MOL Hungarian Oil and GAS Public Limited Company

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

31 December 2013

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of
MOL Hungarian Oil and GAS Public Limited Company

Report on the consolidated financial statements

1.) We have audited the accompanying 2013 consolidated annual financial statements of MOL Hungarian Oil and GAS Public Limited Company ("the Company"), which comprise the consolidated balance sheet as at 31 December 2013 - showing a balance sheet total of HUF 4,640,888 million and a loss for the year of HUF 19,410 million -, the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

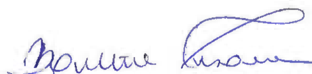
Opinion

6.). In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of MOL Hungarian Oil and GAS Public Limited Company as at 31 December 2013 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Other reporting requirement - Report on the consolidated business report

7.) We have reviewed the consolidated business report of MOL Hungarian Oil and GAS Public Limited Company for 2013. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian legal requirements. Our responsibility is to assess whether the consolidated business report is consistent with the consolidated financial statements for the same financial year. Our work regarding the consolidated business report has been restricted to assessing whether the consolidated business report is consistent with the consolidated annual financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the consolidated business report of MOL Hungarian Oil and GAS Public Limited Company for 2013 corresponds to the disclosures in the 2013 consolidated annual financial statements of MOL Hungarian Oil and GAS Public Limited Company.

Budapest, 20 March 2014



Havas István
Ernst & Young Kft.
Registration No.: 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

MOL Hungarian Oil and Gas Public Limited Company and Subsidiaries

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

31 December 2013

MOL Hungarian Oil and Gas Plc. and Subsidiaries

Consolidated financial statements
prepared in accordance with International Financial Reporting Standards

31 December 2013

Budapest, 20 March 2014

Zsolt Hernádi
Chairman of the Board of Directors
Chief Executive Officer

József Simola
Group Chief Financial Officer

The notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

31 December 2013

	Notes	2013	2012 Restated
ASSETS		HUF million	HUF million
Non-current assets			
Intangible assets	4	323,646	345,950
Property, plant and equipment, net	5	2,252,927	2,608,375
Investments in associated companies and joint ventures	10	128,220	123,974
Available-for-sale investments	11	14,636	20,571
Deferred tax assets	30	46,314	34,750
Other non-current assets	12	36,899	36,658
Total non-current assets		**2,802,642**	**3,170,278**
Current assets			
Inventories	13	494,407	507,151
Trade receivables, net	14	512,584	570,994
Securities		6,604	29,202
Other current assets	15	221,034	156,186
Prepaid taxes		39,447	14,742
Cash and cash equivalents	16, 36	564,170	317,654
Total current assets		**1,838,246**	**1,595,929**
TOTAL ASSETS		**4,640,888**	**4,766,207**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	79,215	79,202
Reserves		1,587,082	1,468,430
Profit for the year attributable to equity holders of the parent		21,442	151,484
Equity attributable to equity holders of the parent		1,687,739	1,699,116
Non-controlling interests		473,517	547,205
Total equity		**2,161,256**	**2,246,321**
Non-current liabilities			
Long-term debt, net of current portion	19	673,248	674,046
Provisions	20	303,553	290,860
Deferred tax liabilities	29	74,877	123,762
Other non-current liabilities	21	27,247	57,646
Total non-current liabilities		**1,078,925**	**1,146,314**
Current liabilities			
Trade and other payables	22	1,038,797	913,014
Current tax payable		2,537	2,138
Provisions	20	49,976	42,452
Short-term debt	23	211,223	145,838
Current portion of long-term debt	19	98,174	270,130
Total current liabilities		**1,400,707**	**1,373,572**
TOTAL EQUITY AND LIABILITIES		**4,640,888**	**4,766,207**

The notes are an integral part of these consolidated financial statements

Consolidated income statement

31 December 2013

	Notes	2013	2012 Restated
		HUF million	HUF million
Net revenue	3, 24	5,400,417	5,521,324
Other operating income	25	75,696	15,662
Total operating income		**5,476,113**	**5,536,986**
Raw materials and consumables used		4,418,408	4,424,275
Personnel expenses	26	259,747	264,741
Depreciation, depletion, amortisation and impairment		539,686	319,375
Other operating expenses	27	293,727	370,314
Change in inventories of finished goods and work in progress		24,748	(981)
Work performed by the enterprise and capitalized		(41,575)	(46,033)
Total operating expenses		**5,494,741**	**5,331,691**
Operating profit		**(18,628)**	**205,295**
Financial income	28	29,385	51,336
Of which: Fair valuation difference of conversion option	28	-	11,764
Financial expense	28	87,729	84,493
Of which: Fair valuation difference of conversion option	28	271	-
Financial expense, net	**28**	**58,344**	**33,157**
Income from associates		20,062	33,608
Profit before tax		**(56,910)**	**205,746**
Income tax expense	30	(37,500)	49,721
Profit for the year		**(19,410)**	**156,025**
Attributable to:			
Equity holders of the parent		21,442	151,484
Non-controlling interests		(40,852)	4,541
Basic earnings per share			
Attributable to ordinary equity holders of the parent (HUF)	31	**160**	**1,643**
Diluted earnings per share			
Attributable to ordinary equity holders of the parent (HUF)	31	**160**	**1,488**

The notes are an integral part of these consolidated financial statements

Consolidated Statement of other comprehensive income

31 December 2013

	Notes	2013	2012 Restated
		HUF million	HUF million
Profit for the year		**(19,410)**	**156,025**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations including net investment hedge, net of tax	29	4,128	(131,731)
Net investment hedge, net of tax	29	4,646	39,335
Available-for-sale financial assets, net of deferred tax	29	(284)	646
Cash-flow hedges, net of deferred tax	29	(3,071)	246
Share of other comprehensive income for associates	29	(2,321)	(10,327)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**3,098**	**(101,831)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	29	213	238
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**213**	**238**
Other comprehensive income for the year, net of tax		**3,311**	**(101,593)**
Total comprehensive income for the year		**(16,099)**	**54,432**
Attributable to:			
Equity holders of the parent		25,693	87,384
Non-controlling interest		(41,792)	(32,952)

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

31 December 2013

	Share capital	Share premium	Fair valuation reserve	Translation reserve	Equity component of debt and difference in buy-back prices	Retained earnings	**Total reserves**	Profit for the year attributable to equity holders of the parent	**Equity attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
	HUF million	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**
Closing balance											
31 December 2011	**79,202**	**(325,669)**	**5,256**	**213,525**	**(8,074)**	**1,534,273**	**1,419,311**	**153,925**	**1,652,438**	**591,203**	**2,243,641**
Restate effect	-	-	-	-	-	(447)	**(447)**	(253)	**(700)**	(214)	**(914)**
31 December 2011 - Restated	**79,202**	**(325,669)**	**5,256**	**213,525**	**(8,074)**	**1,533,826**	**1,418,864**	**153,672**	**1,651,738**	**590,989**	**2,242,727**
Retained profit for the year	-	-	-	-	-	-	-	151,484	**151,484**	4,541	**156,025**
Other comprehensive income for the year	-	-	513	(60,766)	-	(3,847)	**(64,100)**	-	**(64,100)**	(37,493)	**(101,593)**
Total comprehensive income for the year	-	-	513	(60,766)	-	(3,847)	**(64,100)**	151,484	**87,384**	(32,952)	**54,432**
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	153,672	**153,672**	(153,672)	-	-	-
Dividends	-	-	-	-	-	(38,278)	**(38,278)**	-	**(38,278)**	-	**(38,278)**
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(10,936)	**(10,936)**
Equity recorded for share based payments	-	-	-	-	-	238	**238**	-	**238**	-	**238**
Net change in balance of treasury shares held, net of tax	-	-	-	-	-	(1,862)	**(1,862)**	-	**(1,862)**	-	**(1,862)**
Transactions with non-controlling interests	-	-	-	-	-	(104)	**(104)**	-	**(104)**	104	-
Closing balance											
31 December 2012	**79,202**	**(325,669)**	**5,769**	**152,759**	**(8,074)**	**1,643,645**	**1,468,430**	**151,484**	**1,699,116**	**547,205**	**2,246,321**
Retained profit for the year	-	-	-	-	-	-	-	21,442	**21,442**	(40,852)	**(19,410)**
Other comprehensive income for the year	-	-	(3,206)	6,965	-	492	**4,251**	-	**4,251**	(940)	**3,311**
Total comprehensive income for the year	-	-	(3,206)	6,965	-	492	**4,251**	21,442	**25,693**	(41,792)	**(16,099)**
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	151,484	**151,484**	(151,484)	-	-	-
Dividends	-	-	-	-	-	(38,925)	**(38,925)**	-	**(38,925)**	-	**(38,925)**
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(18,722)	**(18,722)**
Equity recorded for share based payments	**13**	-	-	-	-	228	**228**	-	**241**	-	**241**
Net change in balance of treasury shares held, net of tax	-	-	-	-	-	1,287	**1,287**	-	**1,287**	-	**1,287**
Disposal of subsidiaries	-	-	-	-	-	-	-		-	(12,816)	**(12,816)**
Transactions with non-controlling interests	-	-	-	-	-	327	**327**	-	**327**	(358)	**(31)**
Closing balance											
31 December 2013	**79,215**	**(325,669)**	**2,563**	**159,724**	**(8,074)**	**1,758,538**	**1,587,082**	**21,442**	**1,687,739**	**473,517**	**2,161,256**

The notes are an integral part of these consolidated financial statements

Consolidated cash flow statement

31 December 2013

	Notes	2013	2012
			Restated
		HUF million	HUF million
Profit before tax		(56,910)	205,746
Depreciation, depletion, amortisation and impairment		539,686	319,375
Write-off of inventories, net		3,905	4,246
Increase / (decrease) in provisions		20,744	3,103
Net (gain) / loss on sale of property, plant and equipment		(2,509)	(2,173)
Write-off / (reversal of write-off) of receivables		15,610	6,038
Net (gain) / loss on sale of subsidiaries		(52,919)	3,473
Interest income		(15,146)	(6,766)
Interest on borrowings		47,521	46,453
Net foreign exchange (gain) / loss		11,295	(9,280)
Fair valuation difference of conversion option (see Note 28)		271	(11,764)
Other financial (gain) / loss, net		4,783	1,124
Share of net profit of associate and a joint venture		(20,062)	(33,608)
Other non cash items		4,455	12,175
Operating cash flow before changes in working capital		*500,724*	*538,142*
Decrease / (increase) in inventories		14,104	3,680
Decrease / (increase) in trade receivables		47,049	9,158
Decrease / (increase) in other current assets		(21,230)	(11,626)
(Decrease) / increase in trade payables		106,664	(20,388)
(Decrease) / increase in other payables		28,988	(1,914)
Total working capital adjustments		*175,575*	*(21,090)*
Income taxes paid		(61,614)	(63,019)
Net cash provided by operating activities		**614,685**	**454,033**
Capital expenditures, exploration and development costs		(252,389)	(267,978)
Proceeds from disposals of property, plant and equipment		4,182	3,439
Acquisition of subsidiaries and non-controlling interests, net cash	36	(267)	(21,542)
Acquisition of joint ventures		(7)	-
Acquisition of associated companies and other investments		(9,656)	(969)
Net cash inflow / (outflow) on sale of subsidiary undertakings	8	53,907	(595)
Proceeds from disposal of associated companies and other investments		2,906	439
Changes in loans given and long-term bank deposits		8,093	675
Changes in short-term investments		26,862	(28,980)
Interest received and other financial income		14,617	7,258
Dividends received		26,758	9,744
Net cash used in investing activities		**(124,994)**	**(298,509)**

	Notes	2013 HUF million	2012 Restated HUF million
Repayment of long-term notes		-	(5,051)
Issuance of long-term notes		-	109,280
Long-term debt drawn down	36	464,233	268,100
Repayments of long-term debt		(646,353)	(412,801)
Changes in other long-term liabilities		91	(231)
Changes in short-term debt		59,655	15,289
Interest paid and other financial costs		(58,873)	(73,608)
Dividends paid to shareholders		(38,992)	(38,311)
Dividends paid to non-controlling interest		(19,012)	(11,659)
Net cash provided by / (used in) financing activities		**(239,251)**	**(148,992)**
(Decrease) / increase in cash and cash equivalents		**250,440**	**6,532**
Cash and cash equivalents at the beginning of the year		317,654	310,393
Exchange differences of cash and cash equivalents of consolidated foreign subsidiaries		(1,742)	3,702
Unrealised foreign exchange difference on cash and cash equivalents		(2,182)	(2,973)
Cash and cash equivalents at the end of the year	36	564,170	317,654

1 General

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 on the transformation of its legal predecessor, the Országos Kőolaj- és Gázipari Tröszt (OKGT). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of OKGT were revalued as at that date. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) are involved in the exploration and production of crude oil, natural gas and other gas products, refining, transportation and storage of crude oil and wholesale and retail marketing of crude oil products, production and sale of olefins and polyolefins. The number of the employees in the Group as of 31 December 2013 and 2012 was 28,769 and 29,591, respectively. The registered office address of the Company is 1117 – Budapest, Október huszonharmadika u. 18., Hungary.

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

2.1 Authorization, statement of compliance and basis of preparation

i) Authorization and Statement of Compliance

These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 20 March 2014.

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

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

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

ii) Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective on 31 December 2013.

MOL Plc. prepares its statutory unconsolidated financial statements in accordance with the requirements of the accounting regulations contained in Law C of 2000 on Accounting (HAS). Some of the accounting principles prescribed in this law differs from IFRS.

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

The financial year is the same as the calendar year.

iii) Principles of Consolidation

Subsidiaries

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

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

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

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

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

Joint arrangements

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements are divided into two types: joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement in the normal course of business.

If the Company has rights to the assets and obligations for the liabilities relating to the arrangement then the arrangement is qualified as a joint operation The Company's interest in a joint operation are accounted for by recognising its relative share of assets, liabilities, income and expenses of the arrangement, combining with similar items in the consolidated financial statements on a line-by-line basis.

When the Group contributes or sells assets to the joint operation, based on the substance of the transaction gain or loss from the transaction is recognized only to the extent of other parties' interest in the joint operation. When the Group purchases assets from the joint operation, the Group does not recognize its share of the profits of the joint operation from the transaction until it resells the assets to an independent party.

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

Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates are assessed to determine whether there is any objective evidence of impairment. If there is evidence the recoverable amount of the investment is determined to identify any impairment loss to be recognised. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

2.2 Changes in Accounting Policies

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

Reclassification of foreign exchange differences on trade debtors and creditors

The Group elected to reclassify foreign exchange differences on trade debtors and creditors from operating results to financial results since the Group believes that with this amendment operating results more effectively demonstrate the core business performance. Comparative periods are restated, as a result of the amendment the operating results decreased by HUF 7,026 million and HUF 14,425 million in 2013 and 2012, respectively.

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

- *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
- *IAS 12 Income Taxes (amendment) effective 1 January 2012*
- *IAS 19 Employee Benefits (Amendment)*
- *IAS 27 Separate Financial Statements (as revised in 2011)*
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*
- *IFRS 7 Financial Instruments: Disclosures - Clarification on asset/liability offsetting*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Involvement with Other Entities*
- *IFRS 13 Fair Value Measurement*
- *IAS 34 Interim financial reporting*

- *Improvements to IFRSs*

The principal effects of these changes are as follows:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and had therefore no impact on the Group's financial position or performance. The amendment became effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment became effective for annual periods beginning on or after 1 January 2012 and had no impact on the Group.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as recognition of unvested past service cost and transferring the remeasurement component of the defined benefit cost to Other comprehensive income to simple clarifications and re-wording. The amendments did not have significant effect on the financial statements of the Group. The amendment became effective for annual periods beginning on or after 1 January 2013. In the restated comparative period the total amount of unvested past service cost as of 1 January 2012 has been recognised in retained earnings together with the corresponding increase in Provision for long-term employee benefits in the amount of HUF 1,166 million. The past service cost occurred in 2013 and 2012 has been expensed immediately through the income statement according to the amendment, in the amount of HUF 18 million and HUF 149 million, respectively.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements prepared in accordance with IFRS. The amendment became effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures - Clarification on asset/liability offsetting

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position, i.e. that the right of set-off must be available today and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. Consequent change to IFRS 7 intends to enhance current offsetting disclosures. This standard became effective for annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities, which was superseded by IFRS 10. IFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 required the management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The amendment had no material impact on the Group. This standard became effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard had an impact on the financial position of the Group. This is due to the cessation of proportionate consolidation of jointly controlled entities (see note 9) meeting the definition of joint ventures in IFRS 11 to equity accounting for these investments. This standard became effective for annual periods beginning on or after 1 January 2013. The comparative period has been restated; the application of the new standard decreased the operating results of the Group by HUF 523 million in 2012.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard became effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard did not affect the financial position and performance of the Group. This standard became effective for annual periods beginning on or after 1 January 2013.

IAS 34 Interim financial reporting

Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments. Effective for annual periods beginning on or after 1 January 2013.

Improvements to IFRSs

In May 2012, the IASB issued amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording. The amendments became effective for annual periods on or after 1 January 2013 and will have no impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment

This improvement clarifies that the major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with *IAS 12 Income Taxes*.

2.3 Summary of significant accounting policies

i) Presentation Currency

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

ii) Business Combinations and Goodwill

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition, only if they qualify as period measurement adjustments and occur within 12 months from the acquisition date. All other subsequent changes in the fair value of contingent consideration are accounted for either in profit or loss or as changes to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

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

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

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

iii) Investments and Other Financial Assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months from the balance sheet date and are not held with the primary purpose of being traded. In this case all payments on such instruments are classified as non-current. As at 31 December 2013 and 2012, no financial assets have been designated as at fair value through profit and loss.

Held-to-maturity investments

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

transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale financial investments

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

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

Fair value

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

iv) Classification and Derecognition of Financial Instruments

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

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments

classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

v) Derivative Financial Instruments

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

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

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

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

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

vi) Hedging

For the purpose of hedge accounting, hedges are classified as

- fair value hedges

- cash flow hedges or

- hedges of a net investment in a foreign operation.

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

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

Fair value hedges

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

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

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

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

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

Cash-flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the income statement. The

effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized in the income statement.

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

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

Hedges of a net investment

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

vii) Impairment of Financial Assets

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

Assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial investments

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

viii) Cash and Cash Equivalents

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

ix) Trade Receivables

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

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

x) Inventories

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

xi) Property, Plant and Equipment

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

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

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

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

xii) Intangible Assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method. The amortisation period and the amortisation method are reviewed annually at each financial year-end. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash generating unit level.

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

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

xiii) Depreciation, Depletion and Amortisation

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

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

Depletion and depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system using the unit of production method, based on proved and developed commercially recoverable reserves. Recoverable reserves are reviewed on an annual basis. Transport systems used by several fields and other assets are calculated on the basis of the expected useful life, using the straight-line method. Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance costs are depreciated until the next similar maintenance takes place.

