4.2. Audit Committee

In 2006, the general meeting appointed the Audit Committee comprised of independent members of the Supervisory Board. The Audit Committee strengthens the independent control over the financial and accounting policy of the Company.

The independent Audit Committee's responsibilities include the following activities among others:

- providing assistance to the Supervisory Board in supervising the financial report regime, in selecting an auditor and in working with the auditor, reviewing and monitoring the independence of the statutory auditor, monitoring the effectiveness of the Company's internal audit and risk management systems and make recommendations if necessary;
- carrying out the tasks of the audit committees of its subsidiaries which are consolidated by the Company, operate as public limited companies or issue securities admitted to trading on regulated market, if the relevant laws allow that and the subsidiary in question does not operate a separate audit committee.

Members of the Audit Committee and dates of their appointment (professional CVs of members are available on the Company's website):

- Dr. Attila Chikán - chairman, 27 April, 2006
- John I. Charody, 27 April, 2006
- Dr. Norbert Szivek, 14 April, 2016
- Ms. Ilona Dávid, 1 June, 2017*
- Ms. Andrea Bártfai-Mager, 1 June 2017*
- Ivan Mikloš, 1 May, 2016**

**Ms. Ilona Dávid, Ms. Andrea Bártfai-Mager was elected by the general meeting as a member of the Audit Committee from 1 June, 2017.*

*** Ivan Mikloš was elected by the general meeting as a permanent member of the Audit Committee from 1 May 2017.*

Report of the Audit Committee on its 2017 activities:

In 2017, the Audit Committee held 5 meetings with an 88% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance to the auditor's work and the regular monitoring of Internal Audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial situation and the status reports on risk management actions attached to these factors. The Audit Committee continuously monitored the Company's financial position. The Audit Committee reviewed the materials of the Annual General Meeting (i.e. financial reports, statements of the auditor). The Audit Committee participated in the procedure of selecting an auditor and made a recommendation to the Supervisory Board regarding the appointment of the auditor.

4.3. External auditors

MOL Group was audited by Ernst & Young ("EY") in both 2017 and 2016, excluding FGSZ Zrt. (audited by Pricewaterhouse Coopers) and some other non-significant subsidiaries.

Within the framework of the audit contract, EY performs an audit of consolidated and statutory financial statements, and interim financial statements of MOL Plc. The auditors ensure the continuity of the audit by scheduling regular on-site reviews during the year, participating in the meetings of MOL's governing bodies and through other forms of consultation.

Other non-audit and tax advisory services has completed cease from 1 January 2017 due to the EU audit reform came into force. Summary of the fees paid to them in 2016 and 2017 are as follows:

Fees paid to the auditors (HUF mn):	2016	2017
Audit fee for MOL (including audit fees for interim balance sheets)	147	140
Audit fee for subsidiaries	557	572
Other audit related services	48	37
Other non-audit services	53	0
Tax advisory services	409	0
Total	1214	749

The increase of the audit fee for subsidiaries is due to the acquired and newly established legal entities in Innovative Business Services. Other audit-related services includes primarily the assurance services relating to the Sustainable Development reports and Solvency II report.

The Board of Directors confirms that non-audit services provided by EY complied with the Policy for Services Provided by the External Auditor (FIN_GP19).

4.4. Internal control

4.4.1 Compliance & Ethics

MOL Group is committed to pursue ethical and fair conduct in all activities. In order to achieve the above aim MOL Group started its Compliance Program and established compliance organization

responsible for its execution, furthermore, in order to enforce the Code of Ethics and Business Conduct, allocated the task of supporting the operation of the Ethics Council in its competence.

Group Compliance and Ethics' activities include operation of the whistleblowing system ('SpeakUp!'), conducting internal inspections, preparation of risk analysis and training of employees. Whilst taking the specific nature of business into consideration, Group Compliance and Ethics reviews internal processes and risk factors and makes recommendations in order to ensure compliance, furthermore provides assistance for their execution.

Group Compliance and Ethics carries out its task in accordance with the laws of each country, taking EU and international expectations as minimum standards. The organization's competence covers the whole MOL Group through local compliance officers and local ethics officers.

Group Compliance and Ethics annually reports to the Supervisory Board and the Board of Directors on its activities.

4.4.2 Internal Audit

Internal Audit provides an independent and objective evaluation of financial, operational and control activities executed within the whole MOL Group and report on the adequacy of internal controls, the level of compliance with internal and external regulations directly to the Finance and Risk Management Committee, Audit Committee and Supervisory Board following the Executive Board's acknowledgement of the audit reports.

There are no restrictions placed upon the focus and scope of internal audit's work, the scope of the Internal Audit function within MOL Group covers all operations including any activities and subsidiaries controlled by MOL Group. The Head of Group Internal Audit is responsible for determining the scope of internal audit reports.

The main focus of Internal Audit is to review operational and functional activities executed within the whole MOL Group, and to identify, understand, test and evaluate associated controls to ensure that identified risks are mitigated in the most favourable cost-benefit ratio from a business perspective.

Internal Audit applies standard risk assessment principles when evaluating the residual and inherent risks of control weaknesses. The applied MOL Group internal audit risk assessment principles are approved by the Finance and Risk Management Committee.

Internal Audit operates under an audit plan approved by the Supervisory Board and agreed with the Audit Committee at the end of the year for the next one. If there is a request to modify the approved annual audit plan during the year, the C-CEO has the authority to approve any mid-year modifications to the annual audit plan.

To provide the independence of the Internal Audit function the Head of Group Internal Audit is accountable to the Finance and Risk Management Committee, Audit Committee and Supervisory Board and has direct access to their chairmen (for daily operational matters the Head of Group Internal Audit reports directly to the C-CEO of MOL Group). The Supervisory Board shall form opinion on the appointment and recall of the Head of Group Internal Audit.

MOL Group Internal Audit department shall be organized and operated according to the professional auditing and internal audit ethical standards of the Institute of Internal Auditors (IIA), the authoritative body for internationally recognized internal audit standards.

5. Annual remuneration for MOL Group management

5.1. Board of Directors

Annual fixed remuneration of the members of the Board of Directors

As of 1 January 2009, the members of the Board of Directors have been entitled to the following fixed net remuneration after each Annual General Meeting:

- Members of the Board of Directors **25,000 EUR/year**
- Chairmen of the Committees **31,250 EUR/year**

Members of the Board of Directors who are not Hungarian citizens and do not have a permanent address in Hungary are provided with gross **1,500 EUR** for each Board or Committee meeting (maximum 15 times a year) when they travel to Hungary.

Incentive based on share allowance

From January 1, 2012 the incentive based on share allowance serves as a long-term incentive for the members of the Board of Directors.

