



I. ENERGISING THE FUTURE

- 6 OUR ACTIVITIES AND RESPONSIBILITIES
- 8 KEY FINANCIAL AND BUSINESS DATA
- 10 LETTER FROM THE CHIEF EXECUTIVE OFFICER

II. OUR PERFORMANCE IN 2008

- 14 OUR OPERATING ENVIRONMENT
- 18 OUR INFRASTRUCTURE
- 24 KEY 2008 RESULTS
- 28 FUTURE KEY CHALLENGES

III. FINANCIAL AND OPERATING PERFORMANCE

- 36 MANAGEMENT'S REPORT AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS
- 40 INDEPENDENT AUDITOR'S REPORT
- 42 CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

IV. BEYOND FINANCE: SUSTAINABILITY PERFORMANCE

- 46 HUMAN VALUES AND SERVICES
- 50 WE INVEST ENERGY IN OUR ENVIRONMENT

V. CORPORATE GOVERNANCE

- 60 BOARD OF DIRECTORS
- 61 SUPERVISORY BOARD

VI. CONTACT US

- 62 CLIENT SERVICES, INFORMATION AND SYSTEM OPERATOR'S OFFICE



WHAT ACTIVITIES WE ARE ENGAGED IN: A BRIEF SUMMARY

INTRODUCTION

THE FGSZ NATURAL GAS TRANSMISSION COMPANY LIMITED BY SHARES IS THE LEADER IN HUNGARIAN NATURAL GAS SUPPLIES. THE COMPANY IS OWNED BY MOL GROUP AND ITS REGISTERED HEAD OFFICE IS LOCATED IN THE CITY OF SIÓFOK. IT OWNS AND OPERATES THE NATIONAL HIGH-PRESSURE NATURAL GAS TRANSMISSION PIPELINE SYSTEM THAT COVERS THE ENTIRE TERRITORY OF HUNGARY. OUR COMPANY, AS THE SOLE OPERATING LICENSEE, HAS THE EXCLUSIVE RESPONSIBILITY FOR ENSURING COORDINATED OPERATIONS THROUGHOUT THE TOTAL NATURAL GAS SYSTEM.

OUR COMPANY SUPPLIES GAS TO THE EIGHT GAS DISTRIBUTION COMPANIES AS WELL AS POWER PLANTS AND LARGE INDUSTRIAL CONSUMERS DIRECTLY CONNECTED TO AND SUPPLIED FROM THE NATURAL GAS TRANSMISSION SYSTEM THROUGH THE PIPELINE NETWORK. OUR PRIMARY RESPONSIBILITY IS TO ENSURE UNINTERRUPTED AND OPTIMAL OPERATIONS, MAINTENANCE AND DEVELOPMENT OF THE HIGH-PRESSURE PIPELINE SYSTEM AND TO RECEIVE AND DELIVER NATURAL GAS TO AND FROM THE SHIPPERS. WE ARE ALSO RESPONSIBLE FOR MEASURING THE QUANTITY AND QUALITY OF GAS TRANSMITTED, ODOURISATION OF GAS DELIVERED, REGULATING GAS PRESSURE AND PROTECTING AGAINST OVER-PRESSURE.

CURRENTLY, FGSZ IS ALSO ENGAGED IN NATURAL GAS TRANSIT OPERATIONS FOR OUR SERBIAN AND BOSNIAN ASSOCIATES. TWO OF THE MOST CRITICAL TURNING POINTS IN OUR CURRENT MEDIUM AND LONG-TERM DEVELOPMENT PHILOSOPHY ARE THE IMPROVEMENT OF CAPACITY AND THE EXPANSION OF TRANSIT MARKETS.

THE COMPANY'S HEAD OFFICE AT SIÓFOK PERFORMS NATURAL GAS TRANSMISSION OPERATOR (TSO) TASKS. WE HAVE SIX REGIONAL NATURAL GAS TRANSMISSION BRANCH UNITS FOR IMPLEMENTING OPERATIONAL TASKS, AT GELLÉNHÁZA, HAJDÚSZOBOSZLÓ, KÁPOLNÁSNYÉK, KECSKEMÉT, MISKOLC AND VECSES.

KEY SIÓFOK TSO CENTRE RESPONSIBILITIES INCLUDE THE CONTROL AND MONITORING OF THE OPERATIONAL PARAMETERS OF THE HUNGARIAN NATURAL GAS TRANSMISSION SYSTEM, CONDUCTING ANY NECESSARY INTERVENTIONS AND IMPLEMENTING ANY DEVELOPMENTS IN THE TELEMECHANIC SYSTEM. IT IS ALSO RESPONSIBLE FOR ENSURING SAFETY OF OPERATIONS AS WELL AS BALANCING THE INTER-COOPERATING NATURAL GAS SYSTEMS. FURTHERMORE, IT GUARANTEES THE FAIR, DISCRIMINATION-FREE, COMPETITION-NEUTRAL, UNINTERRUPTED AND TRANSPARENT OPERATIONS OF THE SYSTEM. THE SIÓFOK CENTRE IS ALSO RESPONSIBLE FOR COORDINATING THE OPERATIONS OF THE BRANCH UNITS.



KEY RESPONSIBILITIES IN DETAIL

Balanced capacity management: sales of natural gas transmission system outlet and inlet capacities ✓

Transparent and discrimination-free access to the transmission pipeline ✓

Safe, reliable and efficient control and operations of the inter-cooperating natural gas system and quantitative and qualitative settlement of delivered natural gas ✓

Precise and quick reception and processing of nominations for the transmission system ✓

Operation of the transmission system in accordance with aspects of **health, safety and environmental protection** ✓

Precise measurement of the quantity and quality of natural gas transmitted ✓

Development of technical standards: development of the technology system and its information technology background in the interest of safe operations ✓

Expansion of the transmission system in accordance with shippers' demands and with the approval of the Hungarian Energy Office ✓

Quality natural gas odourisation as prescribed by relevant laws and regulations ✓

Fulfilment of contractual obligations: to perform obligations arising from or related to transit contracts as prescribed by relevant law and the Business & Commercial Code ✓

Data supply for contractual partners and authorities supervising the Company's operations ✓