The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment, and, if necessary, changes are accounted for in the current period.

xiv) Impairment of Assets

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

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

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

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

xv) Oil and natural gas exploration and development expenditures

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

Licence and property acquisition costs

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

Exploration expenditure

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

Development expenditure

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

xvi) Interest-bearing loans and borrowings

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

xvii) Provisions

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

Provision for Redundancy

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

Provision for Environmental Expenditures

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

Provision for Decommissioning

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

change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Provision for Retirement Benefits

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

xviii) Greenhouse gas emissions

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

xix) Share-based payment transactions

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

Equity-settled transactions

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

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

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

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

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

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

Cash-settled transactions

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

xx) Leases

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

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

xxi) Government grants

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

xxii) Reserves

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

Translation reserves

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

Fair valuation reserves

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

Equity component of debt and difference in buy-back prices

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

xxiii) Treasury Shares

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

xxiv) Dividends

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

xxv) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed.

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

xxvi) Borrowing Costs

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

xxvii) Income Taxes

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are never taxable or deductible or are taxable or deductible in other years. The Group's current income tax is calculating using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

xxviii) Sales taxes

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

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- receivables and payables that are stated with the amount of sales tax included

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

xxix) Foreign Currency Transactions

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

when the fair value was determined. Foreign exchange differences both on trade receivables and payables and on borrowings are recorded as financial income or expense.

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

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

In case of a partial disposal of a subsidiary without any loss of control in the foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other disposals such as associates or jointly controlled entities not involving a change of accounting basis, the proportionate share of accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

xxx) Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

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

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxxi) Segmental Disclosure

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

xxxii) Contingencies

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

2.4 Significant accounting judgments and estimates

Critical judgments in applying the accounting policies

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

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

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

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

Since the announcement of Force Majeure no revenue has been accounted for. These circumstances also gave rise to an impairment indicator with respect to the Group's Syrian assets. The Group performed an impairment test on its Syrian non-current assets of Hayan Block, being a separate cash generating unit (see Note 5). Such impairment calculation requires an estimate of the recoverable amount of the cash generating unit, that is, the higher of fair value less costs to sell and value in use. Value in use has been determined on the basis of discounted estimated future net cash flows and of multiple scenarios with respect to return to normal production. The most significant variables in determining cash flows are discount rates, the period for which cash flow projections are made, probabilities relating to different scenarios as well as the assumptions and

estimates used to determine the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), the incremental rebuilding costs, operating expenses and future annual production volumes. While such cash flows reflect the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. The possible impacts of multiple probability weighted settlement scenarios on Group's operation in Syria representing:

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

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

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

For estimation of future production volumes the proved developed reserves derived from business plans prior to Force Majure were used. Asset-specific discount rates were derived from the USD-based weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.5% (see note 5). Based on multiple-scenario DCF calculations the Group has recorded impairment in amount of HUF 34,904 million on non-current assets and of HUF 1,968 million on current assets in Hayan Block.

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

Scope of environmental and field abandonment provision

The Group recognised significant amount of provisions in connection with its operations having environmental impact. Regulations, especially environmental legislation do not exactly specify the extent of remediation work required or the technology to be applied. Management uses its previous experience and its own interpretation of the respective legislation to determine the scope of environmental and field abandonment provisions. The amount of environmental provision is HUF 71,533 million and HUF 73,349 million, while field abandonment provision amounts to HUF 198,140 million and HUF 200,076 million as of 31 December 2013 and 2012, respectively (see Note 20).

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

Management uses judgment when capitalized exploration and evaluation assets are reviewed to determine capability and continuing intent of further development. Carrying amount of exploration and evaluation assets is HUF 221,002 million and HUF 227,808 million as of 31 December 2013 and 2012, respectively (see Note 4).

Sources of estimate uncertainty

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

Calculation of the fair values of financial instruments

Fair valuation of financial instruments (especially the conversion option embedded in the perpetual exchangeable capital securities issued by a special purpose entity, Magnolia Finance Ltd, see Note 17) is performed by reference to quoted market prices or, in absence thereof reflects the market's or the management's estimate of the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates, and in case of the conversion option and MOL's call option on the 7% shareholding owned by CEZ, volatility of MOL share prices and dividend yield. Considering the worldwide financial crisis in the near past, current difficulties of the euro-zone and risks attributed to Central-Eastern-European economies, such fair value measurements contain an increased uncertainty. In case of the conversion option embedded in MOL's perpetual exchangeable capital securities, valuation was performed with reference to prices on the market of convertible instruments. Further details of financial instruments are described in Note 33.

Quantification and timing of environmental and field abandonment liabilities

Management estimates the future cash outflow associated with environmental and decommissioning liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash flows reflects managements' current assessment of priorities, technical capabilities and urgency of such obligations. Both the amounts and the timing of these future expenditures are reviewed annually, together with expectations on the rates used to discount these cash flows. Long-term nominal discount rates are expected to be 3.5% (2012: 4.0%). Consequently, the carrying amount of these obligations (in case of environmental liabilities HUF 71,533 million and HUF 73,349 million, in case of field abandonment provision HUF 198,372 million and HUF 200,076 million as of 31 December 2013 and 2012, respectively, (see Note 20) is exposed to uncertainty.

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products. While such cash flows for each non-current asset or investment reflects the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the economic difficulties experienced worldwide, in the euro-zone and also in the Central-Eastern European region where the Group operates. In addition, recent turmoil in North-African and Middle-East countries add a further uncertainty to the recoverability assumptions of non-current assets therein. Discount rates were derived from the USD-based weighted average cost of capital for the Group (8.1%). In each case these rates are adjusted for segment-, country- and project-specific risks, as applicable. Impairment recorded in the consolidated income statement amounts to HUF 237,708 million and HUF 31,954 million in 2013 and 2012, respectively. These charges include an impairment loss HUF 56,141million

on intangible assets, mainly for exploration and evaluation assets written-off (2012: HUF 17,865 million), an impairment loss of HUF 9,504 million on goodwill (2012: HUF 14 million), an impairment loss of HUF 182,538 million (2012: HUF 17,762 million) and a reversal of impairment of HUF 971 million (2012: HUF 3,673 million) on property, plant and equipment. Carrying amount of goodwill is HUF 36,382 million and HUF 45,741 million as of 31 December 2013 and 2012, respectively (see Note 4).

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

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of such recognized deferred tax assets was HUF 67,090 million and HUF 34,210 million as of 31 December 2013 and 2012, respectively (see Note 30).

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Provision for retirement benefit is HUF 17,664 million and HUF 16,637 million at 31 December 2013 and 2012, respectively (see Note 20).

Outcome of certain litigations

MOL Group entities are parties to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses judgement when probability of future outflow of economic benefits is determined and estimations when the most likely outcome of these actions is assessed and provision is recognized on a consistent basis. Provision for legal claims is HUF 18,713 million and HUF 18,058 million at 31 December 2013 and 2012, respectively (see Note 20 and 34).

2.5 Issued but not yet effective International Financial Reporting Standards

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will also address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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

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

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC 21 Interpretation on Levies

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Issued 20 May 2013 and effective for annual periods beginning on or after 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

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

3 Segmental information

2013	Upstream	Downstream	Gas Midstream	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net Revenue						
Sales to external customers	209,998	4,834,553	348,478	7,388		**5,400,417**
Inter-segment sales	432,040	13,416	37,044	129,756	(612,256)	**-**
Total revenue	**642,038**	**4,847,969**	**385,522**	**137,144**	**(612,256)**	**5,400,417**
Results						**-**
Profit/(loss) from operations	141,520	(169,659)	34,009	(62,489)	37,991	**(18,628)**
Net finance costs						**58,344**
Income from associates				20,062		**20,062**
Profit before tax						**(56,910)**
Income tax expense/(benefit)						**(37,500)**
Profit for the year						**(19,410)**

2012	Upstream	Downstream	Gas Midstream	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net Revenue						
Sales to external customers	270,104	4,792,039	422,590	36,591	-	**5,521,324**
Inter-segment sales	508,976	18,193	40,334	121,944	(689,447)	**-**
Total revenue	**779,080**	**4,810,232**	**462,924**	**158,535**	**(689,447)**	**5,521,324**
Results						
Profit/(loss) from operations	256,213	(12,858)	35,494	(56,669)	(16,885)	**205,295**
Net finance costs						**33,157**
Income from associates				33,608		**33,608**
Profit before tax						**205,746**
Income tax expense/(benefit)						**49,721**
Profit for the year						**156,025**

2013 Assets and liabilities	Upstream	Downstream	Gas Midstream	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment, net	889,501	1,039,541	243,855	83,006	(2,976)	**2,252,927**
Intangible assets, net	237,893	62,470	2,948	20,335	-	**323,646**
Inventories	26,983	455,725	39,586	9,168	(37,055)	**494,407**
Trade receivables, net	164,685	449,471	40,907	21,901	(164,380)	**512,584**
Investments in associated companies and joint ventures	-	-	-	128,220	-	**128,220**
Not allocated assets						**929,104**
Total assets						**4,640,888**
Trade payables	58,183	468,284	160,651	31,807	(164,380)	**554,545**
Not allocated liabilities						**1,925,087**
Total liabilities						**2,479,632**
2013 Other segment information						
Capital expenditure:	140,727	93,778	7,988	11,868	-	**254,361**
Property, plant and equipment	85,139	92,375	6,720	5,164	-	**189,398**
Intangible assets	55,588	1,403	1,268	6,704	-	**64,963**
Depreciation and amortization	229,054	278,151	21,921	12,725	(2,165)	**539,686**
From this: impairment losses recognized in income statement	80,996	157,314	259	110	-	**238,679**
From this: reversal of impairment recognized in income statement	(385)	(504)	-	(82)	-	**(971)**

2012 Assets and liabilities	Upstream	Downstream	Gas Midstream	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment, net	996,082	1,194,235	391,373	91,308	(64,623)	**2,608,375**
Intangible assets, net	247,529	73,859	5,732	21,558	(2,728)	**345,950**
Inventories	29,293	444,361	50,170	10,475	(27,148)	**507,151**
Trade receivables, net	162,965	482,518	59,677	21,981	(156,147)	**570,994**
Investments in associated companies and joint ventures	-	-	-	123,974	-	**123,974**
Not allocated assets						**609,763**
Total assets						**4,766,207**
Trade payables	59,380	367,452	153,547	31,138	(156,147)	**455,370**
Not allocated liabilities						**2,064,516**
Total liabilities						**2,519,886**
2012 Other segment information						
Capital expenditure:	128,270	111,745	9,480	8,375	-	**257,870**
Property, plant and equipment	72,430	109,927	7,932	3,686	-	**193,975**
Intangible assets	55,840	1,818	1,548	4,689	-	**63,895**
Depreciation and amortization	146,633	137,513	22,312	15,037	(2,120)	**319,375**
From this: impairment losses recognized in income statement	24,131	12,190	971	301	-	**37,593**
From this: reversal of impairment recognized in income statement	(4,147)	(1,488)	-	(4)	-	**(5,639)**

Impairment (net of reversal) recorded in the consolidated income statement amounts to HUF 237,708 million and HUF 31,954 million in 2013 and 2012, respectively. Impairments (including goodwill) recognised in 2013 decreased profit/(loss) from operation by HUF 80,611 million in Upstream, by HUF 156,810 million in Downstream, by HUF 259 million in Gas Midstream segment and by HUF 28 million in Corporate segment.

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

Geographic information

Assets by geographic areas

31 December 2013	Intangible assets	Property, plant and equipment	Investment in associated companies and joint ventures
	HUF million	HUF million	HUF million
Hungary	56,023	699,847	21,451
Croatia	102,125	803,948	-
Slovakia	6,103	405,701	1,670
Rest of European Union	23,385	80,614	4,802
Rest of Europe	33,298	118,489	-
Rest of world	102,712	144,328	100,297
Total	**323,646**	**2,252,927**	**128,220**

31 December 2012	Intangible assets	Property, plant and equipment	Investment in associated companies and joint ventures
	HUF million	HUF million	HUF million
Hungary	62,686	792,962	24,033
Croatia	100,093	877,859	-
Slovakia	5,887	406,142	1,697
Rest of European Union	34,339	210,596	6,262
Rest of Europe	39,615	145,778	-
Rest of world	103,330	175,038	91,982
Total	**345,950**	**2,608,375**	**123,974**

Sales by geographical area

	2013 HUF million	2012 HUF million
Hungary	1,457,589	1,481,403
Croatia	705,369	752,565
Italy	613,574	677,394
Austria	511,723	513,127
Slovakia	421,268	446,959
Czech Republic	329,536	335,285
Romania	313,261	288,985
Rest of Europe	395,942	370,713
Rest of Central-Eastern Europe	526,004	484,157
Rest of the World	126,151	170,736
Total	**5,400,417**	**5,521,324**

The Group had no single major customer the revenue from which would exceed 10% of the total net sales revenues in the years ended 31 December 2013 and 2012.

4 Intangible assets

	Rights	Software	Exploration and evaluation assets	Goodwill	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
At 31 December 2012					
Gross book value	135,420	51,239	239,266	85,407	511,332
Accumulated amortization and impairment	(67,749)	(37,477)	(25,000)	(42,557)	(172,783)
Net book value	**67,671**	**13,762**	**214,266**	**42,850**	**338,549**
Year ended 31 December 2012					
- additions	29,880	5,065	54,932	-	89,877
- acquisition of subsidiary	-	22	-	6,711	6,733
- amortization for the year	(9,377)	(4,198)	(577)	-	(14,152)
- impairment	(857)	(30)	(18,930)	(14)	(19,831)
- reversal of impairment	1,966	-	-	-	1,966
- disposals	(19,140)	-	-	-	(19,140)
- revaluation of emission quotas	(6,331)	-	-	-	(6,331)
- disposal of subsidiaries	(1,198)	(114)	(58)	(1,123)	(2,493)
- exchange adjustment	(2,924)	(414)	(18,751)	(2,683)	(24,772)
- transfers and other movements	2,487	(3,869)	(3,074)	-	(4,456)
Closing net book value	**62,177**	**10,224**	**227,808**	**45,741**	**345,950**
At 31 December 2012					
Gross book value	136,347	48,773	264,270	86,769	536,159
Accumulated amortization and impairment	(74,170)	(38,549)	(36,462)	(41,028)	(190,209)
Net book value	**62,177**	**10,224**	**227,808**	**45,741**	**345,950**
Year ended 31 December 2013					
- additions	18,194	6,053	52,066	-	76,313
- amortization for the year	(8,157)	(3,108)	(1,469)	-	(12,734)
- impairment	(2,044)	(95)	(44,498)	(9,504)	(56,141)
- disposals	(10,979)	(21)	(28)	-	(11,028)
- revaluation of emission quotas	(481)	-	-	-	(481)
- disposal of subsidiaries	(2,921)	(58)	(725)	-	(3,704)
- exchange adjustment	(483)	87	(5,702)	163	(5,935)
- transfers and other movements	(1,754)	(372)	(6,450)	(18)	(8,594)
Closing net book value	**53,552**	**12,710**	**221,002**	**36,382**	**323,646**
At 31 December 2013					
Gross book value	129,762	54,173	274,930	86,243	545,108
Accumulated amortization and impairment	(76,210)	(41,463)	(53,928)	(49,861)	(221,462)
Net book value	**53,552**	**12,710**	**221,002**	**36,382**	**323,646**

Exploration and evaluation assets

Impairment in 2013 mainly related to exploration activities qualified unsuccessful in Hungary (HUF 6,536 million), to the write-off of unsuccessful Gulak and Bekhme wells in Kurdistan (HUF 10,326 million), Haw-1 well in Oman (HUF 6,498 million), Hayan block in Syria (HUF 9,717 million), Aphamia block in Syria (HUF 8,460 million) and Disouq block in Egypt (HUF 3,922 million). Impairment in 2012 also related to exploration activities qualified unsuccessful in Hungary (HUF 7,235 million), to the write-off of unsuccessful Bijell-3 well in Kurdistan (HUF 6,607 million) and to the revision of reserves of Croatian field Ferdinandovac (HUF 4,309 million).

Transfers from exploration and evaluation assets represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment (see Note 2.3 *xv.*).

In addition to these exploration and evaluation assets, a further HUF 8,780 million and HUF 7,375 million exploration expenses were incurred in 2013 and 2012, respectively, which were not eligible for capitalization. Consistent with the successful effort method of accounting they were charged to various operating cost captions of the consolidated income statement as incurred.

Goodwill

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

			2013			**2012**
	Net book value before impairment	Impairment	**Net book value**	Net book value before impairment	Impairment	**Net book value**
	HUF million	HUF million	**HUF million**	HUF million	HUF million	**HUF million**
Downstream	*42,772*	*9,504*	***33,268***	*42,669*	*14*	***42,655***
- Roth Group	7,556	-	**7,556**	7,413	-	**7,413**
- Romanian retail network	4,353	-	**4,353**	4,315	-	**4,315**
- IES Group	9,439	9,439	**-**	9,156	-	**9,156**
- Croatian retail network	14,487	-	**14,487**	14,357	-	**14,357**
- Czech retail network	6,395	-	**6,395**	6,858	-	**6,858**
- TVK	477	-	**477**	477	-	**477**
- TVK Polska*	65	65	**-**	93	14	**79**
Upstream	3,114	-	**3,114**	3,086	-	**3,086**
- Rotary (former DrillTrans)	*3,114*	-	***3,114***	*3,086*	-	***3,086***
Total goodwill	**45,886**	**9,504**	**36,382**	**45,755**	**14**	**45,741**

* TVK Polska was closed in 2013

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable value of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the

Group to make an estimate of the expected future cash flows from the cash-generating unit during its estimated remaining useful life and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

Roth Group

At 31 December 2013 goodwill of HUF 7,556 million (2012: 7,413 million) was allocated to the wholesale activities of Roth Group operating mainly on the Austrian wholesale market, forming a separate cash generating unit within Downstream business segment. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the following years based on an estimated growth rate of 1%. This rate does not exceed the average long-term growth rate for the relevant Austrian markets. The rates used to discount the forecast cash flows reflecting risks specific to the Downstream segment vary between 8% and 9% in the years considered.

For the wholesale activities of Roth Group, there are reasonably possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount for the wholesale activity of Roth Group exceeds its carrying amount by HUF 826 million. The implications of the key assumptions on the recoverable amount are discussed below:

- Discount rate assumptions – Management assessed discount rates based on the current and expected risk-free interest rate and the risks specific to the current activities of the unit. Even an increase of approximately 0.6 percentage points in this rate would give a value in use equal to the carrying amount of Roth Group’s wholesale activities.

Romanian retail network

At 31 December 2013 goodwill of HUF 4,353 million (2012: 4,315 million) was allocated to the Romanian retail network of the Group. For goodwill allocation purposes, the Romanian filling stations’ network as a whole (being a group of cash generating units) is considered. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the whole network and extrapolates cash flows for the average residual useful life of the filling stations assuming no growth rate in gross margin, reflecting a competitive position. The rates used to discount the forecast cash flows reflecting risks specific to retail activities vary between 11% and 13% in the years considered.