The aim of the new share based incentive is to ensure the interest in long-term stock price growth and to maintain motivation related to the dividend payment. To ensure these, a 1 year retention obligation (restraint on alienation) has been also determined for 2/3 of the shares (the retention obligation terminates at the date of the expiration of the mandate).

The incentive consists of two parts: share allowance and cash allowance related thereto.

- **Share allowance**

Number of shares as of 1 January 2015:

- in case of the members of the Board of Directors: 150 pieces of series "A" MOL ordinary shares with a nominal value of HUF 1 000 per month
- in case of the chairman of the Board of Directors: additional 50 pieces of series „A" MOL ordinary shares with a nominal value of HUF 1 000 per month

If the Chairman is not a non-executive director, the deputy chairman (who is non-executive) is entitled to this extra remuneration (50 pieces/month).

The share allowance is provided once a year, within 30 days after the Annual General Meeting closing the given business year.

In line with MOL's 8-for-1 share split (26 September 2017) each ordinary share of series "A" with a nominal value of HUF 1,000 was replaced by 8 pieces of series "A" ordinary shares with a nominal value of HUF 125. Accordingly, the share allowance of Board of Directors is subject to change after share split as following:

- in case of the members of the Board of Directors: 1,200 pieces of series „A" MOL ordinary shares with a nominal value of HUF 125 per month
- in case of the chairman of the Board of Directors: additional 400 pieces of series „A" MOL ordinary shares with a nominal value of HUF 125 per month.

- **Cash allowance**

The incentive based on share allowance is a *net incentive*, which means that the Company ensures to pay the taxes, contributions and other payables incurred upon acquisition of the shares in line with the relevant and effective laws. Such cash-based coverage of taxes and contributions does not include any further tax(es) or cost(s) incurred in relation to exercising rights attached to the shares or disposal of the shares (e.g. dividend tax, income tax); these shall be borne by the respective members of the Board of Directors.

In line with this, there is a further cash allowance part of the incentive system, the rate of which is the gross value of taxes, contributions and other payables incurred upon acquisition of the shares in line with the relevant and effective laws, including also the tax difference and contributions incurring in the country of tax-residence in case of non-Hungarian members of the Board of Directors.

Other benefits

The members of the Board of Directors are entitled to receive further non-financial benefits*, including life and accident (79,000 HUF/person/year) and travel (18,000 HUF/person/year) insurance.

Besides, as a non-financial benefit an annual health screening (84,000 HUF/person/year) and an additional healthcare package (350,000 HUF/person/year) is available for the members of the Board of Directors.

* Rounded to 1000 HUF (In case of EUR, calculated based on January 25, 2017 exchange rate; source: www.mnb.hu)

5.2. Executive Board and management

Incentive system for the top management, MOL Group Executive Board

The aim of MOL's remuneration system is to provide incentives for the top management to carry out the company's strategy and reward them for the achievement of strategic goals through a combination of short-term and long-term incentives. The Corporate Governance and Remuneration Committee recognizes that remuneration plays an important role in supporting the achievement of these goals. Through the design of its incentive schemes, MOL aims to ensure that executive remuneration is aligned with and supports the company's strategic objectives within a framework that closely aligns the interests of MOL executives to those of our shareholders.

The Executive Board (EB)'s remuneration mix consists of three key pillars:

- ▶ Annual Base Salary (BS): fixed annual amount paid to the individuals
- ▶ Short-Term Incentive (STI): annual bonus, based on individual and company performance
- ▶ Long-Term Incentive (LTI): promotes performance driven culture and enhances the focus on the top management team to be aligned with the interests of shareholders

The remuneration mix of the EB on 31 December 2017:

	Annual Base Salary	Target Short-Term Incentive	Target Long-Term Incentive
Chairman-CEO	28%	28%	44%
Group CEO	30%	30%	40%
Other EB members	35%	30%	35%

The incentive system for the top management included the following elements in 2017:

1. Short Term Incentive system

The basis of the short term incentive is a target of 85%-100% of the annual base salary. The amount thereof is defined in line with the evaluation of performance of the given manager.

Based on MOL Group's decision making authorities the C-CEO and G-CEO annual performance is evaluated by the Corporate Governance and Remuneration Committee with final approval of the Board of Directors.

Performance Measures for the STI

The aim of MOL Group STI scheme is to motivate the participants to achieve operative, business and individual performance targets which can be reached within a year, and support MOL Group's long term strategy.

In 2017, the Executive Board's STI framework was designed to include key focus areas in a mix of financial and non-financial KPIs in order to achieve the targets of the Group.

Financial KPIs:

In 2017, the key focus of the Executive Board was to deliver the EBITDA and CAPEX targets to achieve the 2030 strategic targets of MOL Group. These performance indicators are represented in the C-CEO and G-CEO annual performance targets:

Business line	KPI
C-CEO and Group CEO	Clean CCS EBITDA
	CAPEX utilisation

Furthermore, Executive Board members with divisional responsibilities are assessed on a number of operative and financial measures reflecting annual priorities and the strategic direction of each business division within the framework of the Group's long-term strategy.

Business line	KPI
Group Downstream	Clean CCS EBITDA
	CAPEX utilisation
	NxDSP EBITDA impact
Group Exploration and Production	Confirmed put in operation Reserves
	Clean CCS EBITDA
	CAPEX utilisation
	Production Unit Cost
	General operating costs
Group Innovative Businesses and Services	Clean CCS EBITDA
	CAPEX utilisation
	Implementation of the strategy of new business lines
	Operating costs

Non-financial KPIs:

Executive Board members are also accountable for non-financial targets alongside financial ones. Safety is a number one Group priority, which is why the Corporate Governance and Remuneration Committee consistently defines divisional SD&HSE-related performance indicators.

In 2017, MOL Group set the fulfillment of TRIR indicators of the Group and each divisions, as this uniformly shows the commitment of the Group for conducting safe, sustainable and compliant operations at all times.

In line with MOL Group 2030 strategy, a culture development journey started in 2017. This was set as a performance target across the whole management of MOL Group cascaded from the L1 such that they act as a role model in living the corporate values, and accelerate the culture change.

STI results

The choice of the aforementioned performance measures reflects a desire from the Corporate Governance and Remuneration Committee to assess the participants based on a broad range of corporate and divisional measures that mirrors the corporate strategy and its related KPIs.

The results of the STI are not driven by a purely formulaic approach, as no specific weight has been assigned to each performance measure in order not to create an overemphasis on one at the expense of others. The Corporate Governance and Remuneration Committee rigorously assesses performance at the end of the period and judges whether the results against the performance measures are a reflection of the underlying performance of MOL Group.