OVERVIEW

5300 KM
LONG NATURAL GAS
TRANSMISSION PIPELINE
SYSTEM

6000 KM
LONG
TELECOMMUNICATION
CABLE NETWORK

ECO-SYSTEM
MANAGEMENT, AS PER
ISO
STANDARD 14001

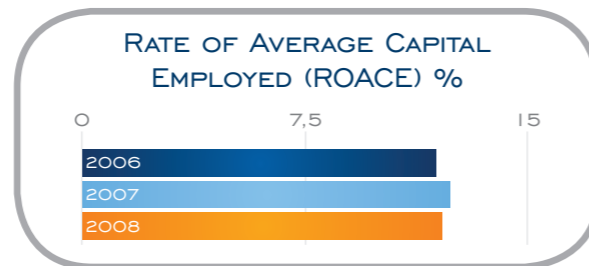
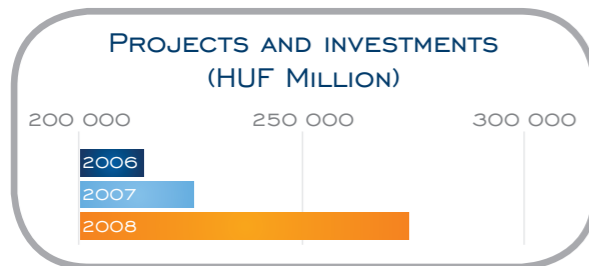
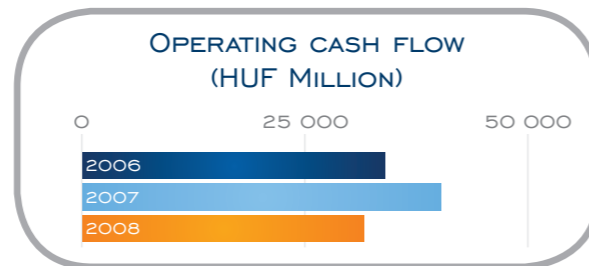
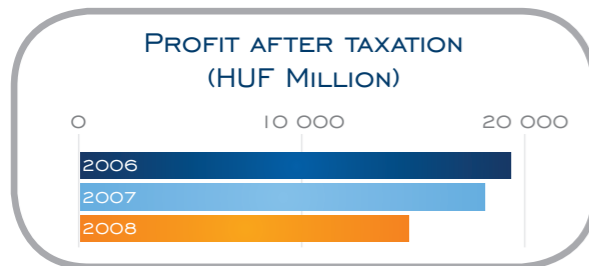
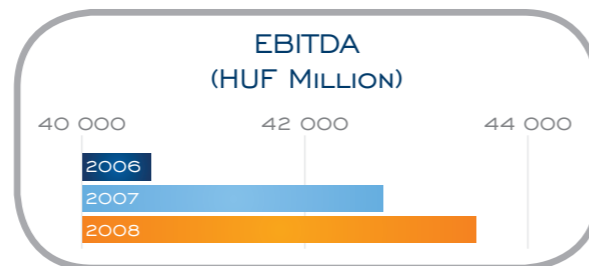
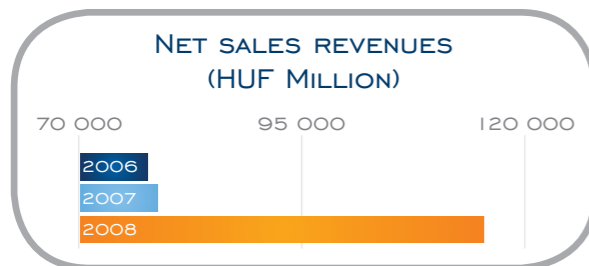
OPERATIONS
ACCORDING TO THE
EFQM
EXCELLENCE MODEL

6
REGIONAL BRANCH
OFFICES

5
COMPRESSOR
STATIONS

KEY FINANCIAL AND BUSINESS DATA

FACTOR	2007 HUF MILLION	2008 HUF MILLION	2008/2007 (%)
NET SALES REVENUES	75,130	115,145	153.3
EBITDA	42,515	43,638	102.6
OPERATING PROFITS	29,419	28,847	98.1
PROFIT BEFORE TAXATION	20,614	17,464	84.7
PROFIT AFTER TAXATION	18,551	15,947	86.0
OPERATING CASH FLOW	40,905	29,974	73.3
PROJECTS AND INVESTMENTS	212,154	274,944	129.6
RATE OF AVERAGE CAPITAL EMPLOYED (ROACE) %	12,61	12,33	97.8



LETTER FROM THE CHIEF EXECUTIVE OFFICER

DEAR PARTNER!

In addition to successful growth and the results achieved, 2008, taken as a whole, was a challenging year for our Company. In the end, we managed to meet our challenges in full and in achieving these results we had our three main corporate values on our side as allies, namely experience, cooperation and partnership. This is how we were able to retain the confidence of our partners and further develop our Company's vision and mission.

Once again we closed an ambitious and successful year in 2008. It was indeed ambitious because we started 2007, certainly not an easy year, with the objective of further expanding our stable and well-balanced growth path and successful because in 2008 we were able, despite all the difficulties and hardships caused by the global financial crisis and the 2009 gas supply crisis, to maximise our growth potential and deliver a safe, sound and outstanding performance in the region.

It is worth pausing for one moment to take a deeper look at lessons learned from the gas crisis of early 2009. This energy crisis was the first to hit nearly half of Europe in recent history, and thus fundamentally questioned several factors that were formerly thought to be obvious in the field of security of supplies. The dispute between Russia, playing a pre-eminent role in gas supplies to the region and the Ukraine, with its key role in gas transit transmission to Europe, led almost to the complete collapse of Russian gas imports to Hungary and many other countries. This unexpected event mounted a huge challenge to FGSZ experts. They had to maintain the equilibrium of the nearly 5,300 km long domestic high-pressure pipeline system whilst coordinating problem-free gas supplies in a situation that had never been experienced before.

In the final analysis, the Hungarian system was the only network that did not collapse in the region: security of gas supplies for residential and commercial consumers was uninterrupted throughout the weeks of the crisis. Hungary, the domestic gas sector and our Company's employees have every reason to be proud of this achievement. They worked extremely hard, saving no effort to stay on top and adopt quick, responsible and appropriate decisions at every point. May I take the opportunity, once again, to express my heartfelt thanks for their professional performance and dogged persistence.