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

IES Group

As a consequence of the unfavourable economic environment that the refining business faces in Italy, after detailed assessment of the long term sustainability of the Mantova operations of IES the Group decided to convert the refinery into a

products logistics hub. The Group performed an impairment test on its non-current assets including goodwill. As a result, the Group recognised full impairment charge of HUF 9,439 million against goodwill. For goodwill allocation purposes, the Mantova refinery and its wholesale activity (being a single cash generating unit) were considered.

Croatian retail network

At 31 December 2013 goodwill of HUF 14,487 million (2012: 14,357 million) was allocated to the Croatian retail network comprising of filling stations under INA and Tifon brands. For goodwill allocation purposes, the Croatian filling stations' network as a whole (being a group of cash generating units including the Tifon and INA brands) is considered. For the network cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management and extrapolated cash flows for the average residual useful life of the filling stations based on an estimated growth rate which varies between 2% and 4% in the long-term. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 10% and 13% in the years considered.

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

Czech retail network

At 31 December 2013 goodwill of HUF 6,395 million (2012: 6,858 million) was allocated to the Czech retail network comprising of filling stations under PapOil and Slovnaft brands. For goodwill allocation purposes, the Czech filling stations' network as a whole (being a group of cash generating units including the PapOil and Slovnaft brands) is considered. For the network cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management and extrapolated cash flows for the average residual useful life of the filling stations based on an estimated growth rate which varies between 2% and 4% in the long-term. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 11% and 12% in the years considered.

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

Rotary

Subsequent to an impairment test performed at the end of 2013, no impairment has been recognized on the goodwill relating to the activities of Rotary, drilling subsidiary of INA d.d. Discounted cash flow was calculated using a pre-tax discount rate of 9.97% (2012: 10.39%).

TVK Polska

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

Intangible assets with indefinite useful life

In addition to goodwill, MOL Group has acquired the INA brand in 2009 which has an indefinite useful life, since practically the entire population in Croatia knows it and is perceived as a market leader with an extensive network of filling station. The Group does not intend to terminate this brand in the foreseeable future. The carrying amount of the INA brand was HUF 13,399 million as of 31 December 2013. Since the brand is an integral part of the Croatian filling station network, it has been included in the carrying value of the group of cash generating units to which the corresponding goodwill has been allocated and has been tested for impairment accordingly (see above).

5 Property, plant and equipment, net

	Land and buildings	Machinery and equipment	Other machinery and equipment	Construction in progress	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January 2012					
Gross book value	2,659,825	1,922,365	122,470	257,581	4,962,241
Accumulated depreciation and impairment	(950,847)	(1,100,886)	(87,842)	(706)	(2,140,281)
Net book value	**1,708,978**	**821,479**	**34,628**	**256,875**	**2,821,960**
Year ended 31 December 2012					
- additions and capitalizations	88,617	119,145	7,194	(25,745)	189,211
- acquisition of subsidiaries	16,294	943	-	-	17,237
- depreciation for the year	(146,106)	(117,145)	(10,018)	-	(273,269)
- impairment	(7,788)	(6,641)	(424)	(2,909)	(17,762)
- reversal of impairment	3,197	368	86	22	3,673
- disposals	(1,061)	(216)	(75)	(245)	(1,597)
- disposal of subsidiaries	(513)	(304)	(38)	(15)	(870)
- exchange adjustment	(76,397)	(45,201)	(2,044)	(6,716)	(130,358)
- transfers and other movements	577	(1,314)	(268)	1,155	150
Closing net book value	**1,585,798**	**771,114**	**29,041**	**222,422**	**2,608,375**
At 31 December 2012					
Gross book value	2,642,054	1,933,770	119,305	223,766	4,918,895
Accumulated depreciation and impairment	(1,056,256)	(1,162,656)	(90,264)	(1,344)	(2,310,520)
Net book value	**1,585,798**	**771,114**	**29,041**	**222,422**	**2,608,375**
Year ended 31 December 2013					
- additions and capitalizations	70,996	68,901	8,869	42,323	191,089
- acquisition of subsidiaries	622	62	47	-	731
- depreciation for the year	(153,577)	(127,104)	(8,563)	-	(289,244)
- impairment	(44,326)	(130,001)	(2,243)	(5,968)	(182,538)
- reversal of impairment	865	53	37	16	971
- disposals	(686)	(186)	(72)	(50)	(994)
- disposal of subsidiaries	(70,591)	(16,041)	(42)	(1,112)	(87,786)
- exchange adjustment	2,245	3,090	242	(1,084)	4,493
- transfers and other movements	17,394	(9,545)	2,034	(2,053)	7,830
Closing net book value	**1,408,740**	**560,343**	**29,350**	**254,494**	**2,252,927**
At 31 December 2013					
Gross book value	2,609,960	1,930,528	125,018	260,091	4,925,597
Accumulated depreciation and impairment	(1,201,220)	(1,370,185)	(95,668)	(5,597)	(2,672,670)
Net book value	**1,408,740**	**560,343**	**29,350**	**254,494**	**2,252,927**

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

Changes in estimates

In 2013 based on the requirements of IAS 16 the Group has performed an annual revision of useful lives of property, plant and equipment and intangibles, having HUF 281 million positive effects on the consolidated profits.

Impairment, net of reversal

Impairment test of non-current assets in Syria

Changes in revenue recognition in Syria (see Note 2.4 on critical judgements) are considered as an impairment indicator, therefore the Group performed an impairment test on its Syrian non-current assets (including exploration and evaluation assets, see Note 4), qualifying as a cash generating unit. Such impairment calculation requires an estimate of the recoverable amount of the Syrian cash generating unit, that is, the higher of fair value less costs to sell and value in use. Value in use has been determined on the basis of discounted estimated future net cash flows and of multiple scenarios with respect to return to normal production. The most significant variables in determining cash flows are discount rates, the period for which cash flow projections are made, probabilities relating to different scenarios as well as the assumptions and estimates used to determine the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), the incremental rebuilding costs, operating expenses and future annual production volumes. While such cash flows reflect the management’s best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. Asset-specific discount rates were derived from the USD-based weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.5%. Based on multiple-scenario discounted cash-flow calculations the Group has recorded impairment in amount of HUF 43,365 million in Syria (of which HUF 25,188 million relates to PP&E). After recognizing impairment the book value of total Group assets in Syria as at 31 December 2013 was HUF 89,647 million (31 December 2012: HUF 160,319 million).

The management regularly monitors and, if needed, re-assesses impairment calculations based on latest developments in the country.

Impairment test on refining and wholesale assets of IES

As a consequence of the unfavourable economic environment that the refining business faces in Italy, after detailed assessment of the long term sustainability of the Mantova operations of IES the Group decided to convert the refinery into a products logistics hub. The Group performed an impairment test on Italian refining and wholesale assets, qualifying as a cash generating unit. Since the refinery operation abandoned as of the end of 2013 all related assets were written off. For the wholesale activity cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management. Based on the calculation, the Group recognised an impairment charge of HUF 114,393 million against Property, plant and equipment and Intangibles (excluding Goodwill). After recognizing impairment the book value of total Group refining and wholesale assets in Italy as at 31 December 2013 was HUF 6,015 million (31 December 2012: HUF 119,525 million).

Impairment test on refining and wholesale assets of INA

As a consequence of the unfavourable economic environment, after detailed assessment of the long term sustainability of the Sisak and Rijeka refining operations of INA the Group performed an impairment test on Croatian refining and wholesale assets, qualifying as cash generating units. For the refining and wholesale activity, cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management. Based on the calculation, the Group recognised an impairment expense of HUF 27,709 million against Property, plant and equipment (of which HUF 26,745 million relates to assets in operation) in 2013 (2012: HUF 6,611 million). After recognizing impairment the book value of total Group refining and wholesale non-current assets in Croatia as at 31 December 2013 was HUF 153,157 million (31 December 2012: HUF 187,952 million).

Other impairment expenses

Impairment expense of HUF 3,325 million and HUF 1,121 million were recorded with respect to the revision of field abandonment provision of maturing and suspended oil and gas producing fields in Hungary in 2013 and 2012, respectively. Impairment expense of HUF 1,988 million and HUF 1,089 million was recognised related to Hungarian oil and gas producing fields in 2013 and 2012. Impairment expense of HUF 4,556 million was recorded with respect to filling stations and retail sites (2012: HUF 2,488 million, in addition to HUF 2,909 million charge to in progress construction works). Additional impairment expenses of HUF 259 million and of HUF 377 million were recorded for certain gas transmission assets of FGSZ Földgázszállító Zrt. in 2013 and 2012, respectively. Other individually non-material impairment loss of HUF 4,149 million and reversal of impairment of HUF 506 million have been recognized in 2013 and 2012, respectively.

Leased assets

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

	2013 HUF million	2012 HUF million
Cost	9,759	9,017
Accumulated depreciation	(5,008)	(3,669)
Net book value	**4,751**	**5,348**

Borrowing Costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of certain assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 4,196 million and HUF 1,085 million in 2013 and 2012, respectively. In 2013 and 2012 the applicable capitalisation rates (including the impact of foreign exchange differences) were 4.8% and 2.9% respectively.

Government Grants

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

Pledged Assets

Assets with an aggregate net book value of HUF 22,954 million have been pledged by the Group of which HUF 9,630 million as collateral for loans utilized by TVK-Erőmű Kft. and Tisza WTP Kft. The remaining amount of HUF 13,324 million relates to the remaining assets of IES SpA. As of 31 December 2012 the net book value of pledged assets was HUF 118,180 million, the majority of which relating to the assets of IES SpA.

6 Subsidiaries and joint arrangements

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2013	Ownership 2012
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	49%	49%
Upstream				
Adriagas S.r.l.	Italy	Pipeline project company	49%	49%
BHM OIL-Invest Ltd.	Cyprus	Exploration investment management	100%	100%
Surgut Trading Ltd.	Russia	Trade of crude oil	50%	50%
BMN Investment Ltd.	Cyprus / India	Exploration and production activity	100%	100%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	54%	50%
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	49%	49%
CorteCros d.o.o.	Croatia	Production of anticorrosion products	29%	29%
Crosco B.V.	Netherlands	Oilfield services	49%	49%
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	49%	49%
Crosco International d.o.o. (Slovenia)	Slovenia	Oilfield services	49%	49%
Crosco International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	49%	49%
Crosco International Ltd.	United Kingdom	Oilfield services	49%	49%
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	49%
Mideast Integrated Drilling & Well Services Company LLC	Oman	Integrated drilling and completion services	24%	24%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
GES Kft. (under liquidation)	Hungary	Geophysical surveying and data processing	100%	100%
Geophysical Services Middle-East LLC (under liquidation)	Oman	Geophysical surveying and data processing	70%	70%
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd.	United Kingdom	Exploration and production activity	49%	49%
Kalegran Ltd.	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
Ménrót Kft.	Hungary	Exploration investment management	100%	100%
Karpinvest Kft.	Hungary	Exploration investment management	100%	100%
KS EP Investment B.V. (joint operation)	Netherlands	Exploration investment management	49%	49%
Karpovskiy Severniy LLP	Kazakhstan	Exploration and production activity	49%, h)	49%, h)
MH Oil and Gas B.V.	Netherlands	Exploration investment management	100%, h)	100%, h)
MK Oil and Gas B.V.	Netherlands	Exploration investment management	100%, h)	100%, h)
BaiTex LLC	Russia	Exploration and production activity	100%	100%
MOL Caspian Oil and Gas Ltd.	Cyprus / Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd. (joint operation)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil Group Ltd. (joint operation)	Kazakhstan	Exploration and production activity	28%	28%
MOL Central Asia Oil and Gas Co. B.V.	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%
MOL Oman Ltd. (former: Lamorak Enterprises Ltd.)	Cyprus / Oman	Exploration and production activity	100%	100%
MOL Pakistan Oil and Gas Co. B.V.	Netherlands / Pakistan	Exploration and production activity	100%	100%
MOL-RUSS Ooo.	Russia	Management services	100%	100%
MOL Yemen Oil and Gas (Cyprus) Ltd.	Cyprus / Yemen	Exploration and production activity	100%	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Platounko Investments Ltd.	Cyprus	Exploration financing	100%	100%
Silverdale Ltd.	Cyprus	Exploration financing	100%	100%
Pronodar Ltd.	Cyprus / Cameroon	Exploration and production activity	100%	100%
Pyrogol Ltd.	Cyprus	Exploration and production activity	100%	100%
RUSI Services Ltd.	Cyprus	Exploration financing	100%	100%

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2013	Ownership 2012
Theatola Ltd.	Cyprus	Exploration investment management	100%	100%
Greentrade Ltd.	Cyprus	Exploration investment management	100%	100%
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
MOL CIS Oil and Gas Ltd.	Cyprus	Exploration investment management	b)	100%
ZMB Ltd. (joint venture)	Russia	Exploration and production activity	b)	50%
SHM Seven Investments Ltd.	Cyprus	Exploration investment management	b)	100%
MOL Western Siberia LLC	Russia	Exploration and production activity	b)	100%
USI Ltd.	Cyprus	Exploration investment management	100%	100%
UBA Services Ltd.	Cyprus / Russia	Exploration investment management	100%	100%
Gas Midstream				
CROPLIN, d.o.o.	Croatia	Natural gas trading	49%, h)	*24%, h)*
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
MMBF Földgáztároló Zrt.	Hungary	Strategic natural gas storage	*b)*	72%
Prirodni plin d.o.o.	Croatia	Natural gas trading	49%	49%
Downstream				
Bohemia Realty Company s.r.o.	Czech Republic	Retail trade	*c)*	100%
CM European Power International B.V. (joint venture)	Netherlands	Power plant investment management	*f)*	50%
CM European Power International s.r.o. (joint venture)	Slovakia	Power plant investment management	*f)*	50%
CM European Power Slovakia s.r.o.	Slovakia	Operation of thermo-power plant	50%, a)	50%, a)
MOL-CEZ European Power Hungary Kft. (joint venture)	Hungary	Steam and hot water supply, electricity production	*f)*	50%
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	50%	50%
Holdina (Guernsey) Ltd.	United Kingdom	Trading of oil products	49%	49%
Inter Ina (Guernsey) Ltd.	United Kingdom	Trading of oil products	g)	49%
Holdina (Cyprus) Ltd.	Cyprus	Intermediate holding company	g)	49%
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
IES SpA	Italy	Refinery and marketing of oil products	100%	100%
Batec S.r.l	Italy	Refinery and marketing of bitumen products	100%, h)	*50%, h)*
Greengas S.r.l.	Italy	Hydrogen plant operation	49%, a)	49%, a)
Nelsa S.r.l.	Italy	Trading of oil products	74%	74%
Panta Distribuzione S.r.l.	Italy	Trading of oil products	100%	100%
INA d.o.o.	Serbia	Trading of oil products	49%	49%
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA BL d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Crna Gora d.o.o.	Montenegro	Trading of oil products	49%	49%
INA Hungary Kft. (under liquidation)	Hungary	Trading of oil products	g)	49%
INA Kosovo d.o.o.	Kosovo	Trading of oil products	49%	49%
INA-Osijek – Petrol d.d.	Croatia	Trading of oil products	49%	48%
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	49%	49%
Interina d.o.o. Skopje (under liquidation)	Macedonia	Trading of oil products	49%	49%
MOL Serbia d.o.o. (former: Intermol d.o.o.)	Serbia	Retail trade of fuels and lubricants	100%	100%
INA Maziva Ltd. (former: Maziva Zagreb d.o.o.)	Croatia	Lubricants production and trading	49%	49%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
Roth Heizöle GmbH	Austria	Trading of oil products	100%	100%
Rumpold Festbrennstoffe GmbH	Austria	Trading of solid fuels and other products	100%	100%

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2013	Ownership 2012
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany GmbH (former: MK Mineralkontor GmbH)	Germany	Trading of oil products	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL-LUB Russ LLC	Russia	Production and trade of lubricants	100%	100%
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Slovenija d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting of energetical products	100%	100%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail trade	100%	100%
MOL Ukraine LLC (former: TVK Ukrajna t.o.v.)	Ukraine	Wholesale and retail trade	100%	100%
MULTIPONT Program Zrt.	Hungary	Marketing agent activity	83%	81%
Pap Oil s.r.o. (former: Pap Oil Cerpaci Stanice s.r.o.)	Czech Republic	Retail trade	100%	100%
Petrol d.d.	Croatia	Trading of oil products	41%	41%
Polybit d.o.o. (under liquidation)	Croatia	Production and trading	49%	49%
Rossi Biofuel Zrt. (joint venture)	Hungary	Biofuel component production	*f)*	25%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	99%	98%
Apollo Rafinéria s.r.o.	Slovakia	Wholesale and retail trade	99%	98%
MOL Slovensko spol s.r.o.	Slovakia	Wholesale and retail trade	99%	98%
Slovnaft Petrochemicals s.r.o.	Slovakia	Petrochemical production and trading	d)	98%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	99%	98%
Slovnaft Trans a.s.	Slovakia	Transportation services	99%	98%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
VÚRUP a.s. (former: Slovnaft VÚRUP a.s.)	Slovakia	Research & development	99%	98%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	99%	98%
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
TVK Plc.	Hungary	Petrochemical production and trading	95%	95%
Tisza-WTP Kft.	Hungary	Feed water and raw water supply	0%, a)	0%, a)
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	25%, a)	25%, a)
TVK France S.a.r.l.	France	Wholesale and retail trade	95%	95%
TVK Polska Sp.Zoo. (under liquidation)	Poland	Wholesale and retail trade	g)	95%
TVK UK Ltd. (under liquidation)	United Kindgom	Wholesale and retail trade	g)	95%
TVK Italia S.r.l.	Italy	Wholesale and retail trade	100%	100%
Corporate and other				
EMS Management Services Ltd. (under liquidation)	Cyprus	Management services	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Hungary	Fire service, ambulance service	100%	92%
Hostin d.o.o.	Croatia	Tourism	49%	49%
ITR d.o.o.	Croatia	Car rental	49%	49%
Magnolia Finance Ltd.	Jersey	Financial services	0%, a)	0%, a)
MOL Group Finance S.A.	Luxemburg	Financial services	100%	100%
MOL Reinsurance Ltd.	Cyprus	Captive insurance	100%	100%
MOL Vagyonkezelő Kft. (former: Hermész Tanácsadó Kft.)	Hungary	Consultancy	100%	100%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
Sinaco d.o.o.	Croatia	Security	e)	49%
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance services	99%	98%
STSI integrirani tehnički servisi d.o.o.	Croatia	Repairs and maintenance services	49%	49%
Ticinum Kft.	Hungary	Asset management	100%, h)	100%, h)
Top Računovodstvo Servisi d.o.o.	Croatia	Accounting services	49%	49%
TVK Ingatlankezelő Kft.	Hungary	Real estate management	95%	95%

a) Consolidated as required by "IFRS 10 - Consolidated Financial Statements"
b) Divested in 2013
c) Merged into Pap Oil s.r.o. in 2013
d) Merged into Slovnaft a.s. in 2013
e) Merged into INA d.d. in 2013
f) Form of the joint operation as required by "IFRS 11 Consolidation - Joint Arrangements" from 2013
g) Company was closed as a result of a liquidation process finalized in 2013
h) Fully consolidated from 2013

7 Business combinations, transactions with non-controlling interests

Acquisition in 2013

Croplin

Pursuant to the Purchase Agreement INA d.d. acquired 50% of equity in the entity Croplin d.o.o. from E.ON Hungaria Zrt. for HUF 371 million. At 3 September 2013 Commercial Court in Zagreb changes the ownership, and INA d.d. becomes the sole shareholder of Croplin d.o.o.