Changes in 2018 regarding the Short Term Incentive system of the MOL Group Executive Board

The Board of Directors of the MOL Plc. decided on 6 December 2017 that instead of their short-term incentive the top management can select a share ownership scheme in each year from 1st January 2018 which in case of Hungary will be operated via a MOL-independent legal entity, called MOL Plc. Employee Share Ownership Program Organization which in compliance with the act on the Employee Share Ownership Program ('MRP') incentive works in alignment with the provisions of the so-called Employee Share Ownership Program (Munkavállalói Rész tulajdonosi Program, 'MRP') legislation. The optional share ownership program works similarly to the short-term incentive, but the basis of the

entitlement is a certain number of shares equal to the short-term incentive entitlement, which the managers hold during the performance and evaluation period. The payment is made in MOL shares. The first performance period will be 2018, with payment in 2019.

2. Long Term Incentive

The purpose of the long-term incentive system is to drive and reward the delivery of sustainable value and to provide full alignment between MOL Group executive team and MOL shareholders.

The long-term incentive was reviewed in the last quarter of 2016 and the MOL Plc. Board of Directors decided to transform the current long term incentive programs to real share-based programs according to the provisions of MRP act on 13 October 2016. With this change, the programs can even better serve the further improvement of financial performance and efficiency in accordance with the corporate principles and the long term strategic objectives of MOL Group.

Changes in 2017

The long-term incentives were modified according to the MRP legislation from 1st January 2017. The former Stock Option was transformed into the Absolute Share Value Based Remuneration and the Performance Share Plan program was modified to the Relative Market Index Based Remuneration. The entitlements of the managers were increased according to the international benchmarks and reward strategy.

Stock Option and Performance Share Plan programs which started before 2017, continue to run and will be paid according to the previous rules.

In line with MOL's 8-for-1 stock split, which was implemented in September 2017, the share-based long-term entitlements increased eightfold automatically. In the meantime, the strike price of the Stock Option and the new Absolute Share Value Based Remuneration decreased to one-eighth from September 2017. This it is ensured that the value of the payouts do not change.

The main characteristics of the two new, modified incentive schemes are as follows:

a) Absolute Share Value Based Remuneration (former Stock Option)

As of 1st January 2017 the basis of the remuneration is a share entitlement, which can be realized as a difference between a past strike price and a selected spot price. The incentive scheme has the following characteristics:

- ▶ It starts annually and covers a 4-year period. The incentive period can be split into a 1-year performance period, a 1-year vesting period and a 2-year exercising period. The share entitlement lapses if not exercised by 31 December of the last final of the exercising period.
- ▶ The value of the incentive is the difference between the strike price and a selected spot price for each unit of the entitlement.
- ▶ The strike price is defined before the performance period begins. The strike price is the average price of MOL Plc. shares weighted with the volume in HUF on the Budapest Stock Exchange in the last quarter of the year before the performance year.
- ▶ The spot price is the average price of MOL shares in HUF on the Budapest Stock Exchange on the day of redemption. The trading day is freely selected by the eligible manager however it is limited by applicable insider trading prohibitions.
- ▶ The share entitlement is defined based on the position grade, but the final share entitlement is based on the individual performance evaluation during the performance period. During the

individual performance evaluation, an individual short-term bonus payout percentage (between 0% and 150%) is set which acts as a multiplier of the share entitlement.

- ▶ The payment of the entitlement is in shares or their cash equivalent. The value of the remuneration will be converted to shares based on the 30 days average MOL share price preceding the redemption date. In the case of cash-settlement the remuneration will be paid in Hungarian forints and will be transferred to that bank account number of the participant, to which the regular salary of the is paid by the employer of the Participant.
- ▶ Dividend equivalent: the final remuneration will be corrected with the value of the dividend per share paid for MOL Plc. shares in the vesting period after the performance period, in alignment with the share entitlement. The aim of the correction is to correct the long term incentive with the change of the share price caused by the dividend payment. The dividend equivalent is paid at redemption.

The final share entitlement is influenced also by the individual bonus payout percentage for the performance period:

Individual Bonus Payout %		% of Stock Options
0%	>	x0%
Between 1% and 149%	>	Based on individual bonus payout percentage
150%	>	x150%

Overview:

Stock Option	Strike Price	Exercise Period
2013	2 247 HUF	1 Jan 2015-31 Dec 2017
2014	1 824 HUF	1 Jan 2016-31 Dec 2018
2015	1 472 HUF	1 Jan 2017-31 Dec 2019
2016	1 669 HUF	1 Jan 2018-31 Dec 2020

Absolute Share Value Based Remuneration	Strike Price	Redemption Period
2017	3106 HUF	1 Jan 2019-31 Dec 2020

b) Relative Market Index Based Remuneration (former Performance Share Plan)

The program is a 3-year share-based incentive using the MOL Plc. comparative share price methodology with the following characteristics:

- ▶ A new program starts in each year on a rolling scheme with a 3-year vesting period. Payments are due after the 3rd year.
- ▶ The target is the development of MOL's share price compared to relevant and acknowledged CEE regional and industry specific indexes: the CETOP Index and the Dow Jones Emerging Market Titans Oil & Gas 30 Index.
- ▶ MOL's share price performance is compared to the two above mentioned benchmark indices. 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. Comparisons are made on a USD basis. There are defined payout ratios which are based on the measured difference in MOL's share price performance compared to the two indices, noticed in each year. Final payout ratio will be determined by the average of the three noticed payout ratios over the vesting period.

- ▶ The expected payout amount is additionally linked to individual short-term performance, as the potential payout is based on three years' individual factors in the annual performance evaluation for each participant. This ensures that constant individual over-performance on a long-term basis is rewarded and the consequences of long term underperformance are managed.
- ▶ The basis of the remuneration is a share entitlement and will be paid in MOL Plc shares or in a form of cash settlement.

The following chart provides an overview about the former Performance Share Plan results for the 3-year programs completed after Long Term Incentive system revision in 2013:

PSP Plan	Payout Ratio
2013-2015	98.28%
2014-2016	180.99%
2015-2017	213.22%

Performance measures of the long-term incentive plans

The choice of the long-term incentive plans is linked to the share price and dividend payment reflecting the Board's strategic priority on reaching continuous and sustainable value creation. Through its long term incentives schemes, MOL prioritizes to provide its shareholders with a return on their investment through both the appreciation of the share price as well as through the payment of dividends.

The choice of CETOP20 and Dow Jones Emerging Market Titans Oil & Gas 30 Index reflects the fact that MOL competes for investor flows on a regional basis (Central and Eastern Europe) as well as with the global emerging market Oil & Gas sector. By applying these two indices, MOL's incentive system provides competitive remuneration to executives and future investors on regional and global oil and gas markets taken in broader meaning as well.