When we evaluate 2008, we can be rightly proud of the performance we delivered during the gas crisis. Our Company also had a very successful year in the area of development and projects. In 2007, FGSZ initiated the NETS system (New European Transmission System) to inter-connect gas pipeline systems in Central and South European countries, and the project reached a milestone in 2008. An agreement was concluded to establish a 'study company' signed by FGSZ (as the owner of the concept) and the Croatian and Romanian, and, as an observer, the Bosnian gas transmission companies. When this project is implemented it will not only enhance market competition but also security of supplies in the region, as will the two transit pipelines for which all preparations for construction were completed in 2008.

In 2008, we completed construction of a gas transmission pipeline between Pilisvörösvár and Százhalombatta, once again improving security of supplies to the Budapest region. In addition, we will shortly commission pipelines to be constructed to improve importing capacity of supplies coming from the Ukraine. A proposal was also approved to construct other pipeline connections, and we plan to complete the inter-connection of the Hungarian-Romanian systems by December, 2009 while the pipeline connecting the Hungarian and Croatian networks will be completed by mid-2011.

Our operating results speak for themselves: in 2008, FGSZ Ltd reported HUF 28.8 billion in operating profits and HUF 15.9 billion in profits after tax, and invested a total HUF 73.8 billion in projects. These data definitely demonstrate the soundness of our Company amid a global economic crisis. We think this is a significant and, indeed, remarkable result so our employees, who have often proved their commitment and performance in recent years, can rest assured about their jobs and the security of their families.

Currently, FGSZ is one of the most indispensable companies to the region, playing, as it does, a major strategic role in its affairs. Its dynamism and efficiency make it one of the most outstanding natural gas transmission companies in Europe. Based on our existing capabilities, we will continue to create growth and make efficiency improvements into the future in the spirit of Sustainable Development whilst responsibly mitigating all emerging risks.

One of the main guarantees for the future success of FGSZ Ltd. is our pool of professional experts. This team of extremely well-qualified and experienced people is today in a position to achieve all the targets set for natural gas transmission by MOL Group strategy.

“ This team of extremely well-qualified and experienced people is in a position to achieve all the targets set for natural gas transmission by MOL Group strategy ”



Dr. János Zsuga
CEO





- OUR COMPANY PLAYS A LEADING ROLE IN HUNGARIAN NATURAL GAS TRANSMISSION, SYSTEM OPERATOR TASKS AND TRANSIT TRANSMISSIONS.
- WE PERFORM NATURAL GAS TRANSMISSION OPERATIONS THAT MEET HIGH LEVELS OF SECURITY AND TECHNICAL STANDARDS IN AN ENVIRONMENTALLY-FRIENDLY MANNER AT THE SAME TIME GUARANTEEING DISCRIMINATION-FREE SYSTEM OPERATIONS.
- OUR FUNDAMENTAL GOAL IS TO CREATE SHORT- AND LONG-TERM SHAREHOLDER VALUE. TO THIS END, WE STRIVE TO FOLLOW A WELL-BALANCED GROWTH PATH.

OVERVIEW

FGSZ operates a remote-controlled gas transmission system with an excellent record of product availability. Our Company adopts sophisticated management processes in an organised way within an integrated system that is supported by up-to-date information technology. We comprise a community of fully committed employees with a culture of innovation and fully adequate qualifications, skills and professional experience.

A COMPANY ALREADY WITH A CONSIDERABLE HISTORY IN THE 21ST CENTURY!

Our Company – as the leading participant in the Hungarian natural gas business – is today very involved in improving the volumes of transit transmission operations, in retaining its position as the leading domestic gas transmission player in the marketplace and in performing natural gas transmission operations to a high level of safety and in

an environmentally-friendly manner, at the same time guaranteeing a discrimination-free system operator policy.

Our strategy

As stated above, our fundamental goal is to create short- and long-term shareholder value by striv-

ing to follow a well-balanced growth path. Our aim is to further deepen the confidence of our clients, partners and the consumer by improving satisfaction levels based on defined measurements.

We continuously seek to mitigate health, safety and environmental (HSE) risks associated with transmission operations. We apply an environment management system (KIR) in compliance with ISO standard 14001, and have introduced a health protection and safety management system (MEBIR) at all our places of work.

We operate an information technology system using state-of-the-art technology. We maintain pro-active communications with our clients and the communities of cities and villages affected by our operations. We synchronise our development goals in our internal processes and attach great importance to permanently improving our technological knowledge and organisational culture.

We apply the EFQM excellence model to improve operating excellence.

We regard our suppliers and market partners as strategic allies, relying upon their pro-active co-operation to implement our action plans at the required level of quality.

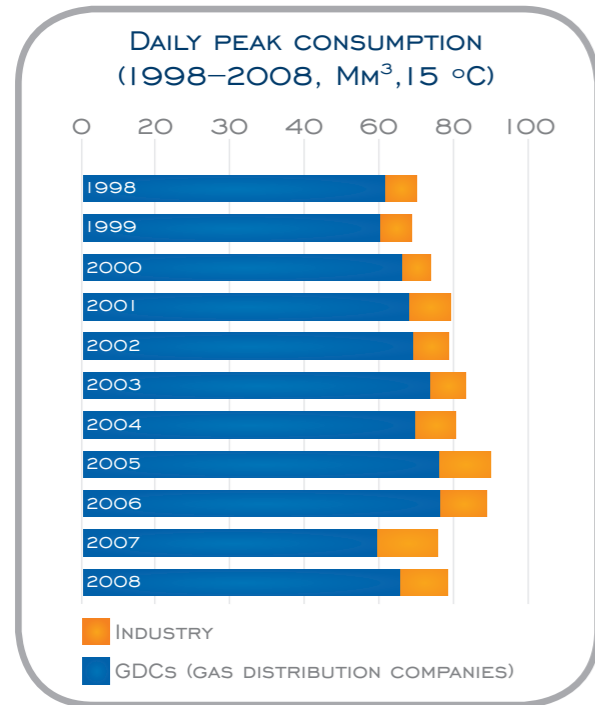
The legal environment

FGSZ Natural Gas Transmission Ltd. is the leading player in Hungarian natural gas supplies. Our Company has 18,823 ordinary shares, each with a face value of HUF 1,000,000 (one million forints) and since the company's foundation, MOL Plc. has been the 100% owner of these shares.

Relevant regulations are provided for by various laws that govern FGSZ operations. EU Directive 55/2003 covers common rules for internal natural gas markets and also provides rules at the international level while EU Directives 1775/2005 gov-

ern terms and conditions of access to natural gas transmission networks.