Following the acquisition of 100% ownership, a total investment amounting to HUF 1,817 million and impairment of investments in the amount of HUF 967 million is transferred from investments in associates to investments in subsidiaries.

Croplin d.o.o.	Headquarters	Principal activity	Date of acquisition	Proportion of shares (%)	Consideration transferred
	Zagreb, Croatia	gas, distribution network of gas fuels	3 September 2013	50%	371

	Carrying amount	Provisional fair value adjustment	Provisional fair value on acquisition
	HUF million	HUF million	HUF million
Current assets			
Cash and cash equivalents	68	-	68
Trade and other recivables	132	-	132
Other current assets	269	-	269
Prepaid expenses and accrued income	31	-	31
Non-current assets			
Property, plant and eguipment	1,064	(333)	731
Investments in associates and joint ventures	235	(235)	-
Investments in other companies	945	(945)	-
Current liabilities			
Trade payables	(2)	-	(2)
Taxes and contributions	(13)	-	(13)
Other current liabilities	-	-	-
	2,729	(1,513)	1,216

Goodwill arisen on acquisition	
Fair value of consideration transferred	371
Fair value of the previously held interest	845
Total consideration	1,216
Less: fair value of identifiable net assets aquired	(1,216)
Goodwill arrising on acquisition	-
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	371
Less: cash and cash equivalent balances acquired	-68
	303

Acquisition in 2012

As of 1 October 2012, MOL completed the acquisition of 100% share of Bohemia Realty Company s.r.o. (hereinafter: BRC) and Pap Oil Cerpaci Stanice s.r.o. (hereinafter: Pap Oil) companies which owns and operates a filling station network under the brand Pap Oil in the Czech Republic. The acquisition of the 124 Pap Oil filling stations is in line with MOL Group's strategy to improve its presence and increase the retail market share in the supply radius of MOL Group refineries and increases further the synergies within the Downstream segment.
Determination of the fair value of the acquired filling stations has been completed in 2013; the provisional fair value of Property, plant and equipment of HUF 17,237 million has not changed in the measurement period. The amount of goodwill arisen on the transaction decreased by HUF 4 million due to the subsequent change in the final amount of consideration paid. The final fair values of the assets and liabilities are the following:

	Carrying amounts	Fair value adjustment	Fair value on acquisition
	HUF million	HUF million	HUF million
Intangible assets	22	-	22
Property, plant and equipment	8,791	8,446	17,237
Inventories	972	-	972
Trade receivables	1,969	-	1,969
Other current assets	390	-	390
Deferred tax assets	12	-	12
Prepaid taxes	76	-	76
Cash and cash equivalents	1,342	-	1,342
Provisions	(1)	-	(1)
Other non-current liabilities	(164)	-	(164)
Deferred tax liabilities	-	(1,605)	(1,605)
Trade and other payables	(4,140)	-	(4,140)
Provisional fair value of net assets of Pap Oil	**9,269**	**6,841**	**16,110**
Goodwill arising on acquisition			6,707
Total consideration			**22,817**

8 Disposals

Disposals in 2013

Russian operations (ZMB and MOL Western Siberia)

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

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

	ZMB	Western Siberia
	HUF million	HUF million
Intangible assets	-	1,652
Tangible assets	11,209	33
Deferred tax asset	750	473
Other non-current assets	100	-
Inventories	681	-
Trade receivables	2,550	-
Other current assets	1,322	195
Cash and cash equivalents	772	16
Total assets	**17,384**	**2,369**
Provisions and contingent liabilities	2,401	32
Trade and other payables	2,522	249
Current tax payable	63	30
Total liabilities	**4,986**	**311**
Net assets sold	**12,398**	**2,058**
Cash consideration received	**29,294**	**4,468**
Recycling of cumulative foreign exchange loss	(8,482)	(317)
Gain on disposal (see Note 25)	**8,414**	**2,093**
The *analysis of cash inflow on sales*		
Net cash disposed of during the sale	(772)	(16)
Cash consideration received	29,294	4,468
Net cash inflow	**28,522**	**4,452**

MMBF

MOL has signed a Share Purchase Agreement on 7th of October 2013 with the Hungarian Hydrocarbon Stockpiling Association (MSZKSZ) and MFB Hungarian Development Bank Zrt. (MFB) on the divestment of its stake held in MMBF Zrt.

The parties have agreed that the Hungarian State acquires 51% shareholding in MMBF from MOL through MFB. After the transaction MFB has 51% shareholding in MMBF. The remaining 21.46% stake of MOL is purchased by MSZKSZ which company was already a minority shareholder of MMBF.

As agreed in the Letter of Intent on divesting MOL's stake in MMBF Zrt, signed in March 2013, the transaction price was based onto the asset valuation prepared by independent valuation experts, including the full settlement of loans between MOL and MMBF. The transaction is fully cash-based, cash consideration for the shares was split into two parts (end of December 2013 and beginning of January 2014), settlement of loans occurred after the Balance Sheet Date.The closing of the transaction was on 30 December 2013. The carrying amount of disposed assets and liabilities of MMBF as of 31 December 2013 and analysis of cash flows of the sale are the following:

	HUF million
Intangible assets	2,052
Property plant & equipment	76,544
Deferred tax assets	11,485
Inventories	113
Trade receivables	2,086
Prepaid taxes	48
Other current assets	412
Cash and cash equivalents	1,095
Total assets	**93,835**
Long-term debt, net of current portion	33,935
Provisions	1,236
Other long-term liabilities	117
Trade and other payables	8,431
Short-term debt	-
Current portion of long-term debt	46,007
Total liabilities	**89,726**
Minority interest	13,665
Net assets sold	**(9,556)**
Consideration received	**32,772**
Recycling of cumulated exchange gain	84
Gain on disposal (see Note 25)	**42,412**

<u>Disposals in 2012</u>

Several minor disposals took place in 2012 which had no material impact on the financial position of the Group.

9 Material partly-owned subsidiaries

INA Group

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2013	2012
INA-Industrija nafte d.d.	Croatia	51%	51%
Accumulated balances of material non-controlling interest		397,263	448,675
Profit/(loss) allocated to material non-controlling interest		(44,594)	(31,134)

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

Summarized Income statement	2013 HUF million	2012 HUF million
Total operating income	1,092,083	1,159,371
Total operating expenses	(1,186,047)	(1,133,875)
Financial (expense) / income, net	(10,926)	(12,369)
Profit before income tax	**(104,890)**	**13,127**
Income tax expense	18,824	(9,467)
Profit for the year	**(86,066)**	**3,660**
Total comprehensive income	**(87,581)**	**(61,145)**
Attributable to non-controlling interests	(44,594)	(31,134)
Dividents paid to non-controlling interests	(6,818)	-

Summarized Balance Sheet	2013 HUF million	2012 HUF million
Current assets	285,880	281,692
Non-current assets	1,090,451	1,204,449
	1,376,331	**1,486,141**
Current liabilities	(318,216)	(353,301)
Non-current liabilities	(277,914)	(251,668)
	(596,130)	**(604,969)**
Total Equity	**780,201**	**881,172**
Attributable to:		
Equity holders of parent	382,938	432,497
Non-controlling interest	397,263	448,675

Summarised Cash flow information	2013 HUF million	2012 HUF million
Net cash provided by operating activities	177,466	145,067
Net cash used in investing activities	(84,524)	(42,511)
Net cash provided by / (used in) financing activities	(96,030)	(96,280)
(Decrease) / increase in cash and cash equivalents	**(3,088)**	**6,276**

Magnolia Finance Ltd.

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**2013**	**2012**
Magnolia Finance Limited.	Jersey	100%	100%

	2013 HUF million	2012 HUF million
Opening value of equity attributable to non-controlling interests	**63,430**	**73,182**
Change (coupon and dividend payments)	(10,060)	(9,752)
Closing value of equity attributable to non-controlling interests	**53,370**	**63,430**

10 Investments in associated companies and joint ventures

Company name	Country	Range of activity	Ownership 2013	Ownership 2012	Net book value of investment 2013 HUF million	Net book value of investment 2012 HUF million
Investment in associated companies						
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	10%	100,297	91,982
MET Magyarország Energiakereskedő Zrt. (MET)	Hungary	Natural gas trading	40%	40%	18,548	21,428
Mazzola & Bignardi S.r.l.	Italy	Retail trade	50%	50%	1,553	1,516
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40%	40%	1,078	1,075
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	25%	1,011	980
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	659	717
Batec S.r.l.	Italy	Bitumen production	-	50%	-	544
Other associated companies					555	649
Investment in joint ventures						
CM European Power International B.V.	Netherlands	Power plant investment management	50%	50%	2,012	3,127
Rossi Biofuel Zrt.	Hungary	Biofuel component production	25%	25%	2,507	1,956
Total					**128,220**	**123,974**

Pearl Petroleum Company Limited

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

The Group's interest (10%) as of 31 December 2013 in Pearl was as follows:

	2013	2012
	HUF million	HUF million
The associate's balance sheet:		
Non-current assets	154,322	162,257
Current assets	305,124	247,893
Non-current liabilities	(54,538)	(108,340)
Current liabilities	(10,506)	(5,402)
Net assets	**394,402**	**296,408**
Proportion of the Group's ownership at year end	10%	10%
Group's share of assets	**39,440**	**29,641**
Fair value adjustment	60,857	62,341
Carrying amount of the investment	**100,297**	**91,982**
The associate's income statement:		
Net revenue	128,703	145,209
Profit from operations	105,083	126,978
Net income attributable to equity-holders	108,963	128,207
Group's share of profit for the year	**10,896**	**12,821**

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

MET

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

	2013	2012
	HUF million	HUF million
The associate’s balance sheet:		
Non-current assets	861	398
Current assets	204,853	159,231
Non-current liabilities	651	297
Current liabilities	155,982	103,057
Net assets	**49,081**	**56,275**
Proportion of the Group's ownership at year end	40%	40%
Carrying amount of the investment	**18,548**	**21,428**
The associate’s income statement:		
Net Revenue	879,064	559,042
Profit from operations	28,508	47,305
Net income attributable to equity-holders	24,313	41,647
Group's share of profit for the year calculated by proportion %	9,725	16,659
Group's net share of profit for the year recorded as income from associates *	**9,722**	**19,693**

* The difference between the calculated Group's share of the profit and the actual result recorded as income from associate are due to the change in Group’s share in MET (50% till the end of October 2012, 40% subsequently) and to the foreign exchange difference arising in both years.

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

11 Available-for-sale investments

	Net book value of investment 2013	Net book value of investment 2012
	HUF million	HUF million
Quoted - Jadranski Naftovod d.d.	10,520	10,792
Nabucco Gas Pipeline International GmbH	-	5,147
Other ordinary shares – unquoted	4,116	4,632
Total	**14,636**	**20,571**

MOL Group's investment in Jadranski Naftovod d.d. (JANAF), operator of Adria pipeline represents 12% of JANAF's outstanding shares. The value of the equity share in JANAF was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2013. Investments in other unquoted equity instruments of certain non-core entities are carried at cost less accumulated impairment losses, since determination of fair value is not practicable at this stage.

MOL Group's investment in Nabucco Gas Pipeline GmbH was written off due to the present situation of the Nabucco project.

12 Other non-current assets

	2013	2012
	HUF million	HUF million
Advance payments for assets under construction	15,524	8,932
Loans given (see Note 33)	10,937	17,280
Prepaid mining royalty	4,164	5,327
Prepaid fees of long-term rental	2,722	27
Advance payments for intangible assets	2,503	2,404
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 33)	864	2,434
Net receivable from currency risk hedging derivatives as fair value hedge (see Note 33)	114	183
Other	71	71
Total	**36,899**	**36,658**

Loans given primarily contain the HUF 5,454 million shareholder loan acquired with respect to Pearl Petroleum Company (see Note 10), the purpose of which is to finance the field exploration and development activities of the associate. The loan has a market-based interest rate of LIBOR + 2%. Mining royalty of HUF 20,000 million in 2005 was prepaid for fixing the level of mining royalty payable in the future and for the extension of exploration rights at certain Hungarian upstream concessions. The prepayment is amortized to the income statement beginning from January 2006 based on the expected production level of the fields until 2020. Amortization in 2013 and 2012 was HUF 1,163 million and HUF 1,432 million, respectively, and is expected to maintain a similar pattern in the forthcoming years.

13 Inventories

	2013 At cost	2013 Lower of cost or net realisable value	2012 At cost	2012 Lower of cost or net realisable value
	HUF million	HUF million	HUF million	HUF million
Work in progress and finished goods	315,591	310,301	338,889	333,077
Other raw materials	74,727	60,282	55,494	50,419
Purchased crude oil	86,170	82,418	76,132	73,549
Other goods for resale	36,125	34,967	37,906	37,504
Purchased natural gas	8,674	6,439	16,014	12,602
Total	**521,287**	**494,407**	**524,435**	**507,151**

Impairment of HUF 7,229 million was recorded in 2013, mainly on raw materials (HUF 5,450 million) and refinery products (HUF 1,855 million). In 2012 HUF 4,246 million was recorded as impairment of inventories.

It is required by law to maintain a certain level of obligatory stocks of crude oil and oil products by IES, the Italian subsidiary. The value of these stocks represents an amount of HUF 55,924 million and HUF 40,564 million at 31 December 2013 and 2012.

Due to the national legislation, Slovnaft Polska, a Polish subsidiary is required to maintain a certain level of obligatory stocks of liquid fuels. This level is determined from the volumes imported during the preceding calendar year and was an equivalent of HUF 20,379 million and HUF 26,296 million at 31 December 2013 and 2012, respectively.

14 Trade receivables, net

	2013	2012
	HUF million	HUF million
Trade receivables	548,787	597,590
Provision for doubtful receivables	(36,203)	(26,596)
Total	**512,584**	**570,994**

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

Movements in the provision for doubtful receivables were as follows:

	2013	2012
	HUF million	HUF million
At 1 January	26,596	24,714
Additions	19,935	12,051
Reversal	(8,301)	(6,859)
Amounts written off	(2,398)	(631)
Currency differences	371	(2,679)
At 31 December	**36,203**	**26,596**

As at 31 December 2013 and 2012 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2013	2012
	HUF million	HUF million
Neither past due nor impaired	469,507	508,772
Past due but not impaired	43,077	62,222
Within 90 days	29,719	46,659
91 - 180 days	5,322	7,563
Over 180 days	8,036	8,000
Total	**512,584**	**570,994**

15 Other current assets

	2013	2012
	HUF million	HUF million
Current portion of loans given, net* (see Note 33)	83,123	3,483
Prepaid and recoverable taxes and duties (excluding income taxes)	76,574	65,062
Consideration receivable from disposal of MMBF	10,514	1,458
Interest receivable	6,196	2,103
Advances paid	6,044	13,779
Receivables from joint venture partners	6,026	41,297
Prepaid expenses	4,727	5,975
Receivables from commodity hedging derivatives as cash flow hedge (see Note 32 and 33)	3,396	7,208
Receivables from closed derivative transactions	2,000	2,412
Security deposits	486	559
Receivables from financial instruments at fair value through profit and loss (see note 33)	437	726
Margining receivables	-	1,326
Other	21,511	10,798
Total	**221,034**	**156,186**

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

Analysis of loans given

	2013	2012
	HUF million	HUF million
Current portion of loans given	83,133	3,558
Provision for doubtful loans receivable	(10)	(75)
Total	**83,123**	**3,483**

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

	2013	2012
	HUF million	HUF million
At 1 January	75	331
Additions	3	68
Reversal	(69)	(323)
Currency differences	1	(1)
At 31 December	**10**	**75**

16 Cash and cash equivalents

	2013	2012
	HUF million	HUF million
Cash at bank – HUF	77,961	14,068
Cash at bank – EUR	49,698	49,361
Cash at bank – USD	20,669	19,460
Cash at bank - HRK	10,743	11,691
Cash at bank – CZK	7,359	4,583
Cash at bank – PLN	3,127	736
Cash at bank – RON	2,185	5,774
Cash at bank – RUB	1,347	6,192
Cash at bank – other currencies	8,160	6,326
Short-term bank deposits – EUR	286,401	22,538
Short-term bank deposits – USD	41,862	94,362
Short-term bank deposits – HUF	28,272	70,269
Short-term bank deposits – other currencies	18,963	6,735
Cash on hand – HUF	1,393	1,832
Cash on hand – other currencies	5,632	3,219
Cash equivalents	398	508
Total	**564,170**	**317,654**

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

	2013	2012
Current accounts		
EUR	0.00% - 0.29%	0.01% - 0.42%
USD	0.01% - 0.07%	0.04% - 0.07%
HUF	1.57% - 6.30%	4.42% - 7.51%
Short-term bank deposits		
EUR	0.01% - 1.82%	0.01 % - 2.35 %
USD	0.02% - 2.10%	0.06 % - 2.30 %
HUF	1.70% - 6.50%	4.90 % - 8.00%

17 Share capital

As of 31 December 2013, the issued share capital was HUF 104,519 million, consisting of 104,518,484 series “A”, one series “B” and 578 series “C” shares. As of 31 December 2012, the issued share capital is HUF 104,519 million, consisting of 104,518,484 series “A”, one series “B” and 578 series “C” shares. Outstanding share capital as of 31 December 2013 and 2012 is HUF 79,215 million and HUF 79,202 million, respectively.

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

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

Based on the authorization granted in the Articles of Association the Board of Directors is entitled to increase the share capital until April 23, 2014 in one or more instalments by not more than HUF 30 billion in any form and method provided by the Company Act.

Treasury share transactions

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

Based on the agreement between MOL and ING signed on 30 November 2011 regarding 5,220,000 MOL Series “A” Ordinary shares, options were exercised on 30 November 2012 with cash-settlement method, in respect of all shares. The strike price was EUR 57.93 per share.

Simultaneously, MOL and ING signed a share option agreement on 27 November 2012. As a result of the transactions, MOL received an American call option and ING received a European put option regarding 5,220,000 MOL Series “A” Ordinary shares owned by ING. The maturity for both options is one year. The strike price for both, call and put options is EUR 63.09 per share.