Changes in 2018 regarding the Long Term Incentive system of the MOL Group Executive Board

As of 1st January 2018 the payment of both remuneration policies - the Absolute Share Value Based Remuneration and the Relative Market Index Based Remuneration – will be made only in MOL shares. The Absolute Share Value Based Remuneration will be paid from 2019, the Relative Market Index Based Remuneration will be paid first in 2020 by the MRP organization.

Other Fringe Benefits

MOL Group is offering standard benefits in-line with market practice for EB members. These include:

- Dedicated status car for both business and private purposes;
- life and accident insurance;
- travel insurance;
- liability insurance;
- annual health screening and special healthcare services.

5.3. Supervisory Board

Remuneration of the members of the Supervisory Board

Members of the Supervisory Board receive **gross 4,000 EUR/month**, while the Chairman receives **gross 6,000 EUR/month**. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive **gross 1,500 EUR** for participation in each Board of Directors or Board Committee meeting, up to fifteen (15) times per annum. The Chairman of the Audit Committee is entitled to receive **gross 1,500 EUR** for participation in each Board Committee meeting, up to fifteen (15) times per annum.

Besides the monthly remuneration both the Chairman of the Supervisory Board and the members are entitled to receive further **1,500 EUR** for each extraordinary meeting that is held in addition to the scheduled annual meetings. This remuneration is provided maximum two times a year.

Other benefits

The members of the Supervisory Board are entitled to receive further non-financial benefits, including life & accident (79,000 HUF/person/year) and travel (18,000 HUF/person/year) insurance. Besides, as a non-financial benefit an annual health screening (84,000 HUF/person/year) and an additional healthcare package (350,000 HUF/person/year) is available for the members of the Supervisory Board.

* Rounded to 1000 HUF (In case of EUR, calculated based on January 25, 2017 exchange rate; source: www.mnb.hu)

6. Integrated corporate risk management function

As operators in a high risk industry we, MOL group stay committed to professionally manage and maintain our risks within acceptable limits as per best industry practice.

The aim of MOL Group Risk Management is to keep the uncertainties of the business environment within acceptable levels and support stable and sustainable operations and the future growth of the company. MOL Group has developed the risk management function as an integral part of its corporate governance structure.

Assessment and mitigation of the broadest variety of risks is arranged on group level into one comprehensive Enterprise Risk Management (ERM) system. ERM is a risk management framework covering group-level business units and functional units as well as flagship and operating companies, with specific attention to projects as well.

The risk management methodology applied by MOL is based on international standards and best practices. It considers the organisation's exposure to uncertainty in regard to value creation, meaning factors critical to the success and threats related to the achievement of objectives, also occurrence of incidents causing potential threat to people, assets, environment or reputation.

Risks are managed by risk owners, who are managers responsible for supervising the existing control framework and implementation of defined risk mitigation actions in responsible organisations. Monitoring and reporting of risks is performed by the Group Risk Management department to the Finance and Risk Management Committee of the Board of Directors.

During 2017, we renewed our risk management processes to ensure special attention is given to our 2030 Strategy: we identified major long-term risks that may impact our strategic objectives and detailed analysis is ongoing.

At the same time, mid-term risks related to our business plans are assessed and managed over the full lifetime of assets, performed at business segment level and coordinated by the group-level risk management team.

As in previous years, the short-term risk profile of the company is regularly reviewed with main focus on the 1-year budget of MOL Group.

Regular reporting to top management provides oversight on top risks and assurance that updated responses, controls, and appropriate mitigation actions are set and followed by the Executive Board. The main risk drivers of the Group

Risks are categorised to ensure effective risk reporting and consistent responses for similar or related risks.

- a) Market and financial risks include, but are not limited to:
 - i. **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from the integrated business model with downstream processing more crude and selling more than our equity crude oil production. We monitor this risk in order to support our strong financial position and capacity to fund operations and investments. When necessary, we consider commodity hedging to eliminate risks other than 'business as usual' risks or general market price volatility.
 - ii. **Foreign exchange (FX) risk:** Business operation is economically driven mainly by USD. MOL's current FX risk management policy is to monitor the FX risk, and to balance the FX exposures of the operating cash flow with the financing cash flow exposures when necessary and optimal.
 - iii. **Credit risk:** MOL Group provides products and services to a diversified customer portfolio - both from business segment and geographical point of view - with a large number of customers representing an acceptable credit risk profile. MOL Group's risk management tracks these risks on a continuous basis, and provides support to the sales processes in accordance with MOL Group's sales strategy and ability to bear risk.

- b) Operational risks include, but are not limited to:
 - i. **Physical asset safety and equipment breakdown risk:** High asset concentration in Downstream is a significant risk driver. The potential negative effects are mitigated by comprehensive HSE activities and a group-wide insurance management program.
 - ii. **Crude oil supply risk:** Crude supply disruption is a major risk factor for the Downstream business, as it can hamper continuous operations. In order to mitigate this risk, supplies of crude oil via pipelines are currently diversified with regular crude cargo deliveries from the Adriatic Sea.
 - iii. **Cyber risk:** Cyber risk needs attention and effective management to ensure the company is able to monitor, detect and respond to cyber threats. MOL has adapted and changed the way it deals with cyber defence and cyber threats (people, process and technology): a clear vision and strategy has been set up to manage cyber incidents with end-to-end ownership and accountability.

- c) Strategic risks include, but are not limited to:
 - i. **Regulatory risk:** MOL has significant exposure to a wide range of laws, regulations, environmental and government policies that may change significantly over time. Due to the economic, and also in some regions political crisis, the risk of potential government actions increased, as well as potential impact of such decisions.
 - ii. **Country risk:** The international portfolio requires proper management of country risk exposures, therefore possible political violence, compliance with local regulations or sanctions are monitored to enhance the diversification effect in the investment portfolio.
 - iii. **Reputation risk:** Reputation of energy industry players has been in the focus of media for the past years due to extreme negative events. MOL, as a major market player in the region,

operates under special attention from a considerable number of stakeholders, and we are constantly seeking to meet our responsibilities towards them.

- iv. **Climate change risk:** The effects of climate change have the potential to adversely impact MOL's current operations. As a response, MOL Group launched its 2030 Strategy based on the expected decrease in demand for fossil fuels, primarily driven by a combination of electrification and digitalization of transportation, energy and fuel efficiency gains, as well as changes in consumer behaviour and advances in technology. MOL Group's transformational strategy is meant as a response to the fast-developing consequences of global warming and climate change. Several measures have already been taken at group and divisional level in the past, and actions are ongoing. For more details, go to the Notes on Sustainability Performance.