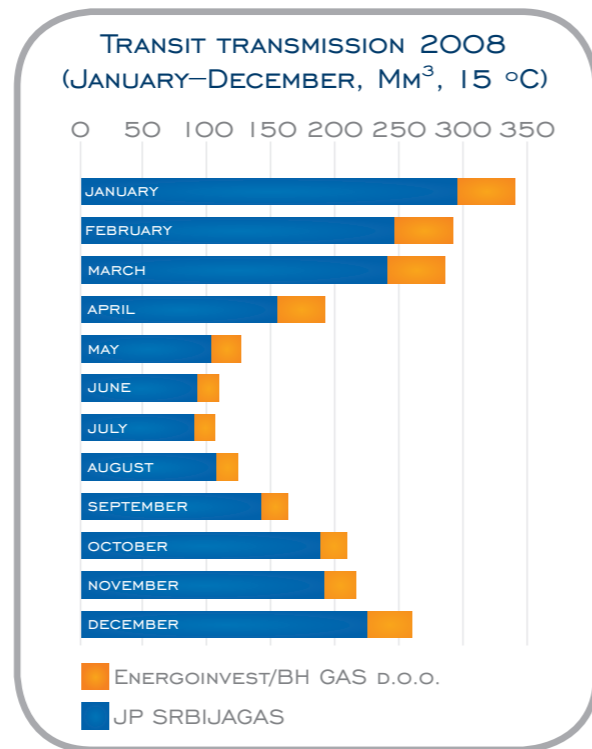
Act XL of June 2008, the Gas Supply Law (hereinafter referred to as the GSL), and its by-law, Government Law Decree 19/2009 (I. 30) provide the terms and conditions for the Company's domestic operations.



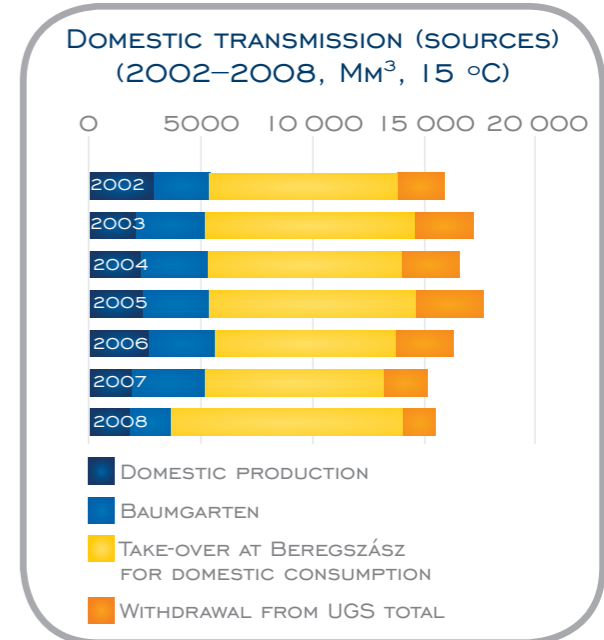
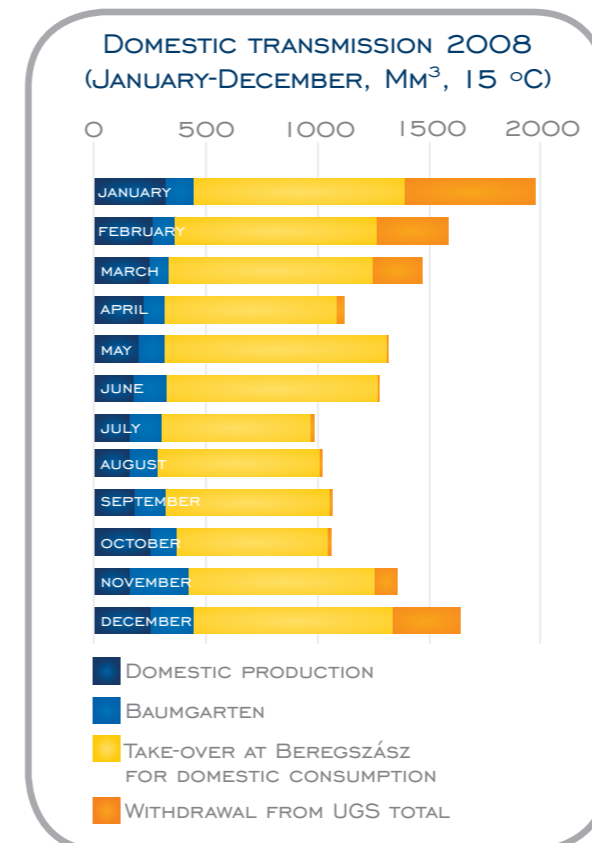
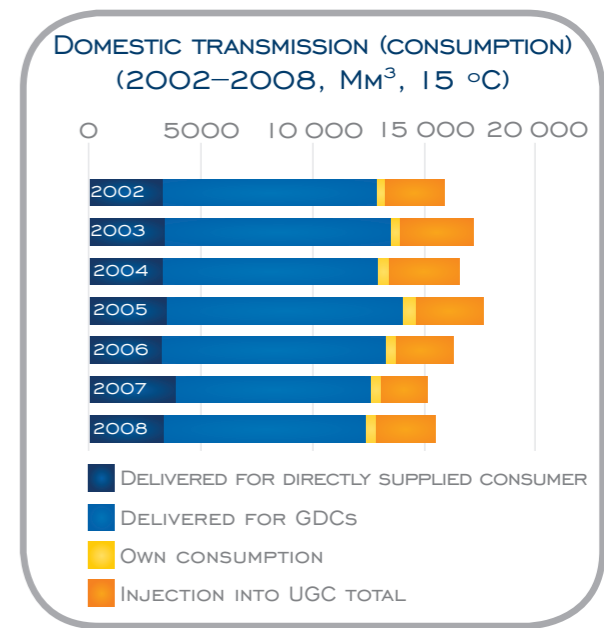
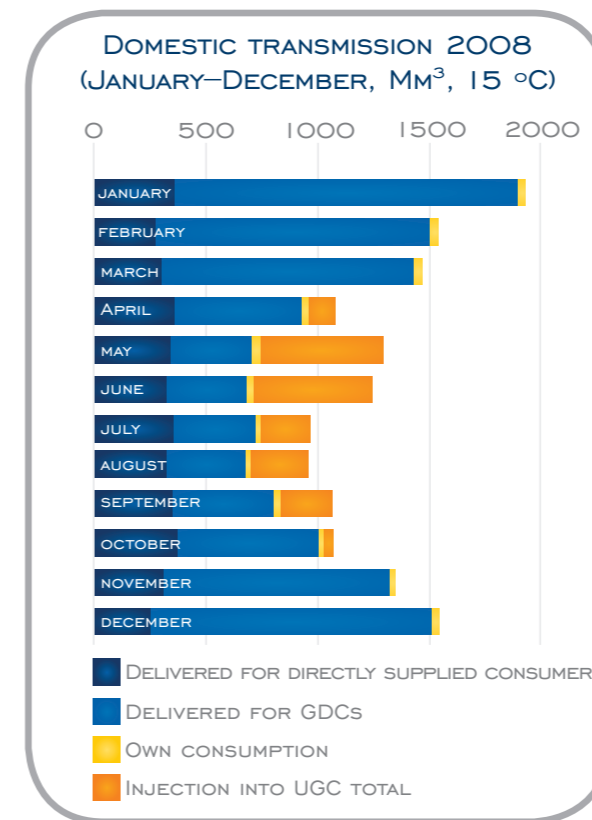
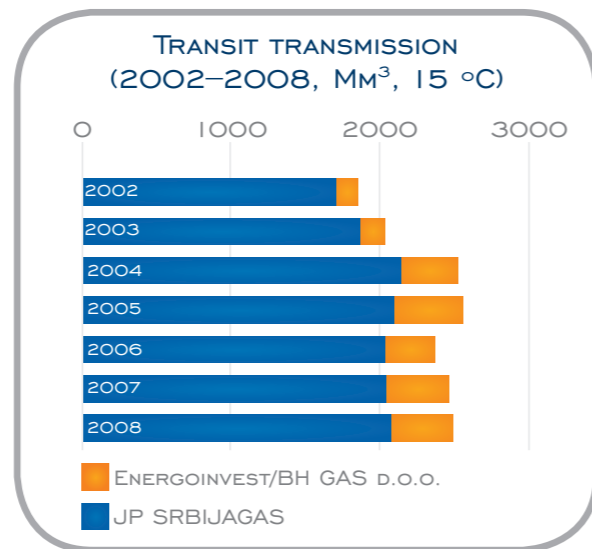
Changes in 2008