Based on the agreement between MOL and ING the options were exercised on 22 November 2013 with cash settlement method. The settlement took place on 27 November 2013. The strike price for both, call and put options was EUR 61.51 per share.

Simultaneously, MOL and ING signed a share option agreement on 22 November 2013. As a result of the transactions, MOL received an American call option and ING received a European put option regarding 5,220,000 MOL Series “A” Ordinary shares owned by ING. The maturity for both options is one year. The strike price for both call and put options is EUR 49.39 per share.

MOL entered into a share sale and a share option agreement with UniCredit Bank A.G. („UniCredit”) on 8 February 2011. As a result of this transaction, UniCredit owns a total number of 2,914,692 MOL Series “A” Ordinary shares. Under the share option agreement MOL has an American call option and UniCredit a European put option in relation to such shares. Both options mature in one year, such maturity being subject to yearly extensions with one year, up to a maximum total tenor of three years. The strike price for both the call and the put options is EUR 85.8 per share which has been later amended to EUR 86.7.

Based on the agreement between MOL and UniCredit the option rights under the share option agreement in relation to the 2,914,692 MOL series "A" Ordinary shares concluded between UniCredit and MOL on 8 February 2011 was settled in cash in respect of all the shares on 13 February 2012. The strike price for both, call and put options was EUR 86.72 per share.

MOL and UniCredit concluded a share purchase agreement in respect of 646,361 shares and a share option agreement in respect of 3,561,053 shares on 7 February 2012. As a result of these transactions, MOL received an American call option and UniCredit received a European put option regarding the 3,561,053 shares. The maturity of both options is one year, such maturity being subject to yearly extensions of one year, up to a total tenor of three years. The strike price of both call and put options was EUR 70.2 per share, which has been later amended to EUR 70.36 per share.

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

MOL and UniCredit concluded a share purchase agreement in respect of 519,443 shares and a share option agreement in respect of 4,080,496 shares on 7 February 2013. As a result of these transactions, MOL received an American call option and UniCredit received a European put option regarding the 4,080,496 shares. The maturity of both options is one year, such maturity being subject to yearly extensions of one year, up to a total tenor of three years. The strike price of both call and put options was EUR 61.2671 per share which has been later amended to EUR 61.2656.

On 23 December 2013 MOL has agreed with UniCredit to an extension of the option agreements that it concluded with UniCredit on 7 February 2013 in respect of a total of 4,080,496 pieces of MOL Series “A” Ordinary shares by one year. The effective date of the extension shall be 10 February 2014.

MOL continues to hold American call options and UniCredit continues to hold European put options in respect of a total of 4,080,496 Shares. The expiration of both the call and the put options is one year from the previous expiration, such maturity being subject to an option for a further extension by one additional year. The strike price of both the call and put options remains unchanged at EUR 61.27 per share.

On 3 December 2013 MOL has entered into a share purchase and a share option agreement with Credit Agricole Corporate and Investment Bank (CA CIB). As a result of this transaction, CA CIB owns a total number of 2,129,666 MOL Series “A” ordinary shares. Under the share option agreement MOL has an American call option and CA CIB a European put option in relation to such shares. Both options mature in one year. The strike price for both the call and the put options is EUR 46.96 per share.

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

Strategic Alliance with CEZ

On 20 December 2007 CEZ and MOL signed an agreement to create a joint venture. To strengthen the strategic alliance, CEZ purchased 7,677,285 pieces of “A” series MOL shares (7% stake) at HUF 30,000 which was financially closed and settled on 23 January 2008. MOL also purchased an American call option for the shares with a strike price of EUR 78.7 per share which can be exercised until 2014. The transaction became unconditional upon approval by the relevant competition offices on 18 June 2008. The call option has been recorded as a derivative financial asset, measured at its fair value, determined by applying the binomial valuation model.
Fair value of the option as of 31 December 2013 was nil (see Note 22 and 33), determined by applying the binomial valuation model. Spot market price (HUF 14,475 per share), implied volatility (21.7%) and no expected dividend have been used as input to the model.

Fair value of the option as of 31 December 2012 was HUF 6,093 million financial liability (see Note 22 and 33), determined by applying the binomial valuation model. Spot market price (HUF 17,755 per share), implied volatility (34%) and an expected dividend of EUR 2.61 have been used as input to the model.

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

Share swap agreement with OTP

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

Fair value of the share swap agreement amounted to HUF 979 million as at 31 December 2013 which has been recorded as derivative financial liability (see Note 22 and 33). As at 31 December 2012 the fair value of the swap was HUF 346 million which has been recorded as derivative financial asset (see Note 22 and 33).

Issuance of exchangeable capital securities

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

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

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

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

The issuance of Capital Securities by Magnolia resulted in an increase of equity attributable to non-controlling interest of HUF 121,164 million, net of transaction costs. Holders of the capital securities of Magnolia received a total coupon payment of HUF 7,284 million and HUF 7,021 million in 2013 and 2012, respectively. Coupon payments have been recorded directly against equity attributable to non-controlling interest.

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

- Quoted MOL share prices denominated in HUF
- HUF/EUR exchange rate

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

The fair value of this derivative financial liability upon inception has been HUF 37,453 million. The fair value of the conversion option as of 31 December 2013 and 2012 was HUF 3,032 million and HUF 2,761 million (see Note 21 and Note 33).

The fair valuation impact of the option was HUF 271 million loss and HUF 11,764 million gain in 2013 and 2012, respectively, recorded as financial expense and financial income in the accompanying consolidated income statement.

Changes in the number of ordinary, treasury and authorized shares

Series "A" and "B" shares	Number of shares issued	Number of treasury shares	Shares under repurchase obligation	Number of shares outstanding	Authorised number of shares
31 December 2011	**104,518,485**	**(5,793,316)**	**(19,523,973)**	**79,201,196**	**134,519,063**
Settlement of the option agreement with UniCredit Bank A.G.	-	(2,914,692)	2,914,692	-	-
New option agreement with UniCredit Bank A.G.	-	3,561,053	(3,561,053)	-	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Treasury shares lent to OTP Bank Plc.	-	371,301	(371,301)	-	-
Settlement of the option agreement with ING Bank N.V.	-	(5,220,000)	5,220,000	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
31 December 2012	**104,518,485**	**(5,146,955)**	**(20,170,334)**	**79,201,196**	**134,519,063**
Settlement of the option agreement with UniCredit Bank A.G.	-	(3,561,053)	3,561,053	-	-
New option agreement with UniCredit Bank A.G.	-	4,080,496	(4,080,496)	-	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Treasury shares lent to OTP Bank Plc.	-	371,301	(371,301)	-	-
Share distribution for the members of the Board of Directors	-	13,500	-	13,500	-
Settlement of the option agreement with ING Bank N.V.	-	(5,220,000)	5,220,000	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
New option agreement with Credit Agricole Corporate and Investment Bank	-	2,129,666	(2,129,666)	-	-
31 December 2013	**104,518,485**	**(2,484,346)**	**(22,819,443)**	**79,214,696**	**134,519,063**

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

18 Dividends

The shareholders at the Annual General Meeting in April 2013 approved to pay HUF 46,000 million dividend in respect of 2012. The total amount of reserves legally available for distribution based on the statutory company only financial statements of MOL Plc. is HUF 1,398,419 million and HUF 1,469,767 million as of 31 December 2013 and 2012, respectively.

19 Long-term debt

	Weighted average interest rate	Weighted average interest rate	Maturity		
	2013	2012		2013	2012
	%	%		HUF million	HUF million
Unsecured bonds in EUR			*2015 - 2017*	*454,493*	*445,262*
Eurobond 1	3.96	3.96		224,415	219,996
Eurobond 2	6.15	6.15		230,078	225,266
Unsecured bonds in USD	6.51	6.51	2019	108,064	110,464
Unsecured bank loans in EUR	*2.70*	*1.71*	*2014 - 2022*	*83,157*	*207,988*
825 MEUR syndicated				-	14,565
200 MEUR EBRD				33,933	41,613
1000 MUSD syndicated				-	114,696
400 MUSD syndicated				17,250	-
210 MEUR EBRD				17,845	21,839
other unsecured loans in EUR				14,129	15,275
Unsecured bank loans in USD	*3.78*	*2.31*	*2017 - 2021*	*81,262*	*144,912*
150 MUSD EBRD				19,842	13,764
150 MEUR EIB				34,046	41,851
1000 MUSD syndicated				-	54,514
210 MEUR EBRD				23,267	29,746
other unsecured loans in USD				4,107	5,037
Unsecured bank loans in HUF	7.02	9.78	2015 - 2016	16,924	2,644
Unsecured bonds in HUF	7.00	6.73	2014	11,542	11,542
Secured bank loans in EUR	1.41	1.83	2014 - 2018	8,522	11,254
Financial lease payable	7.03	7.15	2014 - 2027	3,860	4,488
Other	0.34	1.36	2015 - 2019	3,598	5,622
Total				**771,422**	**944,176**
Current portion of long-term debt				98,174	270,130
Total long-term debt net of current portion				**673,248**	**674,046**

	2013	2012
	HUF million	HUF million
Maturity one to five years	560,299	431,526
Maturity over five years	112,949	242,520
Total	**673,248**	**674,046**

Unsecured bonds

Issuer	Original currency	Volume (million) in original currency	Volume (in HUF million)	Tenor (years)	Issue date	Maturity date	Coupon
MOL Plc	HUF	11,000	11,000	3	18 April, 2011	18 April, 2014	7.000%
MOL Plc	EUR	750	222,683	10	5 October, 2005	5 October, 2015	3.875%
MOL Plc	EUR	750	222,683	7	20 April, 2010	20 April, 2017	5.875%
MOL Group Finance S.A.	USD	500	107,835	7	26 September, 2012	26 September, 2019	6.250%

EUR bonds

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

USD bonds

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

HUF bonds

In April 2011 MOL Plc issued a fixed rate bond in amount of HUF 11 billion under its domestic bond programme. The notes have 3-year original maturity, are due in April 2014 and pay an annual coupon of 7%.

Unsecured bank loans

Further enhancement of the maturity profile of the Group happened through the loan transactions concluded this year by the largest Group members, MOL Plc., INA d.d., Slovnaft a.s. throughout 2013.

MOL Plc. smoothly accomplished the refinancing of its EUR 825 million revolving credit facility agreement that expired in July 2013. It happened through (i) the conclusion of a USD 480 million revolving multicurrency credit facility agreement on 27 March 2013, which has been increased thereafter, in June, to a total available facility amount of USD 545 million. The tenor of the facility is 3 years which can be extended by further 1+1 years and (ii) the total available facility amount under the EUR 1 billion multicurrency revolving credit facility has been automatically increased from EUR 600 million to EUR 1 billion with the expiry of the EUR 825 million facility.

Furthermore, MOL Plc. has again extended EUR 451.5 million amount by 1 additional year until 10 June 2018 under the EUR 1 billion revolving credit facility agreement signed on 10 June 2011 originally with 5+1+1 years tenor. With this the modified total tenor of this facility is 7 years.

INA d.d. has successfully signed a USD 400 million revolving multicurrency credit facility agreement on 4 April 2013. The tenor of the facility is 3 years which can be extended by further 1+1 years.

Slovnaft a.s. has signed a EUR 200 million revolving multicurrency credit facility agreement on 4 December 2013. The tenor of the facility is 3 years.

Consequently, the main elements of unsecured revolving bank loans are:

- EUR 1,000 million multicurrency revolving club facility of MOL,
- EUR 500 million revolving club facility of MOL (available amount is EUR 470 million),
- USD 545 million multicurrency revolving club facility of MOL,
- USD 400 million multicurrency revolving club facility of INA,
- EUR 200 million multicurrency revolving club facility of Slovnaft.

In terms of main loan agreements with multilateral institutions, MOL Plc. signed an 8.5 years, USD 150 million loan agreement with the European Bank for Reconstruction and Development (EBRD) on 2 July 2012. The loan will be used to finance capital expenditures of LDPE unit and upgrade the steam cracker of Slovnaft Group. MOL Plc. has another loan agreement with EBRD, signed on 17 June 2009 with a tenor of 8 years, in order to finance the strategic and commercial gas storage project, which was settled in the first quarter of 2014. INA also concluded a 7-year loan agreement with EBRD in the amount of EUR 210 million in September 2010 for refinery modernisation (this credit facility is co-financed by ICF Debt Pool and Cordiant Capital Fund).

MOL Plc. also has a long term investment loan agreement with the European Investment Bank (EIB) signed on 29 November 2010 in the amount of EUR 150 million, to finance the construction of 205 km long natural gas transmission pipeline between Városföld and the Hungarian-Croatian border.

Secured bank loans in EUR

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

Financial lease payable

The Group has finance leases or other agreements containing a financial lease element for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Minimum lease payments and present values of payments as of 31 December 2013 and 2012, respectively are as follows:

	2013 Minimum lease payments HUF million	2013 Present value of payments HUF million	2012 Minimum lease payments HUF million	2012 Present value of payments HUF million
Maturity not later than 1 year	995	791	1,018	804
Maturity two to five years	3,352	2,790	3,953	3,029
Maturity over five years	1,340	999	1,743	243
Total minimum lease payments	**5,687**		**6,714**	
Less amounts representing financial charges	(1,107)		(2,638)	
Present values of financial lease liabilities	**4,580**	**4,580**	**4,076**	**4,076**

20 Provisions for liabilities and charges

	Environ-mental HUF million	Redundancy HUF million	Long term employee benefits HUF million	Field aban-donment HUF million	Legal claims HUF million	Other HUF million	Total HUF million
Balance as of 31 December 2011	**76,171**	**5,187**	**17,970**	**210,311**	**18,699**	**22,313**	**350,651**
Acquisition / (sale) of subsidiaries	-	-	-	-	-	(1,341)	(1,341)
Additions and revision of previous estimates	2,388	3,690	827	(13,250)	911	10,698	5,264
Unwinding of the discount	2,545	-	713	10,152	-	-	13,410
Currency differences	(4,106)	(358)	(623)	(6,717)	(617)	(1,387)	(13,808)
Provision used during the year	(3,649)	(2,564)	(2,250)	(420)	(935)	(11,046)	(20,864)
Balance as of 31 December 2012	**73,349**	**5,955**	**16,637**	**200,076**	**18,058**	**19,237**	**333,312**
Acquisition / (sale) of subsidiaries	-	-	-	(3,572)	-	(74)	(3,646)
Additions and revision of previous estimates	(1,289)	12,588	1,463	(5,143)	3,621	20,894	32,134
Unwinding of the discount	2,107	83	633	6,799	-	-	9,622
Currency differences	846	(83)	(295)	334	107	(124)	785
Provision used during the year	(3,480)	(3,283)	(774)	(122)	(3,073)	(7,946)	(18,678)
Balance as of 31 December 2013	**71,533**	**15,260**	**17,664**	**198,372**	**18,713**	**31,987**	**353,529**
Current portion 2012	4,822	3,108	1,696	1,863	14,923	16,040	42,452
Non-current portion 2012	68,527	2,847	14,941	198,213	3,135	3,197	290,860
Current portion 2013	3,999	1,986	1,880	607	13,960	27,544	49,976
Non-current portion 2013	67,534	13,274	15,784	197,765	4,753	4,443	303,553

Environmental Provision

As of 31 December 2013 provision of HUF 71,533 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL's internal environmental audit team. In 2006, an independent environmental auditor firm has reviewed MOL's internal assessment policies and control processes and validated those. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates. The amount reported as at 31 December 2013 also includes a contingent liability of HUF 19,682 million recognized upon acquiring INA Group, representing its present environmental obligations and a further HUF 14,999 million environmental contingent liability regarding the acquisition of IES (see Note 34).

Provision for Redundancy

As part of a continuing efficiency improvement project, MOL Plc., SLOVNAFT a.s., INA d.d., IES SpA and other Group members decided to further optimize workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognized a provision for the net present value of future redundancy payments and related tax and contribution. Relating to the restructuring of activities in Mantova, a provision for redundancy of HUF 9,145 million was recognised at IES in 2013. The closing balance of provision for redundancy is HUF 15,260 million and HUF 5,955 million as of 31 December 2013 and 2012, respectively.

Provision for Field Abandonment Liabilities

As of 31 December 2013 provision of HUF 198,372 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 7% of these costs are expected to be incurred between 2014 and 2018 and the remaining 93% between 2018 and 2065. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgment of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalized as a component of the underlying fields.

Provision for Long-term Employee Benefits

As of 31 December 2013 the Group has recognized a provision of HUF 17,664 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from group entities. These entities operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service, while TVK and SLOVNAFT provide a maximum of 2 and 7 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds, therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the Group. Principal actuarial assumptions reflect an approximately 2% difference between the discount rate and the future salary increase.

	2013	2012
	HUF million	HUF million
Present value of total defined benefit obligation at the beginning of the year	**16,637**	**17,970**
	-	-
Balance as of the beginning of the year	**16,637**	**17,970**
Acquisitions / (disposals)	-	-
Past service cost	18	149
Current service cost	1,846	1,067
Interest costs	633	713
Provision used during the year	(774)	(2,250)
Net actuarial (gain)/loss	(401)	(390)
from which:		
Retirement benefit (See Note 29)	(281)	(302)
Jubilee benefit	(120)	(88)
Exchange adjustment	(295)	(622)
Balance as at year end	**17,664**	**16,637**
Present value of total defined benefit obligation at year end	17,664	16,637

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

	2013	2012
	HUF million	HUF million
Current service cost	1,846	1,067
Net actuarial (gain)/loss	(120)	(88)
Past service cost	18	149
Net benefit expense (See Note 26)	**1,744**	**1,128**

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

	2013	2012
Discount rate in %	2.0-5.4	2.5-5.2
Average wage increase in %	0-2.0	0.5-3.2
Mortality index (male)	0.02-2.87	0.02-2.98
Mortality index (female)	0.01-1.30	0.01-1.25

Legal and Other Provisions

Legal and other provisions include provision for emission quotas, for cost of unutilised holiday and for other future payment obligations. As of 31 December 2013, other provision of HUF 10,131 million was made for future operational costs of IES relating to conversion of Mantova refinery into a products logistics hub. As of 31 December 2013 provision of HUF 18,713 million has been made for estimated total costs of litigations. As of 2013 MOL Group has been granted 5,103,145 emission quotas by the Hungarian, Croatian, Slovakian and Italian authorities. The total use of emission quotas amounted to 6,473,230 in 2013. In 2013 the amount of provision for the shortage of emission quotas decreased to HUF 913 million (in 2012 provision was HUF 4,033 million).