Main risk management tools

Enterprise Risk Management is a framework covering business units and functional units, which ensures incorporation of risks faced by the company into risk maps. The risk assessment activity supports stable and efficient operation by identifying key risks that threaten the achievement of company objectives and require specific attention by top management through strengthened controls or execution of mitigation actions.

To ensure the profitability and the financial stability of the group, financial risk management is in place to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured regularly by using a complex model based on Monte Carlo simulation, and are managed – if necessary - with hedging measures.

Transferring of the financial consequences of our operational risks is done by insurance management, which represents an important risk mitigation tool used to cover the most relevant exposures and liabilities arising out of our operations. Insurance is managed through a joint program for the whole group to exploit considerable synergy effects.

Following best industry practice and focusing on low probability high potential risks that could disrupt our operations, value chain and cash generation, MOL Group has implemented and is currently working to integrate a crisis management and business continuity program in order to reduce recovery times within tolerable limits for processes critical to our business.

Besides providing information on the most imperative risks that MOL Group faces, risk management also supports the top management and the Board of Directors to take more educated decisions on capital allocation for major CAPEX projects.

7. Prohibition of insider trading

MOL Group is committed to the fair trade of securities admitted to public trading.

MOL Group employees are expected:

- not to acquire or dispose of MOL or other company's shares or other financial instruments for their own account or for the account of a third party, directly or indirectly, do not withdraw or modify orders related to the above financial instruments, do not give order or instruction for this, do not induce another person to do so and do not suggest or accept decisions connected to the above financial instruments, if they are in possession of insider information,
- not to disclose insider information to persons not belonging to MOL Group except they are empowered in writing to do is,
- to be careful when disclosing insider information even within the employees of MOL Group, to hand over information only in the possession of a permission and to the extent necessary to carry out work,
- to protect insider information from accidental disclosures to the public.

Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in case of a negative answer, it should provide the reasons for not applying the given recommendation.

R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes (Complies)

No (Please explain)

R 1.1.2 The company applies the "one share - one vote" principle.

Yes (Complies)

No (Please explain)

"B" series share is a voting preference share held by Hungarian National Asset Management Inc. presently. Par value of "A" series shares is – as a result of the share split executed in 2017 – HUF 125, while the par value of "C" series shares is HUF 1,001, but the rights attached to these shares, taking into account the different par value, are identical. Currently all "C" series shares are held by MOL.

According to the Articles of Association, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares. This voting limitation was approved by a general meeting held in 1995 and since that time all of our investors purchased shares knowing this limitation.

R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes (Complies)

No (Please explain)

R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

Yes (Complies)

No (Please explain)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies)

No (Please explain)

R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

Yes (Complies)

No (Please explain)

In 2017 before the general meeting no comments were received to the items on the published agenda.

R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies)

No (Please explain)

Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies)

No (Please explain)

In 2017 before the general meeting no comments were received to the items on the published agenda.

R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies)

No (Please explain)

R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes (Complies)

No (Please explain)

R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.

Yes (Complies)

No (Please explain)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies)

No (Please explain)

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

R 2.5.1 The Board of Directors / Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies)

No (Please explain)

R 2.5.4 At regular intervals (in connection with the CG Report) the Board of Directors / Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

No (Please explain)

R 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors/ Supervisory Board, as well as the criteria applied for assessing independence.

Yes (Complies)

No (Please explain)

R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies)

No (Please explain)

R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

Yes (Complies)

No (Please explain)

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

Yes (Complies)

No (Please explain)

According to MOL's practice, these transactions are approved by the Board of Directors, with the simultaneous notification to the chairman of the Supervisory Board.

R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies)

No (Please explain)

Board members declare at the time of their appointment, if they have Board membership or an executive management position in a company which is not part of the company group. According to the charter of the Board of Directors, a member of the Board of Directors informs the Corporate Governance and Remuneration Committee of the Board of Directors, if he/she receives an offer of Board membership or an offer of an executive management position in a company which is not part of the company group. The chairman of the Supervisory Board participates in Board meetings as permanent invitee.

According to the charter of the Supervisory Board, a member of the Supervisory Board informs the Supervisory Board, if he/she receives an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes (Complies)

No (Please explain)

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes (Complies)

No (Please explain)

R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Please explain)

The Supervisory Board formed an opinion on the remuneration guidelines.

Yes (Complies)

No (Please explain)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

Yes (Complies)

No (Please explain)

R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

No (Please explain)

R 2.7.2.1 The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

No (Please explain)

R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

Yes (Complies)

No (Please explain)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies)

No (Please explain)

R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes (Complies)

No (Please explain)

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

Yes (Complies)

No (Please explain)

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies)

No (Please explain)

The company provided detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also published the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person, in relation to this position, was published simultaneously with the annual general meeting announcement.

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

Yes (Complies)

No (Please explain)

The company provided detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also published the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person, in relation to this position, was published simultaneously with the annual general meeting announcement.

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies)

No (Please explain)

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes (Complies)

No (Please explain)

The Managing Body took the necessary steps to identify the major risk areas.

Yes (Complies)

No (Please explain)

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

Yes (Complies)

No (Please explain)

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies)

No (Please explain)

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4

Yes (Complies)

No (Please explain)

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies)

No (Please explain)

R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee / Supervisory Board.

Yes (Complies)

No (Please explain)

The Internal Audit reported at least once to the Audit Committee/ Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies)

No (Please explain)

R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee / Supervisory Board.

Yes (Complies)

No (Please explain)

As an organisation, the Internal Audit function is independent from the executive management.

Yes (Complies)

No (Please explain)

R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

Yes (Complies)

No (Please explain)

R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.

Yes (Complies)

No (Please explain)

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

Yes (Complies)

No (Please explain)

R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes (Complies)

No (Please explain)

R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes (Complies)

No (Please explain)

R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.

Yes (Complies)

No (Please explain)

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

Yes (Complies)

No (Please explain)

R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies)

No (Please explain)

R 3.1.6.1 On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies)

No (Please explain)

Corporate Governance and Remuneration Committee manages issues related to the composition of the Board of Directors/Supervisory Board, furthermore to the remuneration matters of the Company.

R 3.1.6.2 On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies)

No (Please explain)

Corporate Governance and Remuneration Committee manages issues related to the composition of the Board of Directors/Supervisory Board, furthermore to the remuneration matters of the Company.

R 3.2.1 The Audit Committee / Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies)

No (Please explain)

R 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies)

No (Please explain)

R 3.2.4 The Audit Committee / Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4

Yes (Complies)

No (Please explain)

R 3.3.1 There is a Nomination Committee operating at the company.

Yes (Complies)

No (Please explain)

The Corporate Governance and Remuneration Committee manages issues related to the composition of the Board of Directors and the Supervisory Board. Therefore at the following questions on Nomination Committee, MOL makes declaration on the Corporate Governance and Remuneration Committee.