The GSL and the Government Law Decree provided a new basis for Hungarian gas market operations. Changes in the legal environment caused several major changes in our Company's operations.

The scope and content of the system operator license (TSO) held by our Company has significantly changed. Responsibilities relating to system operations have become part of natural gas transmission operations, also performed by our Company. Our responsibilities regarding gas market coordination have now gone much more under the spotlight, both in the maintenance of international contacts and developments in the domestic gas supply system. Parts of these responsibilities will, for example, include the preparation of a Business & Commercial Code to regulate operations of the inter-cooperating natural gas system.



As of July 1st, 2010, the system operator will be obliged to operate a daily capacity and gas trade market with the primary goal of ensuring balance in the system. Our Company has prepared the relevant regulation for this operation and the Hungarian Energy Office has approved it, so now the Hungarian natural gas sector can take a major leap forward towards developing a fully competitive and open gas market. FGSZ has the long-term objective of building the foundations of the Hungarian natural gas exchange.



DIRECTION

WE STRIVE TO FOLLOW A WELL-BALANCED GROWTH PATH, BOTH IN OUR OPERATIONS AND MANAGEMENT PROCESSES.



- 5,300 KM LONG PIPELINE SYSTEM
- 6,000 KM LONG TELECOMMUNICATIONS CABLE NETWORK
- 15 DOMESTIC AND 2 IMPORT INLET POINTS
- 394 GAS OUTLET POINTS
- 6 REGIONAL BRANCH UNITS AND 5 COMPRESSOR STATIONS
- STATE-OF-THE-ART TSO CENTRE AT SIÓFOK.

OVERVIEW

FGSZ maintains a state-of-the-art system operator centre and 6 regional branch offices that enable the Company's infrastructure to satisfy consumer demand, even in crisis situations, and to fully meet any challenges arising in both the near future and in the longer term.

THE PIPELINE SYSTEM

The high-pressure natural gas transmission pipeline system operated by FGSZ and covering the entire territory of Hungary is nearly 5,300 km long. The length of the transit transmission section is 323 km. The typical diameter of this system is 100–800 mm, operating pressure 40-75 bar, average age 25 years. There are 15 domestic and 2 import inlet points for accepting gas supplied from domestic production, gas delivered from underground gas storage facilities and imported natural gas, all measured for quantity and quality.

The 5 compressor stations operating along the length of the pipeline system to ensure boosted up pressure and uninterrupted gas supplies to consumers in the required quantity and quality are located at Beregdaróc, Hajdúszoboszló, Mosonmagyaróvár, Nemesbikk and Városföld.

Natural gas is distributed and delivered to delivery points through nodes operating at connection points along the pipeline network. Natural gas is odourised and delivered through our gas transfer stations. The most critical role of the 394 transfer stations is to ensure uninterrupted and safe gas supplies to inter-connected system operators and directly-supplied industrial consumers.

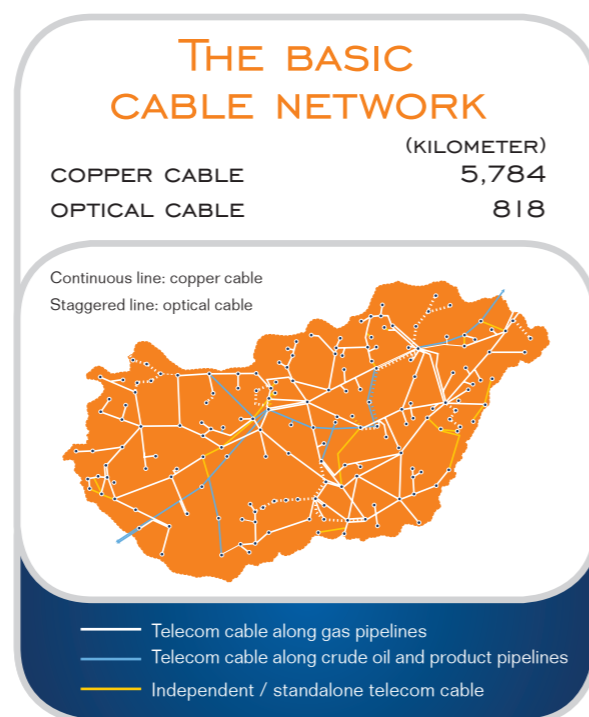
VALUE

THE NATIONWIDE HIGH-PRESSURE PIPELINE AND TELECOMMUNICATION CABLE NETWORK AND ITS RELATED UP-TO-DATE FACILITY SYSTEM REPRESENT OUTSTANDING MARKET VALUE.