21 Other non-current liabilities

	2013 HUF million	2012 HUF million
Trade payable to exploration partners	127	29,294
Government grants received (see Note 5 and 25)	11,694	11,321
Received and deferred other subsidies	3,893	4,105
Deferred compensation for property plant and equipments	3,655	4,006
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd (see Note 17 and 33)	3,032	2,761
Liabilities to government for sold apartments	2,213	2,424
Deferred income for apartments sold	1,319	1,338
Payable from currency risk hedging derivatives as fair value hedge (see Note 33)	440	1,149
Other	874	1,248
Total	**27,247**	**57,646**

22 Trade and other payables

	2013	2012
	HUF million	HUF million
Trade payables	554,545	455,370
Transferred "A" shares sold with put and call options attached (see Note 32 and 33)	177,512	166,188
Taxes, contributions payable (excluding corporate tax)	154,743	167,218
Liability from reimbursed mining royalty	35,226	-
Amounts due to employees	26,816	26,647
Advances from customers	22,079	16,449
Custom fees payable	8,956	9,664
Fee payable for strategic inventory storage	6,900	6,656
Liabilities to joint venture partners	4,304	2,717
Discount payable to customers	4,297	5,166
Bank interest payable	3,005	2,494
Financial collateral and bail received	2,584	1,905
Margining liability	2,221	5,254
Payables from commodity hedging derivatives as cash flow hedge (see Note 32 and 33)	2,057	4,070
Payables from closed derivative transactions	1,861	2,930
Payables from financial liabilities at fair value through profit and loss (see Note 33)	1,594	6,556
Other accrued incomes (short term)	877	316
Strategic capacity booking fee	808	7,084
Government subsidies received and accrued (short term) (see Note 25)	783	738
Dividend payable	396	446
Purchase price difference payable on prior year acquisitions	287	284
Other subsidies received and accrued (short term)	267	254
Penalty payable	22	2,638
Other	26,657	21,970
Total	**1,038,797**	**913,014**

Trade payables are non-interest bearing and are normally settled on 30-day terms. Taxes, contributions payable mainly include mining royalty, contributions to social security, value added tax and excise tax. The liability from reimbursed mining royalty in 2013 HUF 35,226 million relates to the amount reimbursed by Hungarian Government following the annulation of resolution of European Commission. This mining tax had been paid by MOL in 2010. As the European Commission appealed against the annulation made by General Court of the European Court of Justice, the amount reimbursed was presented as other payables (revenue is not recognised in income statement).

23 Short-term debt

	2013 HUF million	2012 HUF million
Unsecured bank loans in USD	94,807	28,206
Unsecured bank loans in EUR	93,770	60,903
Unsecured bank loans in PLN	6,382	10,683
Unsecured bank loans in HRK	6,175	5,541
Secured bank loans in EUR	4,311	36,558
Unsecured bank loans in other currencies	5,778	3,947
Total	**211,223**	**145,838**

24 Sales by product types

Sales by product types	2013 HUF million	2012 HUF million
Sales of oil products	3,714,793	3,733,857
Sales of petrochemicals	769,769	751,303
Sales of natural gas and gas products	456,630	564,499
Sales revenue of services	230,922	271,356
Sales of crude oil	129,372	101,246
Sales of other products	98,931	99,063
Total	**5,400,417**	**5,521,324**

25 Other operating income

	2013 HUF million	2012 HUF million
Net gain realized on disposal of subsidiaries	52,919	-
Penalties, late payment interest, compensation received	13,074	5,855
Gain on sales of intangibles, property, plant and equipment	2,509	2,173
Government grants released	968	802
Allowances and subsidies received	504	402
Other	5,722	6,430
Total	**75,696**	**15,662**

In 2013 HUF 52,919 million net gains were realised on disposal of subsidiaries of which HUF 42,412 million relating to MMBF, HUF 8,414 million to ZMB and HUF 2,093 million to MOL Western Siberia.

Government grants

	2013	2012
	HUF million	HUF million
At 1 January	12,059	12,845
Government grants received (see Note 5)	1,302	336
Release of deferred grants (see table above)	(968)	(802)
Exchange adjustment	84	(320)
At 31 December (see Note 21 and 22)	**12,477**	**12,059**

26 Personnel expenses

	2013	2012
	HUF million	HUF million
Wages and salaries	179,088	183,176
Social security	43,343	46,668
Other personnel expenses	36,539	33,575
Long term employment benefits (see Note 20)	1,744	1,128
Expense (reversal of expense) of share-based payments (See Note 38)	(967)	194
Total	**259,747**	**264,741**

27 Other operating expenses

	2013	2012
	HUF million	HUF million
Mining royalties	90,032	143,891
Taxes and contributions	43,291	41,832
Rental costs	32,812	34,491
Other services	22,179	22,590
Contribution to strategic inventory storage	20,674	19,122
Provision for legal and other claims	19,153	10,028
Provision for doubtful receivables	15,610	6,038
Consultancy fees	8,991	5,452
Insurance	7,332	7,639
Advertising expenses	7,073	7,013
Site security costs	5,256	5,036
Cleaning costs	5,078	5,333
Bank charges	4,258	4,023
Penalties, late payment interest, compensation (net of provision utilized)	3,880	2,524
Outsourced bookkeeping services	2,957	3,396
Environmental protection expenses, net	1,389	1,775
Environmental levy	738	859
Revaluation of emission quotas	481	6,331
Damages	98	197
Crisis tax for Hungarian energy suppliers and retail activities	-	30,389
Net loss realized on disposal of subsidiaries	-	3,473
Environmental provision made during the year	(1,289)	2,388
Provision for greenhouse gas emission over quota allocated free of charge	(3,108)	(4,423)
Provision for field abandonment	(6,647)	(8,792)
Other	13,489	19,709
Total	**293,727**	**370,314**

The mining royalties decrease by 37% in 2013, primarily due to regulatory changes in Hungary, the divestition of ZMB, release of royalty payables (HUF 11,130 million) and lower production.

Provision for legal and other claims in 2013 include HUF 10,255 million provision made for future operational costs of IES relating to conversion of Mantova refinery into a products logistics hub. Provision for legal and other claims in 2012 included HUF 5,985 million penalty imposed on the Angolan operations of the Group by the local tax authorities.

In 2012, crisis tax of HUF 30,389 million has been imposed on various domestic energy supplying members of the Group (including the parent company) and the Hungarian retail shop selling activities of MOL Plc. by the Hungarian state from 2010. The base of the tax charge is sales revenues of legal entities engaged in such activities. According to the relevant legislation, crisis tax is cancelled from 2013.

28 Financial (income) / expense

	2013 HUF million	2012 HUF million
Fair valuation gain on conversion option (see Note 17)	-	11,764
Interest received	15,147	6,766
Foreign exchange gain on receivables and payables, net	4,098	24,651
Net gain on derivative transactions	-	3,698
Dividends received	3,629	3,159
Other financial income, net	6,511	1,298
Total financial income	**29,385**	**51,336**
Interest on borrowings	47,521	46,453
Interest on provisions	9,622	13,410
Foreign exchange loss on cash and cash equivalents, net	7,152	13,184
Fair valuation difference of conversion option (see Note 17)	271	-
Other costs on borrowings	8,393	6,267
Net loss on sales of investments	-	2,917
Foreign exchange loss on borrowings	8,240	2,180
Net loss on derivative transactions	649	-
Impairment of investments	5,105	-
Other financial expenses, net	776	82
Total financial expenses	**87,729**	**84,493**
Total financial expense, net	**58,344**	**33,157**

Net loss on derivative transactions in 2013 is mainly attributable to HUF 3,901 million gain on commodity price and foreign exchange transactions, HUF 508 million loss on the fair valuation of the share swap agreement with OTP (for details see Note 17) and HUF 4,689 million loss on the fair valuation of the call option held by the Group on the MOL shares representing 7% of its share capital owned by CEZ (for details see Note 17). Net gain on derivative transactions in 2012 is mainly attributable to HUF 5,848 million gain on commodity price transactions, HUF 4,932 million gain on the fair valuation of the share swap agreement with OTP (for details see Note 17) and HUF 6,588 million loss on the fair valuation of the call option held by the Group on the MOL shares representing 7% of its share capital owned by CEZ (for details see Note 17).

Impairment of investments consists mainly the write-off of FGSZ shareholding in Nabucco due to uncertain viability of the project.

29 Components of other comprehensive income

	2013 HUF million	2012 HUF million
Exchange differences on translating foreign operations including net investment hedge, net of tax		
Gains / (losses) arising during the year	3,206	(130,952)
Reclassification adjustments for gains and losses included in the income statement	922	(779)
Income tax effect	-	-
	4,128	(131,731)
Net investment hedge, net of tax		
Gains / (losses) arising during the year	4,430	43,420
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	216	(4,085)
	4,646	39,335
Available-for-sale financial assets		
Gains / (losses) arising during the year	(355)	743
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	71	(97)
	(284)	646
Cash-flow hedges		
Gains / (losses) arising during the year	1,383	1,517
Reclassification adjustments for gains and losses included in the income statement	(3,243)	12,902
Reclassification adjustments to initial cost of hedged inventories	(1,509)	(14,272)
Income tax effect	298	99
	(3,071)	246
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation		
Gains / (losses) arising during the year (see Note 20)	281	302
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	(68)	(64)
	213	238

Share of other comprehensive income for associates		
Gains / (losses) arising during the year	(2,325)	(10,071)
Reclassification adjustments for gains and losses included in the income statement	6	(275)
Income tax effect	(2)	19
	(2,321)	(10,327)

30 Income taxes

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2013 and 2012 include the following components:

	2013	2012
	HUF million	HUF million
Current corporate income taxes	19,464	18,356
Local trade tax and innovation fee	13,919	14,941
Deferred corporate income taxes	(70,883)	16,424
Total income tax expense/(benefit)	**(37,500)**	**49,721**

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group. The applicable corporate income tax rate on the taxable income of the companies of the Group operating in Hungary was 19% in 2013 and in 2012 also. A further surplus tax of 8% is applicable for domestic energy supplier entities in 2012 and 31% from 1 January 2013. Slovakian and Croatian tax rates were 23% (2012: 19%) and 20% (2012: 20%), respectively. Slovakian tax rate was decreased to 22%, effective from 1st January 2014. Italian tax rate was increased temporary (for 3 years) following the crisis and government change (in 2011), total tax rate applicable for 2013 is 41.9%, being an aggregate of a corporate income tax of 27.5%, a temporarily increased surcharge tax on energy sector of 10.5% and local tax rate of 3.9% (in 2012 the total tax rate was 41.9%). Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

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

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

Income tax recognised in other comprehensive income

	2013	2012
	HUF million	HUF million
Deferred and current tax recognised in other comprehensive income:		
Net gain/ (loss) on hedge of a net investment and foreign exchange differences of loans given	216	(4,085)
Revaluations of available-for-sale financial assets	71	(97)
Revaluations of financial instruments treated as cash flow hedges	298	99
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	(68)	(64)
Revaluations of financial instruments of associated companies	-	2
	517	**(4,145)**
Reclassifications from equity to profit or loss:		
Relating to hedges of net investments	-	-
Relating to available-for-sale financial assets	-	-
Relating to cash flow hedges	-	-
Relating to actuarial gain/loss on provision for retirement benefit obligation	-	-
Relating to associated companies	(2)	17
	(2)	17
Total income tax recognised in other comprehensive income	**515**	**(4,128)**

The deferred tax balances as of 31 December 2013 and 2012 in the consolidated balance sheet consist of the following items:

	Balance sheet		Recognized in income statement	
	2013	2012	2013	2012
	HUF million	HUF million	HUF million	HUF million
Breakdown of net deferred tax assets				
Unrealized gains on intra-group transfers	5,799	19,682	(785)	5,454
Provisions	6,690	9,779	(2,544)	(724)
Depreciation, depletion and amortization	2,230	1,729	(644)	2,172
Differences in accounting for domestic oil and gas exploration and development	(17,127)	(18,848)	1,720	(10,039)
Capitalization of certain borrowing costs	(5,317)	(5,367)	(151)	(2,456)
Foreign exchange differences	13,384	11,273	2,111	3,137
Valuation of financial instruments	(1,923)	(1,782)	(140)	(650)
Capitalized periodic maintenance costs	(2,681)	(2,914)	233	(1,759)
Statutory tax losses carried forward	41,603	19,545	19,283	(2,255)
Receivables write off	(153)	(27)	(481)	(243)
Other	3,809	1,680	2,362	854
Deferred tax assets	**46,314**	**34,750**		
Breakdown of net deferred tax liabilities				
Fair valuation of assets on acquisitions	(84,152)	(106,535)	22,183	7,462
Depreciation, depletion and amortization	(46,622)	(64,634)	18,997	(8,754)
Provisions	10,895	10,719	49	1,802
Statutory losses carried forward	25,487	14,665	11,509	(1,438)
Elimination of inter-company transactions	15,933	16,750	(817)	(657)
Receivables write off	(82)	1,303	(1,107)	(8,362)
Capitalization of borrowing costs	(2,897)	(3,477)	580	59
Embedded derivatives	(164)	(462)	-	-
Foreign exchange differences	-	(62)	63	-
Inventory valuation difference	1,304	5,955	(4,785)	(151)
Valuation of financial instruments	4,887	4,789	51	312
Other	534	(2,773)	3,196	(188)
Deferred tax liabilities	**(74,877)**	**(123,762)**		
Net deferred tax asset / (liability)	**(28,563)**	**(89,012)**		
Deferred tax (expense) / income			**70,883**	**(16,424)**

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

	2013	2012
	HUF million	HUF million
Net deferred tax asset / (liability) at 1 January	**(89,012)**	**(77,217)**
Recognized in income statement	70,883	(16,424)
Recognized directly in equity (fair valuation reserve)	2,497	2
Sale of subsidiaries (see Note 8)	(12,708)	722
Acquisition of subsidiaries	83	(1,623)
Exchange difference	(306)	5,528
Net deferred tax asset / (liability) at 31 December	**(28,563)**	**(89,012)**

The unrealized gains on intra-group transfers contain primarily the results of the gas unbundling. Due to the fact that this gain increased the tax base of the assets, but has been eliminated in the consolidation, the increase in the future depreciation gives rise to a deferred tax asset.

Significant tax losses arose in 2013 and 2011 at MOL Plc. Additional tax losses arose at INA, at TVK Plc. and some of TVK's subsidiaries (between 2009 and 2012). Since the Group estimates that these companies will have taxable profits available in the future to offset with these tax losses, a deferred tax asset of HUF 67,090 million and HUF 34,210 million has been recognized as of 31 December 2013 and 2012, respectively.

No deferred tax assets have been recognized in respect of such losses elsewhere in the Group as they may not be used to offset taxable profits and they have arisen in subsidiaries that have been loss-making for some time. The amount of such tax losses incurred in 2013 and 2012 were HUF 75,472 million and HUF 15,531 million, respectively.

From the unused tax losses (for which deferred tax asset was recognised) at the end of the period, HUF 317,331 million has no expiry or can be utilised after 5 years, while HUF 4,846 million can be utilized between 2014 and 2018.

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

	2013 HUF million	2012 HUF million
Profit before tax per consolidated income statement	(56,910)	205,746
Tax at the applicable tax rate (19%, 2012: 19%)	(10,813)	39,092
Tax holiday available	(5,017)	(3,722)
Surplus taxes and local trade tax	11,159	13,452
Differences not expected to reverse	(41,286)	(8,776)
Effect of different tax rates	(58,665)	(12,525)
Adjustment to the period of realisation	-	(33)
Losses of subsidiaries not recognized as an asset	75,472	15,531
Non-taxable income	(7,455)	(5,982)
Revaluation of deferred tax assets and liabilities	(1,090)	12,832
Impact of changes in Hungarian tax legislation	-	-
Other	195	(148)
Total income tax expense / (benefit) at the effective income tax rate of 66% (2012: 24%)	**(37,500)**	**49,721**

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

31 Earnings per share

Basic earnings per share are calculated by decreasing the net profit for the period attributable to ordinary shareholders with the coupon paid to the owners of Perpetual Exchangeable Capital Securities and divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated considering the potentially dilutive effect of the conversion option embedded in the Perpetual Exchangeable Capital Securities in the number of outstanding shares and by excluding the fair valuation difference of the conversion option from the net income attributable to equity holders of the parent.

In 2013 the diluted earnings per share equals with the basic earnings per share as there is no dilutive effect on the earnings.

	Income (HUF million)	Weighted average number of shares	Earnings per share (HUF)
Basic Earnings Per Share 2012	144,463	87,906,310	1,643
Diluted Earnings Per Share 2012	139,720	93,913,789	1,488
Basic Earnings Per Share 2013	14,158	88,449,078	160
Diluted Earnings Per Share 2013	14,158	88,449,078	160

	2013 HUF million	2012 HUF million
Net profit attributable to ordinary shareholders	21,442	151,484
Coupon payment to holders of capital securities of Magnolia (-)	(7,284)	(7,021)
Net profit attributable to ordinary shareholders for basic earnings per share	**14,158**	**144,463**
Coupon payment to holders of capital securities of Magnolia (+)	-	7,021
Fair value of conversion option	-	(11,764)
Net profit attributable to ordinary shareholders for diluted earnings per share	**14,158**	**139,720**

	2013	2012
Weighted average number of ordinary shares for basic earnings per share	88,449,078	87,906,310
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	6,007,479
Adjusted weighted average number of ordinary shares for diluted earnings per share	**88,449,078**	**93,913,789**

32 Financial risk management objectives and policies

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

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

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

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

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

The Group is currently in Low Gearing status. As of 31 December 2013 the Net Debt / EBIDTA was at 0.79 level while the Net Gearing was 16.0%.

In line with MOL's risk management policy, no speculative transactions are allowed. Any derivative transaction the company may enter is under ISDA (International Swaps and Derivatives Association) agreements and Hungarian law governed Dealing Master Agreement in the Hungarian Market.

MOL Commodity Trading Limited was established with the purpose to centralize and manage the Group's needs on oil and oil product derivatives, to optimize the Group-level CO2 quota position and to manage the procurement of electricity. In order to improve control over the resulting market and credit risks, risk limits (VaR) are applied and monitored on a daily basis.

Key Exposures

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

Commodity Price Risk Management

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

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

In 2013 MOL concluded short term commodity swap transactions. These transactions are mainly dealt for inventory hedging purposes in order to mitigate the effects of the potential price movements during the non-business-as-usual refinery activities (e.g. turnarounds/ shutdowns), and they are also related to crude oil procurement and other trading possibilities. As of 31 December 2013 the fair value of open commodity derivative transactions designated as fair value hedge was a net payable of HUF 334 million (see Note 33). The fair value of accompanying firm commitments as hedged items under commodity derivative transaction designated as fair value hedges was a net receivable of HUF 94 million (see Note 33).

At the end of 2012 and in 2013 MOL concluded swap deals on a significant volume of crude oil purchases and ultra low sulfur diesel sales forecasted for 2013 and 2014 with the economic purpose of capturing a favourable crack spread on this product. As of 31 December 2013 the fair value of open transactions designated as cash flow hedge was a receivable of HUF 3,396 million with respect to crude oil swap (see Note 15 and 33) and a payable of HUF 2,057 million with respect to diesel swap (see Note 22 and 33), with a corresponding adjustment of the fair valuation reserve in other comprehensive income. Deals will be settled subsequent to each month in the next years.