R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes (Complies)

No (Please explain)

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

Yes (Complies)

No (Please explain)

The Nomination Committee evaluated the activity of board and executive management members.

Yes (Complies)

No (Please explain)

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes (Complies)

No (Please explain)

R 3.4.1 There is a Remuneration Committee operating at the company.

Yes (Complies)

No (Please explain)

The tasks of the Remuneration Committee are carried out by the Corporate Governance and Remuneration Committee. Therefore at the following questions on Remuneration Committee, MOL makes declaration on the Corporate Governance and Remuneration Committee.

R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes (Complies)

No (Please explain)

R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

Yes (Complies)

No (Please explain)

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes (Complies)

No (Please explain)

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes (Complies)

No (Please explain)

R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

Yes (Complies)

No (Please explain)

R 3.4.4.1 The Remuneration Committee made proposals regarding the remuneration of individual persons.

Yes (Complies)

No (Please explain)

R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

Yes (Complies)

No (Please explain)

R 3.4.4.3 The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes (Complies)

No (Please explain)

R 3.4.7 The majority of the members of the Remuneration Committee are independent.

Yes (Complies)

No (Please explain)

R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.

Yes (Complies)

No (Please explain)

The Board of Directors has decided on the establishment of permanent committees and specified their duties in order to increase the efficiency of its operations and to strengthen its professional justification. According to the BoD decision, the Corporate Governance and Remuneration Committee performs the tasks of the Nomination Committee and Remuneration Committee.

R 3.5.2 The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.

Yes (Complies)

No (Please explain)

The duties of the Remuneration and Nomination Committees are carried out by the Corporate Governance and Remuneration Committee.

R 3.5.2.1 The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

Yes (Complies)

No (Please explain)

The duties of the Remuneration and Nomination Committees are carried out by the Corporate Governance and Remuneration Committee.

R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes (Complies)

No (Please explain)

R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes (Complies)

No (Please explain)

R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes (Complies)

No (Please explain)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes (Complies)

No (Please explain)

R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.

Yes (Complies)

No (Please explain)

R 4.1.5 The company published its corporate events calendar on its website.

Yes (Complies)

No (Please explain)

R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes (Complies)

No (Please explain)

R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

Yes (Complies)

No (Please explain)

R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Please explain)

R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board.

Yes (Complies)

No (Please explain)

R 4.1.10.1 The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

Yes (Complies)

No (Please explain)

The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management. However, there was no information on the criteria considered when evaluating individual members.

R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Please explain)

The company provided detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also published the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person, in relation to this position, was published simultaneously with the annual general meeting announcement.

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes (Complies)

No (Please explain)

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes (Complies)

No (Please explain)

R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes (Complies)

No (Please explain)

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies)

No (Please explain)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

Yes (Complies)

No (Please explain)

Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not (Yes / No)

S 1.1.3 The company has an investor relations department.

Yes

No

S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)

Yes

No

S 1.2.2 The company's articles of association are available on the company's website.

Yes

No

S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).

Yes

No

S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.

Yes

No

S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.

Yes

No

S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.

Yes No

In 2017 before the general meeting no comments were received to the items on the published agenda.

S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision making by shareholders.

Yes No

S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.

Yes No

S 1.3.1 The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.

Yes No

S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.

Yes No

S 1.3.3 The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

Yes No

S 1.3.4 The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.

Yes No

The company has not made any further requirements above those set by the law.

S 1.3.5 The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.

Yes No

S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.

Yes No

S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.

Yes

No

S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.

Yes

No

S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.

Yes

No

S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.

Yes

No

The dividend was paid on the starting day of dividend payment to those shareholders who had provided all the necessary information and documentation. Following this date, dividend is paid monthly to those shareholders providing the necessary documentation.

S 1.4.2 The company disclosed its policy regarding anti-takeover devices.

Yes

No

S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.

Yes

No

S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.

Yes

No

S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.

Yes

No

S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.

Yes

No

S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.

Yes No

S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2

Yes No

S 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.

Yes No

S 2.5.2 The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.

Yes No

S 2.5.3 The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.

Yes No

S 2.5.5 The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.

Yes No

S 2.7.5 The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.

Yes No

S 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.

Yes No

S 2.8.2 The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.

Yes No

S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10

<u>Yes</u>	No
S 2.8.12 The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee / Supervisory Board.	
Yes	<u>No</u>
<i>The company's auditor receives regular information on the risk management system and the risk management operations, and it can follow and monitor these activities. During the audit process the audit reviews and analyses the risk management system and the efficiency of the risk management operations for its own purposes, but it does not issue a report on such audits to any external party (e.g. Audit Committee).</i>	
S 2.9.1 The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.	
<u>Yes</u>	No
S 2.9.1.1 The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	
<u>Yes</u>	No
S 2.9.1.2 The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	
Yes	<u>No</u>
<i>Audit Committee did not employ any external advisor in 2017.</i>	
S 2.9.1.3 The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.	
Yes	<u>No</u>
<i>Corporate Governance and Remuneration Committee did not employ any external advisor in 2017.</i>	
S 2.9.1.4 The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	
Yes	<u>No</u>
<i>Corporate Governance and Remuneration Committee did not employ any external advisor in 2017.</i>	
S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	
<u>Yes</u>	No

S 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.

Yes

No

S 3.1.2 The chairmen of the Audit Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

No

The Audit Committee regularly informs the Board of Directors on the above mentioned subject.

S 3.1.2.1 The chairmen of the Nomination Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

No

Corporate Governance and Remuneration Committee regularly informs the Board of Directors on the above mentioned subject.

S 3.1.2.2 The chairmen of the Remuneration Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

No

Corporate Governance and Remuneration Committee regularly informs the Board of Directors on the above mentioned subject.

S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.

Yes

No

S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5

Yes

No

S 3.2.2 The members of the Audit Committee / Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.

Yes

No

S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.

Yes

No

There was a self-evaluation on the operation and suitability of the Board of Directors in 2017.

S 3.3.4 The majority of the members of the Nomination Committee are independent.

Yes No

S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5.

Yes No

S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.

Yes No

The company provided detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also published the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person, in relation to this position, was published simultaneously with the annual general meeting announcement.

S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.

Yes No

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4

Yes No

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.

Yes No

S 4.1.7 The company's financial reports followed IFRS guidelines.

Yes No

S 4.1.16 The company also prepares and releases its disclosures in English.

Yes No

AGENDA ITEM No. 2

Waiver to be granted to the Board of Directors and its members according to Article 12.12. of the Articles of Association

According to Article 12.12 of the Articles of Association the Annual General Meeting shall put on its agenda each year the evaluation of the work of the Board of Directors performed during the previous business year and make a resolution on the waiver (discharge) that may be granted to the Board of Directors.