We measure the quantity of natural gas flowing through the system at every inlet and outlet point and we also monitor the quality parameters at every delivery and reception point.

Underground gas storage facilities ensure the flattening out of consumption peaks and the pipeline network is connected to them through five stations. FGSZ also owns 75 % (approximately 4,500 km) of the 6,000 km long telecommunications cable network which runs alongside the gas pipelines. Of the total cable network, 1,000 km is already optical cable. This cable network supports safe and reliable operations of the FGSZ telemechanic and dispatcher telephone systems.

Our Company's TSO centre at Siófok is equipped with state-of-the-art technology supporting TSO operations while the six regional natural gas transmission branch units (at Gellénháza, Hajdúszoboszló, Kápolnásnyék, Kecskemét, Miskolc and Vecsés) perform operational tasks.



DOMESTIC SHIPPERS IN 2008	TYPE OF TRADER
E.ON FÖLDGÁZ TRADE ZRT.	PUBLIC UTILITY WHOLESALER
TIGÁZ ZRT.	PUBLIC UTILITY WHOLESALER
ELMIB ZRT.	OPEN/COMPETITIVE MARKET TRADER
E.ON FÖLDGÁZ TRADE ZRT.	OPEN/COMPETITIVE MARKET TRADER
EMFESZ KFT.	OPEN/COMPETITIVE MARKET TRADER
ÉGÁZ-DÉGÁZ ZRT.	OPEN/COMPETITIVE MARKET TRADER
FÖGÁZ GÁZKERESKEDELMI KFT.	OPEN/COMPETITIVE MARKET TRADER
GLOBAL NRG KERESKEDELMI ÉS TANÁCSADÓ ZRT.	OPEN/COMPETITIVE MARKET TRADER
MOL ENERGIAKERESKEDŐ KFT.	OPEN/COMPETITIVE MARKET TRADER
SHELL HUNGARY ZRT.	OPEN/COMPETITIVE MARKET TRADER
TIGÁZ ZRT.	OPEN/COMPETITIVE MARKET TRADER
ECONGAS HUNGÁRIA FÖLDGÁZKERESKEDELMI KFT.	OPEN/COMPETITIVE MARKET TRADER
NITROGÉNműVEK ZRT.	ELIGIBLE CONSUMER/ PROPRIETARY SHIPPER
MOL NYRT. KTD	WITH ACCESS AS GAS PRODUCER

TRANSIT SHIPPERS IN 2008	COUNTRY
JP SRBIJAGAS	SERBIA
ENERGOINVEST D.D.	BOSNIA-HERZEGOVINA
BH-GAS D.O.O.	BOSNIA-HERZEGOVINA



TOTAL PERFORMANCE IN 2008

(DATA AT 15°C)	(CUBIC METRES)
AGGREGATE DOMESTIC QUANTITY INCLUDING GAS WITHDRAWN FROM UGS	13.60 BILLION
OF WHICH: WITHDRAWN TRANSIT	1.75 BILLION
IMPORT QUANTITIES FOR DOMESTIC CONSUMPTION AT BEREGSZÁSZ POINT THROUGH HAG PIPELINE	2.43 BILLION
FROM DOMESTIC PRODUCTION	9.42 BILLION
	1.99 BILLION
	2.61 BILLION

HAG PIPELINE

FROM AUSTRIA	(CUBIC METRES)
MOSONMAGYARÓVÁR MEASUREMENT	4.40 BILLION
ANNUAL CAPACITY	12.10 MILLION
DAILY PEAK CAPACITY	

TESTVÉRISÉG AND ÖSSZEFOGÁS* PIPELINE

FROM THE UKRAINE, ENTRY POINT AT BEREGDARÓC	(CUBIC METRES)
ANNUAL CAPACITY	10.90 BILLION
FROM JULY 1 ST , 2009.	21.90 BILLION
DAILY PEAK CAPACITY (FOR DOMESTIC PURPOSES)	30.00 MILLION
FROM JULY 1 ST , 2009.	60.00 MILLION

TRANSIT (SERBIAN AND BOSNIAN)

(DATA AT 15°C)	(CUBIC METRES)
ANNUAL CAPACITY	4.10 BILLION
DAILY PEAK CAPACITY	11.30 MILLION

FROM DECEMBER 31ST, 2009. ROMANIAN TRANSIT

(DATA AT 15°C)	(CUBIC METRES)
ANNUAL CAPACITY	1.75 BILLION
DAILY PEAK CAPACITY	4.80 MILLION

DOMESTIC PRODUCTION

ELEVEN ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	2.60 BILLION
DAILY PEAK CAPACITY	10.30 MILLION

DAILY PEAK CAPACITY OF THE NATURAL GAS SYSTEM

(DATA AT 15°C)	(CUBIC METRES)
TOTAL	112.40 MILLION
FROM JULY 1 ST , 2009.	142.40 MILLION
FROM DECEMBER 31 ST , 2009.	147.20 MILLION
STORAGE	48.70 MILLION
DOMESTIC PRODUCTION	10.30 MILLION
IMPORTS	42.10 MILLION
FROM JULY 1 ST , 2009.	72.00 MILLION
TRANSIT	11.30 MILLION
FROM DECEMBER 31 ST , 2009.	16.10 MILLION

CAPACITY OF UNDERGROUND GAS STORAGE FACILITIES

FIVE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	3.75 BILLION
DAILY PEAK CAPACITY	48.70 MILLION



- REGIONAL FACILITY
- COMPRESSOR STATION
- PLANNED COMPRESSOR STATION
- INLET POINT
- NODE/JUNCTION
- ➔ GAS TRANSFER STATION
- GAS PIPELINE Ø ≥ 1000 mm
- GAS PIPELINE Ø ≥ 600 mm
- GAS PIPELINE Ø ≥ 300 mm
- GAS PIPELINE Ø < 300 mm
- TRANSIT PIPELINE UNDER CONSTRUCTION

* This is the official Hungarian name of the pipeline, in English: BROTHERHOOD AND COOPERATION



- 2008 WAS A YEAR OF HISTORIC CAPACITY EXPANSION. WE ACHIEVED CAPACITY EXPANSION OF STRATEGIC PROPORTIONS AND CONSTRUCTED VERY CRITICAL NEW PIPELINES
- THE CAPACITY OF THE IMPORT TRANSMISSION PIPELINE WAS EXPANDED BY 30 MILLION M³/DAY
- THROUGHOUT THE YEAR, WE ACHIEVED 100% CAPACITY AT ALL INLET POINTS.