As of 31 December 2013 and 2012 the fair value of open commodity derivative transactions not designated as hedges were a net receivable of HUF 251 million and HUF 236 million (see Note 33), respectively.

Foreign Currency Risk Management

At group level, the Group has a net long USD, EUR, RON, and net short HUF, HRK, RUB operating cash flow position from economic point of view.

When MOL is in high gearing status, the Group follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect the net operating cash flow position of the Group ('natural hedge').

The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 December 2013 and 2012 there were no open cross currency transactions.

The Group has two long-term international gas transit agreements (expiring in 2017 and 2019) under which consideration is calculated in SDR. The contractual provisions prescribing price calculation in SDR have been identified as a SDR/USD swap, being an embedded derivative under IAS 39, as the Group considers SDR price setting to be closely related to the underlying originally USD denominated contract. This derivative has been separated from the underlying contract and designated as a cash flow hedge to the underlying gas transit contract. The fair value of the embedded SDR derivative is a net receivable of HUF 864 million (HUF 700 million net of deferred tax) as of 31 December 2013 (see Note 12). The corresponding figure as of 31 December 2012 was HUF 2,434 million net receivable (HUF 1,972 million net of deferred tax). The decrease in the fair value of this instrument has been recognized in other comprehensive income.

INA has concluded certain long-term contracts on gas and crude- oil storage and transport which contain embedded derivatives as defined by IAS 39. These derivatives has been separated from the underlying contracts and designated as fair value hedge to the underlying gas and crude oil contracts. The fair value of the embedded derivatives is a receivable of HUF 206 million and a payable of HUF 719 million as of 31 December 2013 (see Note 33). The corresponding figures as of 31 December 2012 were HUF 269 million receivable and HUF 1,534 million payable.

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

As of 31 December 2013 and 2012 the fair value of open foreign exchange forward transactions was a net payable of HUF 2 million and HUF 19 million (see note 33), respectively.

Hedge of net investments in foreign operations

Certain facilities of the Group's long-term debt (USD 870 million and EUR 1,703 million) has been designated as hedging instruments in a net investment hedge of foreign operations denominated in USD and EUR. These borrowings are used to hedge the Group's exposure to the spot USD and EUR foreign exchange retranslation risk of these investments. Losses of HUF 4,430 million incurred on retranslating these borrowings are recorded in other comprehensive income to offset corresponding gains on translating the hedged net investments in foreign operations.

Interest rate risk management

As an energy company, MOL has limited interest rate exposure. The ratio of fix/floating interest debt is determined by the Board of Directors on the basis of the suggestion of Group Risk Management from time to time, based on international best practice.

As result of the 750M EUR Bond transaction in 2005, 750M EUR Bond transaction in 2010, HUF 16 billion Hungarian retail bond transaction also in 2010-2011 and the 500M USD Bond transaction in 2012, the fixed portion of the total debt increased substantially. As of 31 December 2013 and 2012, 49.5% and 45.1 % of the Group's debt was at fixed rates respectively.

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

As of 31 December 2013 and 2012, there was no open interest rate swap transaction.

Sensitivity analysis for key exposures

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

Effect on profit from operations	2013 HUF billion	2012 HUF billion
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin) *		
Downstream	+ 11.7 / - 11.7	+ 11.5 / - 11.5
Upstream	+ 25.9 / - 25.2	+ 20.1 / - 20.0
Gas Midstream	- 2.0 / + 1.8	+ 1.5 / - 1.5
Crack spread (change by +/- 10 USD/t)		
Downstream	+ 41.8 / - 41.8	+ 42.3 / - 42.3
Upstream	+ 1.0 / - 1.0	+ 1.2 / - 1.2
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Downstream	+ 1.9 / - 1.9	+ 2.6 / - 2.6
Brent - Ural Spread (+/- 1 USD/bbl)		
Downstream	+ 18.3 / - 18.3	+ 19.3 / - 19.3
Upstream	+ 0.2 / - 0.2	- 0.7 / + 0.7
Exchange rates (change by +/- 10 HUF/USD; with fixed crack spreads)		
Downstream	+ 15.9 / - 15.9	+ 16.6 / -16.6
Upstream	+ 17.3 / - 17.3	+ 19.0 / - 19.0
Gas Midstream	- 2.1 / + 1.9	- 1.2 / + 1.2
Exchange rates (change by +/- 10 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Upstream	-0.4 / + 0.3	+ 0.2 / - 0.2
Downstream	+ 13.4 / - 13.4	+ 13.0 / - 13.0
Gas Midstream		+ 0.4 / - 0.4

* Without revaluating opening inventories.

Other Exposures

Credit risk

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

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

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

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

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

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

Liquidity risk

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

The amount of undrawn major committed credit facilities as of 31 December 2013 consists of the following:

	HUF million
Long - term loan facilities available (general corporate purpose)	797,859
Short - term facilities available	256,937
Total loan facilities available	**1,054,796**

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments.

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

31 December 2012	On demand HUF million	Less than 1 month HUF million	1 to 12 months HUF million	1 to 5 years HUF million	Over 5 years HUF million	**Total HUF million**
Interest-bearing loans and borrowings:						
Obligations under financial leases		52	966	3,953	1,743	**6,714**
Floating rate long-term bank loans	-	4,749	216,740	145,376	5,431	**372,296**
Floating-rate other long-term loans	-	14	8,100	134	-	**8,248**
Floating-rate short-term bank loans	-	40,902	101,544	-	-	**142,446**
Floating-rate other short-term loans	-	-	-	-	-	**-**
Fixed rate bonds	-	-	28,975	544,592	124,273	**697,840**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	38	1,720	3,194	**4,952**
Transferred “A” shares with put and call options attached (see Note 22 and 33)	-	-	166,188	-	-	**166,188**
Maximum exposure under financial guarantees	6,574	-	-	-	-	**6,574**
Trade and other payables (excluding Transferred “A” shares with put and call options attached and taxes and contributions)	26,119	269,453	271,734	-	-	**567,306**
Total	**32,693**	**315,170**	**794,285**	**695,775**	**134,641**	**1,972,564**

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Treasury share transactions (see Note 17) are also used for such purposes. No changes were made in the objectives, policies or processes during 2013 and 2012.

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

	2013 HUF million	2012 HUF million
Long-term debt, net of current portion	673,248	674,046
Current portion of long-term debt	98,174	270,130
Short-term debt	211,223	145,838
Less: Cash and cash equivalents and securities	570,774	346,856
Net debt	**411,871**	**743,158**
Equity attributable to equity holders of the parent	1,687,739	1,699,116
Non-controlling interest	473,517	547,205
Total equity	**2,161,256**	**2,246,321**
Capital and net debt	**2,573,127**	**2,989,479**
Gearing ratio (%)	*16.0%*	*24.9%*

33 Financial instruments

Financial instruments in the balance sheet include investments, other non-current assets, trade receivables, other current assets, securities, cash and cash equivalents, short-term and long-term debt, other long-term liabilities, trade and other payables.

Derivatives are presented as other non-current assets, other non-current liabilities, other current assets and trade and other payables. Fair value of fixed rate bond which is carried at amortized cost is based on market prices.

Securities include EUR-denominated Hungarian sovereign bonds and EUR- denominated Romanian international bonds which are intended to held until their maturity (within 12 months).

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

	2013 HUF million	2012 HUF million
Cash flow hedges		
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	864	2,434
Receivables from commodity hedging derivatives as cash flow hedge (see Note 15)	3,396	7,208
Total cash flow hedges	**4,260**	**9,642**
Financial instruments at fair value through profit or loss		
Derivatives designated as hedges		
Receivable from currency risk hedging derivatives as fair-value hedge	206	269
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	94	-
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	-	59
Derivatives not designated as hedges		
Fair value of OTP-MOL share swap (see Note 17)	-	346
Net receivables from commodity price transactions (see Note 32)	251	236
Securities	6,604	29,202
Total financial instruments at fair value through profit or loss	**7,155**	**30,112**
Financial instruments at fair value through profit or loss, net of current portion (see Note 12)	114	183
Current portion of financial instruments at fair value through profit or loss (see Note 15)	437	727
Securities	6,604	29,202
Loans and receivables		
Loans given, net of current portion (see Note 12)	10,937	17,280
Current portion of loans given (see Note 15)	83,123	3,483
Total loans and receivables	**94,060**	**20,763**
Available for sale investments (see Note 11)		
Quoted equity shares – Jadranski Naftovod d.d.	10,520	10,792
Unquoted equity shares	4,116	9,779
Total available for sale investments	**14,636**	**20,571**
Total financial assets	**120,111**	**81,088**
Total non-current	**26,551**	**40,468**
Total current	**93,560**	**40,620**

	2013 HUF million	2012 HUF million
Cash flow hedges		
Payables from commodity hedging derivatives as cash flow hedge (see Note 22)	2,057	4,070
Total cash flow hedges	**2,057**	**4,070**
Financial liabilities at fair value through profit or loss		
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	3,032	2,761
Derivatives designated as hedges		
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	-	59
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	334	-
Payables from currency risk hedging derivatives as fair value hedge	719	1,534
Derivatives not designated as hedges		
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	-	6,093
Fair value of MOL-OTP share swap (see Note 17)	979	-
Payables from foreign exchange forward transactions (see Note 32)	2	19
Total financial liabilities at fair value through profit or loss	**5,066**	**10,466**
Financial liabilities at fair value through profit or loss, net of current portion (see note 21)	3,472	3,910
Current portion of financial liabilities at fair value through profit or loss (see note 22)	1,594	6,556
Financial liabilities at amortized cost		
Non-current interest bearing loans and borrowings	767,824	938,554
Current interest bearing loans and borrowings	211,223	145,838
Transferred “A” shares with put and call options attached (see Note 22 and 32)	177,512	166,188
Non-interest bearing long-term liabilities	3,598	5,622
Total financial liabilities at amortized cost	**1,160,157**	**1,256,202**
Total financial liabilities	**1,167,280**	**1,270,738**
Total non-current	**774,894**	**948,086**
Total current	**392,386**	**322,652**

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	864	2,434	864	2,434
Receivables from commodity hedging derivatives as cash flow hedge (see Note 32)	3,396	7,208	3,396	7,208
Available-for-sale investments (see Note 11)	14,636	20,571	14,636	20,571
Securities	6,604	29,202	6,604	29,202
Loans given (see Note 12 and 15)	94,060	20,763	94,060	20,763
Trade receivables (see Note 14)	512,584	570,994	512,584	570,994
Receivable from currency risk hedging derivatives as fair-value hedge (see Note 32)	206	269	206	269
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	94	-	94	-
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	-	59	-	59
Net receivables from commodity price transactions (see Note 32)	251	236	251	236
Fair value of MOL-OTP share swap (see Note 17)	-	346	-	346
Other current assets (excluding derivatives, Loans given and prepaid and recoverable taxes, see Note 15)	57,504	79,707	57,504	79,707
Cash and cash equivalents (see Note 16)	564,170	317,654	564,170	317,654

	Carrying amount		Fair value	
	2013	2012	2013	2012
	HUF million	HUF million	HUF million	HUF million
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under financial leases	3,860	4,488	3,860	4,488
Floating rate long-term bank loans	189,865	366,798	189,865	366,798
Floating rate other long-term loans	-	-	-	-
Floating rate short-term bank loans	210,943	145,613	210,943	145,613
Floating-rate other short-term loans	280	225	280	225
Fixed rate bonds	574,099	567,268	586,731	580,114
Non-interest bearing long-term liabilities	3,598	5,622	3,598	5,622
Payables from commodity hedging derivatives as cash flow hedge (see Note 22 and 32)	2,057	4,070	2,057	4,070
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	3,032	2,761	3,032	2,761
Transferred “A” shares with put and call options attached (see Note 17 and Note 22)	177,512	166,188	177,512	166,188
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	-	6,093	-	6,093
Fair value of MOL-OTP share swap (see Note 17)	979	-	979	-
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	719	1,534	719	1,534
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	-	59	-	59
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	334	-	334	-
Payables from foreign exchange forward transactions (see Note 32)	2	19	2	19
Trade and other payables (excluding derivatives, Transferred “A” shares with put and call options attached and taxes and contributions, see Note 22)	650,979	542,940	650,979	542,940

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

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

- Level 1: quoted prices in active markets for identical assets and liabilities. The value of the equity share in JANAF d.d. was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2013

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group enters into derivative financial instruments with various

counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly commodity price transactions. For commodity derivative contracts the most frequently applied valuation techniques include forward pricing and swap- and option models and are based use on mark- to-market calculations. For valuing share option transactions and share swaps various option pricing techniques are used (binomial option pricing model, Monte Carlo simulation).

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets and liabilities measured by the Group at fair value as at 31 December 2013 are categorised as follows:

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

	31 Dec 2012	Level 1	Level 2	Level 3
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Securities	29,202	-	29,202	-
Available for sale investment in JANAF d.d. (see Note 11)	10,792	10,792	-	-
Receivables from commodity hedging derivatives as cash flow hedge (see Note 15)	7,208	-	7,208	-
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	2,434	-	2,434	-
Fair value of MOL-OTP share swap (see Note 17)	346	-	346	-
Receivables from currency risk hedging derivatives (see Note 32)	269	-	269	-
Net receivables from commodity price transactions (see Note 32)	236	-	236	-
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	59		59	
Financial liabilities				
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	6,093	-	6,093	-
Payables from commodity hedging derivatives as cash flow hedge (see Note 22)	4,070	-	4,070	-
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,761	-	2,761	-
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	1,534	-	1,534	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	59	-	59	-
Payables from foreign exchange forward transactions (see Note 32)	19	-	19	-

34 Commitments and contingent liabilities

Guarantees

The total value of guarantees undertaken to parties outside the Group is HUF 173 million.

Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2013 is HUF 129.6 billion, from which significant amounts relate to the construction of the new petrochemical plants of Slovnaft and TVK (HUF 66.9 billion and HUF 26.9 billion, respectively). In addition to the above, HUF 11.4 billion relates to capital and contractual commitments of INA, and HUF 7.5 billion relates to MOL Plc.

Gas Purchases Obligation, Take or Pay Contract

MOL Group has concluded a long-term gas purchase contract with MET in order to ensure the continuous natural gas supply of the Group's plants. According to the agreement, contracted volumes have been set for each year for the period ending in 2015 but the volumes for the actual period are subject to annual renegotiation with the supplier. The major part of the renegotiated yearly contracted volumes is under take-or-pay commitment (50 mcm as of 31 December 2013). On 20 December 2013 Prirodni plin d.o.o. signed an additional contract with MET International AG regarding natural gas import until 1 May 2014. As of 31 December 2013 future obligations amount to approximately HRK 150 million until the contract expiry.

Operating leases

Operating lease liabilities are as follows:

	2013	2012
	HUF million	HUF million
Due not later than 1 year	5,769	5,393
Due two to five years	9,117	8,722
Due over five years	12	55
Total	**14,898**	**14,170**

Out of the outstanding operating lease liabilities as of 31 December 2013 HUF 5,195 million were contracted by INA, HUF 4,271 million were contracted by Slovnaft and HUF 2,655 million were contracted by MOL Plc.

Authority procedures, litigation

CREDITOR procedures

CREDITOR GAMA s.r.o. („CREDITOR GAMA") has submitted a compensation claim against MOL Plc.("MOL") which was served to MOL by Bratislava I. Court on 12 January 2011. In its pleading CREDITOR GAMA claims compensation in connection with the acquisition of SLOVNAFT a.s. shares by MOL in the amount of cca. SKK 380 million (EUR 12.6 million) plus delay interest 14.75% p.a from 28 November 2007. CREDITOR GAMA alleges that the buying offer of MOL for the SLOVNAFT a.s. shares was in breach of the Slovak Bonds and Investment Services Act, because the lawful price per share should have been higher. MOL refuses the claim of CREDITOR GAMA with special regard to the fact that the buying offer was approved by the Slovak financial authority (Úrad pre financny trh). The first hearing was held on 20 September 2011 on which the court ordered taking of evidences without setting the date of the next hearing.

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

Paraffin cartel infringement

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

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

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

ARBITRATION proceedings

ICSID

On 26 November 2013 MOL has filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID) in order to commence arbitration proceedings against the Government of Croatia for breaching certain of its obligations and undertakings in relation to MOL's investments in Croatia.

The Request for Arbitration was filed against the Government of Croatia through MOL's legal counsel in order to commence arbitration proceedings under the Energy Charter Treaty. The request to commence the arbitration has been filed; MOL received the Notice of Registration and named an arbitrator in the proceeding.

UNCITRAL

On 17 January 2014 the Croatian Government announced that it had initiated arbitration at the United Nations Commission on International Trade Law in Geneva, Switzerland to nullify the 2009 Amendment to the Shareholders Agreement and the gas agreements, also requested an indemnity for losses caused by „missed" development of INA d.d. ("INA").

MOL has received the Notice of Arbitration.

Proceedings with respect to SLOVNAFT a.s.

The Anti-Monopoly Office of the Slovak Republic, Abuse of Dominance Department notified SLOVNAFT a.s. in a letter dated 21 November 2005 on the commencing of administrative proceedings against SLOVNAFT a.s. due to a possible breach of the Act No. 136/2001 on the Protection of Competition. Such administrative proceedings were focused on the investigation of SLOVNAFT's price and discount policy on the diesel and gasoline market. In the decision issued on 22 December 2006 the Abuse of Dominance Department of the Anti-Monopoly Office ("AMO") stated that SLOVNAFT a.s. had abused its dominant position in the relevant diesel and gasoline wholesale markets by applying the discounts in a discriminative manner against its individual customers and imposed a fine of SKK 300 million on SLOVNAFT. SLOVNAFT a.s. filed an appeal against the decision. The Council of the Antimonopoly Office adopted its final decision on 22 December 2007 and confirmed the obligation of SLOVNAFT a.s. to pay the fine, which was paid by SLOVNAFT a.s. according to this decision on February 25 2008.

Starting from 2007 the case was repeatedly judged and decided by AMO as well as by the competent courts in Slovak Republic. Last decision in the matter was adopted by the Supreme Court of SR on 18 April 2013 upon which the complaint brought by SLOVNAFT, a.s. against AMO was entirely overruled. According to that judgment decisions of AMO adopted in 2010 and 2011 stating abusing of dominant position by the company became final and valid in merit. In July 2013 the company paid out the imposed penalty in amount of EUR 9 million to AMO.

SLOVNAFT a.s. is ready to continue its defence by Constitutional Complain filed to the Constitutional Court of SR in July 2013. In Constitutional Complain the company proposed to the Constitutional Court to adopt a preliminary measurement to postpone enforceability of the challenged judgement of the Supreme Court and to order the AMO to refrain from enforcement of administrative decision in question in the matter against SLOVNAFT a.s. until the decision becomes final. In the Constitutional Complain the company argues that its fundamental right to judicial protection under Article 46 (1) of the

Constitution and Article 6 (1) of the Convention for the Protection of Fundamental Rights and Freedoms have been violated. The Constitutional Court procedurally decided on March 4, 2014 to accept the Constitutional Complain of the Company after what the process at the Constitutional Court will start. SLOVNAFT a.s. cannot estimate the outcome, neither the date of decision of the Constitutional Court.