According to Section 3:117 (1) of the Civil Code, if by granting a waiver the General Meeting acknowledges the Board of Directors' management activities during the previous financial year, the Company may only bring action against the Board of Directors and/or its members on the grounds of breaching management obligations in a claim for damages if the facts and information underlying the waiver proved to be false or incomplete.

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting – under Article 12.12 of the Articles of Association – acknowledges the work of the Board of Directors performed during the 2017 business year and grants waiver to the Board of Directors and its members under Article 12.12 of the Articles of Association.

AGENDA ITEM No. 3

Election of the statutory auditor for the 2018 financial year and determination of its remuneration as well as the material elements of its engagement

After evaluating the relationship, independence, rotation rules and the audit fees committed by the incumbent auditor in the 2016 external audit tender, the Supervisory Board, with the support of the Audit Committee, proposes to continue the audit with the current auditor, Ernst&Young Könyvvizsgáló Kft.

Based on the above, the Supervisory Board with the support of the Audit Committee submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting elects Ernst & Young Könyvvizsgáló Kft. (1132 Budapest, Váci út 20.) to be the independent auditor of MOL Plc. for the financial year 2018, until the annual general meeting to be held in 2019, but until 30 April 2019 the latest. The General Meeting determines the remuneration of the auditor for auditing MOL Plc. in the financial year 2018 to be HUF 86.6 million plus VAT.

The auditor personally responsible appointed by Ernst & Young Könyvvizsgáló Kft. is Gergely Szabó (registration number: MKVK-005676), in case of his incapacity he shall be substituted by Andrea Zsoldos-Horváth (registration number: MKVK-005428).

In addition to the abovementioned, the General Meeting defines the material elements of the contract with the auditor as follows:

- Scope of the contract:

Audit of the 2018 parent company and consolidated financial statements of MOL Plc. prepared based on the Hungarian Accounting Act, in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

- Billing and settlement:

In 12 equal monthly installments, invoices are to be submitted by the auditor until the 5th calendar day of the following month and MOL Plc. is obliged to settle them within 30 days upon receipt.

- Term of the contract:

From 12 April 2018 until the date of the annual general meeting closing the financial year 2018, but until 30 April 2019 the latest.

- Otherwise the general terms and conditions relating to audit agreements of Ernst & Young Könyvvizsgáló Kft. shall apply.

AGENDA ITEM No. 4

The Board of Directors' presentation regarding the acquisition of treasury shares following the ordinary Annual General Meeting of 2017 in accordance with Section 3:223 (4) of the Civil Code. Authorization of the Board of Directors to acquire treasury shares in accordance with Section 3:223 (1) of the Civil Code

I. The Board of Directors' presentation regarding the acquisition of treasury shares following the ordinary Annual General Meeting of 2017 in accordance with Section 3:223 (4) of the Civil Code

The resolution No. 9 of the Annual General Meeting held on 13th April 2017 granted authorization valid for 18 months to the Board of Directors of the Company to acquire treasury shares.

On 13th April 2017 MOL Plc. ("MOL") directly and indirectly owned 9,635,575 pieces of registered ordinary "A" series shares with a par value of HUF 1,000. The ordinary "A" series shares were subject to a share split according to the resolution of the General Meeting held on 13 April 2017 which resolution came into effect on 1 September 2017. After the share split the given pieces of ordinary shares equal to 77,084,600 pieces of registered ordinary "A" series shares with a par value of HUF 125. In addition to ordinary "A" series shares the Company owned 578 pieces of registered ordinary "C" series shares with a par value of HUF 1,001.

Between 13th April 2017 and 12th April 2018 the acquisitions of treasury shares took place as follows:

- On 14th November, 2017 MOL exercised its option right under the share option agreement concluded on 3rd January, 2017 with UniCredit Bank AG, and with the settlement date of 16th November 2017, purchased 4,933,378 pieces of (aggregate nominal value of HUF 616,672,250) registered ordinary "A" series shares with a par value of HUF 125 at a price of EUR 8.28858 per share. The ratio of the acquired shares compared to the share capital was 0,6021%.
- On 23th November, 2017 MOL exercised its option right under the share option agreement concluded on 24th November, 2016 with ING Bank N.V., and with the settlement date of 28 November 2017, purchased 5,164,470 pieces of (aggregate nominal value of HUF 645,558,750) registered ordinary "A" series shares with a par value of HUF 125 at a price of EUR 7.27544 per share. The ratio of the acquired shares compared to the share capital was 0.6303%.

Today MOL directly and indirectly owns 81,297,205 pieces of registered ordinary "A" series shares with a par value of HUF 125 and 578 pieces of registered ordinary "C" series shares with a par value of HUF 1,001.

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting acknowledges the Board of Directors' presentation regarding the acquisition of treasury shares following the ordinary Annual General Meeting of 2017 in accordance with Section 3:223 (4) of the Civil Code.

II. Authorization of the Board of Directors to acquire treasury shares in accordance with Section 3:223 (1) of the Civil Code

The authorization granted by the Annual General Meeting of the Company held on 13th April 2017 for the Board of Directors to acquire treasury shares will expire at the end of October 2018. The Board of Directors asks for a new authorization from the General Meeting to acquire treasury shares from the date of the General Meeting until the end of October 2019.

The Board of Directors of MOL would like to maintain the authorization for further share acquisitions in order for the Company:

- to be able to use treasury shares as acquisition consideration, or
- to be able to exercise certain contractual rights (eg. call options) including but not limited to exercising rights ensured by financial instruments for acquiring treasury shares (eg.: conversion right, exchange right) and perform certain obligations or
- to protect shareholders from the negative effects of a possible share overhang in which case the Company shall be able to acquire a larger block of shares or
- to maintain flexibility for further share capital structure optimization, share cancellation and/or other investments or
- to be able to operate share-based incentive schemes or
- to be able to implement or amend share-based or hybrid financing instruments and other investment structures.

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting authorizes the Board of Directors of the Company to acquire treasury shares – simultaneously setting aside resolution No. 9 of the 13th April 2017 AGM – pursuant to the following terms and conditions:

- Mode of acquisition of treasury shares: with or without consideration, either on the stock exchange or through public offer or on the OTC market if not prohibited by legal regulations, including but not limited to acquiring shares by exercising rights ensured by financial instruments for acquiring treasury shares (eg.: call right, exchange right etc.).
- The authorization empowers the Board of Directors to acquire any type of shares issued by the Company with any par value.
- The amount (number) of shares that can be acquired: the total amount of nominal value of treasury shares owned by the Company at any time may not exceed 25 % of the actual share capital of the Company.
- The period of validity of the authorization: from the date of the resolution made by the General Meeting for an 18 months period.