OVERVIEW

During this period we had good reason to be proud of having played a key role in ensuring domestic and regional natural gas supplies not only in normal but also in extraordinary circumstances too. We were continuously able to keep the reins of system operatorship 100% in our hands and maintain the balance of the system at all times. In addition, we successfully met other serious challenges throughout the year and, moreover, implemented several key developments of strategic importance.

100% CAPACITY

In 2008, 100% capacity at all inlet points was achieved in the natural gas transmission system. We ensured uninterrupted, reliable and trouble-free gas transmission for domestic consumers and resellers, as well as for our Bosnian and Serbian partners, throughout the whole year.

Permanent capacity expansion

In 2008, we implemented several significant capacity expansion projects. These projects will support, in addition to the supply of gas to the strategic natural gas reserve, supply of natural gas for domestic consumption and ever-increasing transit transmission. We started preparations for the construction of Romanian and Croatian transit pipelines, the purpose being to establish gas inter-connection with neighbouring countries.

We continued negotiations, launched in 2007, on the foundation of a new, independent, regional gas transmission company that will integrate Central and South-European regional natural gas systems, the 'NETS' project.

Adjusting to meet future challenges

Our import capacity expansion project was 90% complete by the end of 2008. As part of our development programme, we constructed a 5-km-long, 1,400 mm nominal diameter, 75 bar nominal pressure rate section of pipeline between the Ukrainian–Hungarian border and Beregdaróc. We also completed the construction of a gas pipeline connecting Beregdaróc to Hajdúszoboszló (124 km long, DN1000, PN63 bar). In addition, we built a section of pipeline between Algyő and Városföld junction (79 km long, DN1000, PN63 bar) and a new settlement measuring station. These developments have historic significance in our sector – no pipeline of such diameter has ever been constructed in our country.

The installation of three (each of 12 MW nominal capacity) compressor units was also completed on the pipeline at the Beregdaróc compressor station. We installed and commissioned two gas turbine-driven compressor units (each of 7.7 MW nominal capacity) at the Hajdúszoboszló compressor station. This equipment is able to deliver

all functions related to injecting gas into the strategic gas storage and transmission operations as required to expand import capacity demand. This will enable us to expand the capacity of the Hungarian import transmission pipeline to 30 million m³/day, and thus we will be in a position to import additional natural gas into Hun-

gary, from quarter III, 2009 onwards. In 2008, we completed the construction of the DN800 gas pipeline inter-connecting Pilisvörösvár and Százhalombatta, the result of which was that the pipeline encircling Budapest was completed, significantly improving the security of gas supplies for the capital city.

THE ABOVE-MENTIONED DEVELOPMENTS, IMPLEMENTED IN THREE PHASES, HAVE HISTORIC SIGNIFICANCE IN OUR SECTOR: NO PIPELINE OF SUCH DIAMETER (I.E. 1400 AND 1000 MM) HAS EVER BEEN CONSTRUCTED IN OUR COUNTRY.



- SUCCESSFUL IMPLEMENTATION OF THE NETS PROJECT BY THE COMPANY FOUNDED UNDER THE TRILATERAL AGREEMENT SIGNED IN 2008 WILL PLAY A CRITICAL ROLE IN OUR VISION OF THE FUTURE,
- OUR SHORT-TERM GOAL IS TO DEVELOP CROSS-BORDER CAPACITY TO MINIMISE RISKS OF SECURITY OF SUPPLIES AND SATISFY INCREASING TRANSIT DEMAND
- IMPLEMENTATION OF THE HUNGARY–ROMANIA AND HUNGARY–CROATIA INTER-CONNECTIONS INCLUDING THE EXPANSION OF THE DOMESTIC NATURAL GAS TRANSMISSION PIPELINE SYSTEM AND THE COMPRESSOR STATION NETWORK ARE ALSO KEY TARGETS FOR 2009 AND 2011.

OVERVIEW

One of the most significant challenges that will face us all in the future is the issue of energy security around the world. The gas sector cannot escape this challenge. While we enter the 21st century seeking to achieve security of energy supplies in the gas market, of European, regional and national interest too, traditional frameworks can no longer provide a reassuring solution to the issue. The time has come to change the paradigm.

NETS, THE NETWORK OF THE FUTURE

FGSZ experts are totally convinced that the only reliable, feasible and implementable way forward, in terms of time and space, would be the creation of an integrated network organised as a consistent supply system and based on new attitudes and thinking. Recognition of this fact is the very essence of the NETS project (New European Transmission System), created by FGSZ and enjoying MOL Group support; an initiative aimed at establishing a new, independent, multinational gas transmission company by integrating the Central & Southeast European regional natural gas systems.

THE IMPLEMENTATION PROCESS HAS REACHED A NEW PHASE

Tree lateral agreement

As a result of negotiations conducted about the NETS project in 2008, a trilateral agreement was reached by FGSZ, Croatian Plinacro and Romanian Transgaz to found a project company.

BH-GAS (a company operating in Bosnia-Herzegovina) also indicated its intention of joining the initiative, but as an observer. In addition to these partners, our Company invited other market players from the region to participate in project implementation.

Synergistic benefits

This initiative will enable us simultaneously to enjoy several major benefits. For example, the project will be very attractive to blue-chip capital investors whose development funds will ensure outstanding added-value and high levels of security of supplies.