Proceedings with respect to MOL Romania s.r.l.

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

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

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

MOL Romania s.r.l. has got the decision of the Romanian Competition Council. They have filed with the Bucharest Court of Appeal applications for the annulment of the decision.

On 20 June 2013, the first degree court of law rejected MOL Romania claim against RCC decision. The court decision was drafted and communicated to MOL Romania on 3 February 2014 and it is under analysis at present. MOL Romania filed for second appeal (recourse) at the High Court of Justice on 25 June 2013, and will motivate the recourse until 19 February 2014 and will fight against the grounds stated in the court decision communicated on 3 February 2014.

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

Court proceedings at INA Group:

LJUBLJANSKA BANKA

A court procedure is being conducted before the Commercial Court in Zagreb for the collection of monetary claims of HRK 60.5 million with default interest.

The claims have arisen from two contracts of 1982 on the use of short-term foreign currency loan abroad which were concluded between INA- Rafinerija nafte Rijeka and Ljubljanska banka- Osnovna banka Zagreb.

The claims of Ljubljanska banka in the concerned dispute refer to default interest debt arising from the legally binding decision of the District Economic Court (the predecessor of Commercial Court) in Zagreb no. P-2969/87 which was rendered in the earlier court procedure conducted on the same, above-stated, legal grounds.

The procedure was initiated by motion for execution which was filed by Ljubljanska banka on 13 September 1995. The Commercial Court in Zagreb rendered the Decision on execution IV-17971/95, however INA filed an objection against the decision regarding the statute of limitations, the merits and the amount of the claims, so the procedure was continued as a civil procedure initiated by a lawsuit.

INA objected regarding the prematurity of lawsuit, since a procedure is already being conducted on the same legal grounds for the unlawfulness of execution (P-20434/93), which has in the meantime been ended by a legally effective decision, with the plaintiff requesting for a retrial. INA is also objecting in relation to the plaintiff's capacity to sue.

The Commercial Court rendered the Decision of 24 November 2008 whereby it dismissed the lawsuit. The plaintiff lodged an appeal against the afore-stated decision, which was adopted by the High Commercial Court and returned to the court of first instance for a retrial.

During the retrial, the plaintiff by its application of 3 May 2010, along with the above-stated objections, also filed a claim preclusion (res iudicata) objection with reference to the above-stated procedure finalized by a legally effective decision.

The court of first instance found that the claim preclusion is applicable and, by its Decision of 29 September 2010, no. P-1117/1996 again dismissed the plaintiff's lawsuit. Pursuant to the plaintiff's appeal, the High Commercial Court in Zagreb rendered Decision no. Pž-6625/10-3 whereby the above-stated Decision of the Commercial Court in Zagreb no. P-1117/1996 of 29 September 2010 was asserted, i.e. a legally effective decision was rendered in favour of INA by the court's dismissal of the lawsuit of Ljubljanska banka for the payment of HRK 60.5 million with default interest and its decision that the plaintiff shall pay the defendant's procedural costs of HRK 0.4 million.

The plaintiff has applied for a review.

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

Supreme Court hasn't decided on review to this date, so legal actions weren't taken during 2013.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE d.d. and INA-NAFTAPLIN before the Commercial Court in Zagreb, under the case Number P-2597/06, concerning the amount of EUR 7.9 million, the plaintiff claims compensation for damage incurred owing to the loss of rights resulting from the Joint Venture Agreement made with the company Saknavtobi, and which allegedly occurred by virtue of the defendant's behaviour, i.e. due to its withdrawal from negotiations by which it should have become a party of the joint business venture. INA d.d. filed in September 2007 the answer to the claim, in which both the foundation and the amount of the claim statement are being contested in their entirety, stating amongst the other that the defendants abandoned the negotiations because of a business decision, and that exactly the plaintiffs were those who had been negotiating contrary to the principle of consciousness and fairness. Furthermore, INA d.d. filed the objection to the lack of litigation capacity as regards GWDF Partnership, the objection to the misdirected passive personality in relation to INA d.d., stating also that the court is not competent as regards GWDF Limited Cyprus.

The court of first instance must first of all decide on the law applicable to this legal dispute as well as whether it is competent or not in this case. Up to now several hearings were held during the years 2008, 2009 and in 2010, and it was discussed upon the procedural issues (capacity of parties, jurisdiction, governing law).

At the last hearing, held on 8 February 2011, after the parties repeated their standpoints, the court decided to request from the German Republic and the Republic of Cyprus by diplomatic ways the text of the law relevant for making decisions in this case.

The status of INA d.d. has not changed even after the hearing held on 8 February 2011, delivery of the governing law shall for sure be lasting for a certain time, and only at the hearings to be determined following the acquisition of the governing law it will be clear in which direction the proceedings will be continued. Upon providing the text of the governing law, and after the hearing has been held, it will be possible to give a more precise estimation of the status of defendants in this dispute. The proofs derived up to now have not essentially changed the position of the parties in relation to their status at the beginning of the proceedings and it is assessed that the position of INA d.d. in dispute is about equal to the position of the plaintiffs, that is to say that at the moment the parties have equal chances for success in dispute.

EDISON INTERNATIONAL S.p.A

On 18 June 2013, the Tribunal issued an Award in which it dismissed all of Edison’s monetary claims in the arbitration. Those claims were initially that INA must pay Edison EUR 140 million plus lost profits on the Izabela field (reduced by the time of the hearing to EUR 102.3 million). INA’s counterclaims were also dismissed by the Tribunal. The Tribunal nonetheless determined that, by certain of its actions, INA had substantially failed to comply with a material obligation under the Production Sharing Agreement between INA and Edison (the “PSA”). As a result, although it awarded no compensation to Edison, the Award provides Edison the right to terminate the PSA.

OTF

On 27 August 2013, INA received information from the Secretariat of the Permanent Arbitration Court, Croatian Chamber of Commerce, that OTF Fovallalkozo Zrt., Hungary (OTF) has submitted a Statement of Claim against INA.

In its Statement of Claim OTF claims from INA the payment of the amount of the Performance Guarantee stating that it was fraudulently, unlawfully and unjustifiably activated by INA, payment of additional costs based on the so called “change order” claims and other costs related to the project paid by OTF and that due to the reasons solely attributable to INA as well as compensation of damage caused to OTF by INA's delayed payment and other actions in the total amount of EUR 8.7 million.

On 11 October 2013, INA submitted a detailed Answer to the Statement of Claim within the set deadline. INA, in its Answer to the Statement of Claim, states that OTF has provided an incomplete and a misleading description of the nature and circumstances of the dispute. First of all INA is claiming that the delay of the project was attributable solely to the reasons for which OTF was responsible for by virtue of the Contract concluded among the Parties. This argumentation INA also bases on the nature of the Lump Sum Turn Key Contract that the Parties concluded and the fact that OTF undertook the sole responsibility for detailed engineering and design of the project, the procurement of the entire equipment and necessary materials and finally the construction with a responsibility to deliver to INA a fully functioning plant, what OTF failed to do. Further on, INA claims that Feedstock was not the reason for the malfunctioning of the plant nor was it caused by INAs

operational personnel. It is INAs point of view that the malfunctions of the plant were the result of poor design and construction of the plant that being the sole responsibility of OTF.

In relation to the activation of the bank guarantee INAs claims are in line with its argumentation that by activating the bank guarantee and collecting the amount of EUR 4.4 million, INA collected damages suffered during the shutdowns caused by plant deficiencies and the other costs suffered by INA due to OTFs breach of contract.

Although we are still in the initial phase of the arbitral proceedings some issues such as the procedural rules and the direction in which the Tribunal wishes to take the arbitration have been clarified after the teleconference held on 13 December 2013, including deadlines for next round of written submissions. On the other hand, at this point the position of the Parties regarding the merits of the dispute is still difficult to evaluate due to the fact that there was only one round of written submissions.

Concessions

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

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

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

On August 29 2012, INA filed the Note of urgency before the Administrative Court, in which it requested prompt reaction in solving three administrative lawsuits.

In 2013, the Legal Sector contacted the office of the Administrative Court several times to check the status of the lawsuit and information was received that the lawsuits are expected to be distributed for further procedure to the Administrative Court judges in early 2014.

General

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

The value of litigation where members of the MOL Group act as defendant is HUF 22,632 million for which HUF 18,713 million provision has been made.

Environmental liabilities

MOL's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL has established a provision of HUF 71,533 million for the estimated cost as at 31 December 2013 for probable and quantifiable costs of rectifying past environmental damage (see Note 20). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

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

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

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries, depots and retail sites which have been acquired in recent business combinations. As at 31 December 2013, on Group level the aggregate amount of contingent liabilities recorded on the balance sheet as environmental liabilities was HUF 34.7 billion (HUF 33.3 billion at 31 December 2012).

35 Events after the reporting period

Wintershall acquisition

The Group has executed Share Purchase Agreements with Wintershall Norge AS for acquiring shareholding interest of Wintershall's UK North Sea basin off-shore assets in 14 licences in line with the Group's active portfolio development strategy. The transaction provides the Group with an opportunity to acquire a foothold in the attractive North Sea area. The portfolio includes non-operated equity stakes in the Broom (29% Working Interest), Catcher (20% WI), Cladhan (33.5% WI), Scolty and Crathes fields (50% WI). In addition, Wintershall's equity share in infrastructure on the Sullom Voe Terminal and Brent Pipeline System are also part of the deal. The new portfolio elements are mainly in the development and production phase, thus the current trend of decreasing daily production in the Group's overall portfolio will be mitigated. The deal is expected to be completed in the first quarter of 2014. The carrying amounts of the assets and liabilities of Wintershall UK as of 31 December 2013 are the following:

	Carrying amount
	HUF million
Assets	
Non-current asssets	73,186
Current assets	4,409
Total Assets	**77,595**
Liabilities	
Non-current liabilities	32,536
Current liabilites	25,636
Total Liabilities	**58,172**
Net assets	**19,423**

Partial disposal of BaiTex

The Group has sold 49% share of BaiTex LLC ("BaiTex") to the Turkish Petroleum Corporation ("TPAO"). BaiTex is the holder of the hydrocarbon licenses for Baituganskoye field and Yerilkinsky block in the Volga-Ural region, Russia. Consent of Russian Federal Anti-Monopoly Services for the deal were obtained by the parties in February 2014, the final completion is expected to occur in the first quarter of 2014. The disposal is in line with the Group's long term portfolio management and risk sharing strategies. As 51% owner of Baitex, the Group remains the operating shareholder. The carrying amounts of the assets and liabilities of BaiTex as of 31 December 2013 are the following:

	Carrying amount HUF million
Intangible assets	22,733
Tangible assets	52,744
Other non-current assets	2,709
Inventories	531
Other current assets	1,404
Prepaid taxes	106
Cash and cash equivalents	520
Total assets	**80,747**
Provisions and contingent liabilities	2,120
Deferred tax liabilities	8,438
Trade and other payables	5,926
Total liabilities	**16,484**
Net assets sold	64,263

Decision of the Croatian Government concerning obligatory natural gas sale

A package of resolutions related to INA's obligation on delivering the gas produced in Croatia under regulated price has been adopted on 27 February 2014 by the Croatian Government. These decisions obliges INA to sell the portion of its natural gas production for household supplies to state-owned electricity company, HEP d.d., which was appointed as the wholesale market supplier, on price regulated for 3 years. So far INA (through Prirodni plin) received 2.2000 HRK/m^3 for sales in the household segment while now INA shall receive 1.7058 HRK/m^3 for the respective volumes. According to the new regulation – if it remains unchanged, taking into account adjustments in cost items – INA will have to transfer, depending on the natural gas quantities, HUF 10.2bn – 14.2 bn from its own revenues to HEP, annually.

36 Notes to the consolidated statements of cash-flows

Cash and cash equivalents comprise the following at 31 December

	2013 HUF million	2012 HUF million
Cash and cash equivalents according to Balance Sheet	564,170	317,654
Cash and cash equivalents as part of Disposal Group	-	-
Total Cash and cash equivalents	**564,170**	**317,654**

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

	2013 HUF million	2012 HUF million
Cash consideration	(399)	(22,884)
Cash at bank or on hand acquired	132	1,342
Net cash outflow on acquisition of subsidiaries, joint ventures and non-controlling interests	**(267)**	**(21,542)**

Issuance of long-term debt

	2013 HUF million	2012 HUF million
Increase in long-term debts	463,372	221,124
Non cash-flow element: unrealised exchange gains / (losses)	861	46,976
Total issuance of long-term debt	**464,233**	**268,100**

37 Related party transactions

Transactions with associated companies in the normal course of business

	2013 HUF million	2012 HUF million
Trade and other receivables due from related parties	7,845	15,179
Trade and other payables due to related parties	18,682	24,542
Net sales to related parties	20,416	29,322

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2013 and 2012. All of these transactions were conducted under market prices and conditions.

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

Directors' total remuneration approximated HUF 131 million and HUF 130 million in 2013 and 2012, respectively. In addition, the directors participate in a long-term incentive scheme details of which are given below. Total remuneration of members of the Supervisory Board approximated HUF 95 million in 2013 and HUF 92 million in 2012.

Directors are remunerated with the following net amounts in addition to the incentive scheme:

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

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

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

	2013 Number of shares	2012 Number of shares
Board of Directors	262,183	229,443
Senior Management (except executive Board members)	106,508	119,508
Supervisory Board	39,588	54,588
Total	**408,279**	**403,539**

Transactions with the Officers and Management of the Company

Mr. Sándor Csányi, deputy chairman of the Board of Directors is also the Chairman-CEO of OTP Bank Plc. MOL Plc. and some of its subsidiaries have contractual relationship with the members of OTP Group, including having bank accounts and deposits, using credit card and brokerage services and obtaining loan financing. No transactions out of the usual conduct of business have been concluded with OTP in 2013 or 2012. All of these transactions are on an arm's-length basis.

Mr. Martin Roman, member of the Board of Directors of the Company, has been the Chairman of the Supervisory Board of ČEZ, a.s. until October 2013. MOL and CEZ have established a JV which operates the boiler park at the Danube Refinery and the thermo-power plant at the Bratislava and through which the preparatory work of CCGT constructions was carried out. In addition to the cooperation presented above, in 2013 CEZ entered in the following business transactions with members of MOL Group:

- Slovnaft Česká Republika, a.s. delivered oil and lubricants to CEZ in the value of HUF 99 million (in 2012 HUF 99 million).

Mr. Miklós Dobák, a member of the Board of Directors of the Company is an international partner in consulting company IFUA Horváth & Partners Kft. The company provided consulting services to the Group in 2013 and 2012 in the value of HUF 203 million and HUF 10 million, respectively.

Mr. Slavomír Hatina, member of the Supervisory Board has an indirect interest of a Slovakian company Granitol a.s. through Slovintegra a.s. The Group has sold polyethylene to this company in 2013 and 2012 amounted to HUF 4,741 million and HUF 4,772 million respectively, carried out on usual commercial terms and market prices and purchased goods from this company in amount of HUF 42 million and HUF 22 million, respectively. Additionally, Mr. Hatina has an indirect interest of a Slovakian company Real–H.M. s.r.o. through BIATEC Group a.s. The Group has sold goods to this company in amount of HUF 1 million and HUF 2 million carried out on usual commercial terms and market prices during 2013 and 2012, respectively and purchased goods from this company in amount of HUF 2 million and HUF 2 million in 2013 and 2012, respectively.

Mr. Oszkár Világi, member of the Board of Directors of the Company and Slovnaft's Chief Executive Officer is a partner in legal firm Ruzicka Csekes s.r.o. The company provided legal services to the Group in the value of HUF 33 million and HUF 177 million in 2013 and 2012, respectively.

Key management compensation

The amounts disclosed contains the compensation of managers who qualify as a key management member of MOL Group. In order to consistently adopt this presentation method, amounts presented in the comparative period have been adjusted by excluding the compensation of managers who qualify as key managers only for SLOVNAFT a.s. or TVK Plc.

	2013 HUF million	2012 HUF million
Salaries and other short-term employee benefits	1,541	1,312
Termination benefits	-	-
Share-based payments	467	24
Total	**2,008**	**1,336**

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

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

38 Share-based payment plans

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

	2013 HUF million	2012 HUF million
Expense arising from equity-settled share-based payment transactions	296	305
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	(1,263)	(111)
Total expense / (reversal of expense) arising from share-based payment transactions (see Note 26)	**(967)**	**194**

The share-based payments are described below.

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

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

Share Option Incentive Schemes for management

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

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

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

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

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

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

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

	Number of shares in conversion option units	Weighted average exercise price	Number of shares in conversion option units	Weighted average exercise price
	2013	2013	2012	2012
	share	HUF/share	share	HUF/share
Outstanding at the beginning of the year	477,024	15,083	604,999	18,431
Granted during the year	134,504	17,977	145,894	17,120
Forfeited during the year	(27,519)	18,744	(69,458)	20,600
Exercised during the year	(62,571)	12,515	(75,062)	14,636
Expired during the year	(34)	12,435	(129,349)	30,337
Outstanding at the end of the year	**521,404**	**18,412**	**477,024**	**15,083**
Exercisable at the end of the year	250,732	19,579	194,487	15,545

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. In 2013 expenses recorded in preceding years has been reversed in a value of HUF 1,263 million (HUF 111 million reversal in 2012). Liabilities in respect of share-based payment plans amounted to HUF 792 million as at 31 December 2013 (31 December 2012: HUF 2,062 million), recorded in Other non-current liabilities and Other current liabilities.

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

	2013	2012
Weighted average exercise price (HUF / share)	18,412	15,083
Share price as of 31 December (HUF / share)	14,426	17,749
Expected volatility based on historical data	31.80%	44.18%
Expected dividend yield	2.82%	2.61%
Estimated maturity (years)	2.54	2.77
Risk free interest rate	4.44%	0.15%

Performance Share Plan for top and senior management

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

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

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

As the previous 1-year based Profit Sharing incentive was replaced by the 3-year based Performance Share Plan, a 1-year based incentive was introduced for 2013 and a 2-year based incentive was introduced for 2013-2014 to ensure continuity. No payment is expected with respect to 2013 based on this new incentive form.

Share Incentive scheme for the members of the Board of Directors

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

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

According to IFRS 2, the incentive qualifies as an equity-settled share based scheme; therefore the fair value of the benefit should be expensed during the one year vesting period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant which was in this case the date of the Annual General Meeting (26 April 2012). As no approval of AGM is necessary for the forthcoming series of this incentive form, the first trading day of the year is considered to be the grant date and the fair value is the average quoted price of MOL share at that date. In respect of the share scheme programme, HUF 296 million has been recorded as an expense with the corresponding increase in the equity.

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

	2013	2012

Number of shares vested	13,500	13,500
Share price at the date of grant (HUF / share)	17,914	17,765