If the acquisition of the treasury shares is in return for a consideration, the minimum amount which can be paid for one piece of share is HUF 1, while the maximum amount cannot exceed 150 % of the highest of the following prices:

- a.) the highest price of the deals concluded with MOL shares on the Budapest Stock Exchange ("BÉT") on the date of the transaction or
- b.) the highest daily volume weighted average price of MOL shares on any of the 90 BÉT trading days prior to the date of the transaction or
- c.) the volume-weighted average price of MOL shares during 90 BÉT trading days prior to
 - (i) the date of signing the agreement for acquiring the treasury shares (particularly purchase agreement, call option agreement or other collateral agreement), or
 - (ii) the date of acquisition of financial instruments ensuring rights to acquire treasury shares or
 - (iii) the date of exercising option rights, pre-emption rights; rights ensured by collateral or by financial instruments for acquiring treasury shares or
- d.) the closing price of MOL shares on the BÉT on the trading day which falls immediately prior to
 - (i) the date of signing the agreement for acquiring the treasury shares (particularly purchase agreement, call option agreement or other collateral agreement), or
 - (ii) the date of acquisition of financial instruments ensuring rights to acquire treasury shares or
 - (iii) the date of exercising option rights, preemption rights; rights ensured by collateral or by financial instruments for acquiring treasury shares.

AGENDA ITEM No. 5***Election of member of the Board of Directors***

The mandate of Mr. Zsolt Hernádi as member of the Board of Directors will expire on 30 April 2018. With respect to the abovementioned, the Board of Directors proposes to the General Meeting to re-elect Mr. Zsolt Hernádi as a member of the Board of Directors of the Company from 1 May 2018 to 30 April 2023.

(Mr. Zsolt Hernádi's CV can be found following the resolution proposal.)

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposal:

Proposed resolution

The General Meeting elects Mr. Zsolt Hernádi as member of the Board of Directors from 1 May 2018 to 30 April 2023.

CURRICULUM VITAE**MOL group positions:**

- **Chairman of the Board of Directors since 7 July 2000**
- **Chairman & Chief Executive Officer since 11 June 2001**
- **Member of the Board since 24 February 1999**
- **Member of the Corporate Governance and Remuneration Committee**

Between 1989 and 1994 Mr. Hernádi occupied various posts at the Kereskedelmi és Hitelbank Plc. and between 1992 and 1994 he was its Deputy General Manager. Mr. Hernádi was Chief Executive Officer of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001 and member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was a Board member of the Hungarian Banking Association. Since 2001, he is member of the European Round Table of Industrialists. Since 2007 he has become honorary citizen of Esztergom, and since September, 2009 he has become the honorary citizen of the Corvinus University of Budapest. In 2010 he has been honoured with the Hungarian Medal Cross Award. Since March, 2016 he has become honorary citizen of Százhalombatta. In 2017 he has been appointed as a member of the National Competitiveness Council.

AGENDA ITEM No. 6***Election of members of the Supervisory Board***

The Board of Directors proposes to the General Meeting to elect Mr. Zoltán Áldott and Prof. Dr. András Láncki as members of the Supervisory Board of the Company from 12 April 2018 to 11 April 2023.

(The CVs of the candidates can be found following the resolution proposals.)

Based on the above, the Board of Directors submits to the General Meeting the following resolution proposals:

Proposed resolution

The General Meeting elects Mr. Zoltán Áldott as member of the Supervisory Board from 12 April 2018 to 11 April 2023.

CURRICULUM VITAE**MOL Group positions:**

- **President of the Management Board of INA d.d. since 1 April 2010**
- **Member of the MOL Group Executive Board since 2001**

Between 1990 and 1991, he was an associate at CREDITUM Financial Consulting Ltd. Afterwards, between 1992 and 1995, he held various positions at Eurocorp Financial Consulting Ltd. From 1995 to 1997, he was the Manager of MOL's Privatisation Department and from 1997 until 1999, he was Director of Capital Markets. In 1999, Mr. Áldott served as Director of Strategy & Business Development. From November 2000, he acted as Chief Strategy Officer and then, since June 2001, as Group Chief Strategy Officer. Since 2001 he has been a member of the MOL EB. He was the Executive Vice President of MOL Exploration & Production Division between September 2004 and June 2011.

Proposed resolution

The General Meeting elects Prof. Dr. András Láncki as member of the Supervisory Board from 12 April 2018 to 11 April 2023.

CURRICULUM VITAE

- Rector of the Budapest Corvinus University - Director of the Institution of Political Sciences, University professor
- Secretary (1993-1997), member of the IX. Class of the Hungarian Academy of Sciences
- Editor of the Pallas Stúdió/Attraktor publisher
- Member of the committee of editors of *Heti Válasz*
- Member of the Hungarian Political Science Association

Since 1991 Prof. Dr. Láncki is a full time university professor in several Hungarian and European universities. His primary expertise are political philosophy, the history of ideas of the Hungarian political thinking, furthermore the modern theories of democracy.

Significant scholarships: 1995-1997 Open Society Project thematic leader; 1997-1998 Fulbright researcher in United States of America; 1999-2003 Széchenyi Professor Scholarship; 2003- Bibó István Prize.

In compliance with Section 3:124. § (1) of the Civil Code, one-third of MOL Plc's Supervisory Board shall consist of employees' representatives. According to Section 3:125 (1) and (2) of the Civil Code, the employees' representatives in the supervisory board shall be nominated by the works council from among the employees, taking into consideration the opinion of the trade unions operating at the company. According to Section 3:125 (1) and (2) of the Civil Code, the employees' representatives in the supervisory board shall be nominated by the works council from among the employees, taking into consideration the opinion of the trade unions operating at the company. The persons nominated by the works council shall be elected as members of the supervisory board by the general meeting, unless statutory grounds for disqualification exist in respect of the nominees.

The Company's Works Council, with regard to the increase of the number of Supervisory Board members, nominates Mr. Csaba Szabó, employee of the Company, to be elected to the Supervisory Board of the Company.

(The CV of the candidate can be found after the resolution proposal.)

Based on the nomination of the Works Council, the Board of Directors submits to the General

Meeting the following resolution proposal:

Proposed resolution

The General Meeting elects Mr. Csaba Szabó as employee representative in the Supervisory Board of the Company from 12 April 2018 to 11 April 2023.

CURRICULUM VITAE**MOL Group positions:**

- Deputy Chairman of the MOL Chemist Union since 2012
- Since 2013 member and since March 2018 Deputy Chairman of MOL Plc. Works Council
- Since 2013 member of MOL Plc. European Works Council
- Since 2018 member of MOL Plc. Aid Committee