The NETS project fits perfectly into MOL Group corporate and business strategy which is based on regional cooperation and aims at exploiting synergies. It will create value for the shareholder and is in full conformity with the EU Directive on unbundling ownership in the natural gas sector, two fundamental pillars of which are the enhance-





THE NEW EUROPEAN
TRANSMISSION SYSTEM

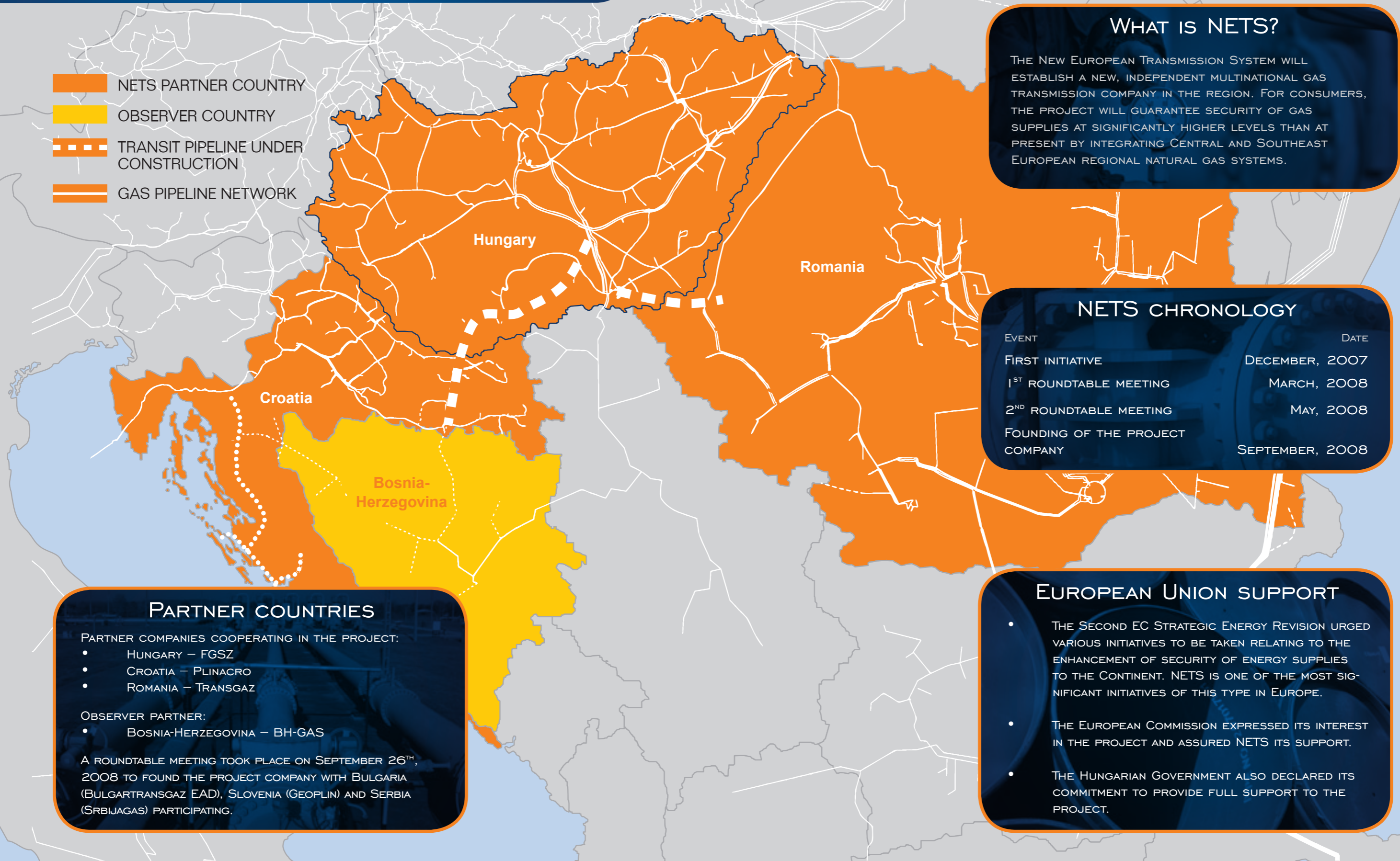
NETS

THE NEW EUROPEAN TRANSMISSION SYSTEM PRESENTS A FUTURE PICTURE OF A NEW, INDEPENDENT, MULTINATIONAL GAS TRANSMISSION COMPANY.

ment of market competition and the representation of consumer interests. It should be pointed out that NETS also fits into a series of initiatives deemed critical and urgent by the EC's Second Strategic Energy Revision in relation to the security of energy supplies to the Continent. Success in this initiative would guarantee security of consumer supplies at a significantly higher level than is the case at present – a key issue during the 2008/2009 Russian–Ukrainian gas price dispute, both in Hungary and other countries in the region.

NETS – NETWORK OF THE FUTURE

-  NETS PARTNER COUNTRY
-  OBSERVER COUNTRY
-  TRANSIT PIPELINE UNDER CONSTRUCTION
-  GAS PIPELINE NETWORK



WHAT IS NETS?

THE NEW EUROPEAN TRANSMISSION SYSTEM WILL ESTABLISH A NEW, INDEPENDENT MULTINATIONAL GAS TRANSMISSION COMPANY IN THE REGION. FOR CONSUMERS, THE PROJECT WILL GUARANTEE SECURITY OF GAS SUPPLIES AT SIGNIFICANTLY HIGHER LEVELS THAN AT PRESENT BY INTEGRATING CENTRAL AND SOUTHEAST EUROPEAN REGIONAL NATURAL GAS SYSTEMS.

NETS CHRONOLOGY

EVENT	DATE
FIRST INITIATIVE	DECEMBER, 2007
1 ST ROUNDTABLE MEETING	MARCH, 2008
2 ND ROUNDTABLE MEETING	MAY, 2008
FOUNDING OF THE PROJECT COMPANY	SEPTEMBER, 2008

PARTNER COUNTRIES

PARTNER COMPANIES COOPERATING IN THE PROJECT:

- HUNGARY – FGSZ
- CROATIA – PLINACRO
- ROMANIA – TRANSGAZ

OBSERVER PARTNER:

- BOSNIA-HERZEGOVINA – BH-GAS

A ROUNDTABLE MEETING TOOK PLACE ON SEPTEMBER 26TH, 2008 TO FOUND THE PROJECT COMPANY WITH BULGARIA (BULGARTRANGAZ EAD), SLOVENIA (GEOPLIN) AND SERBIA (SRBIJAGAS) PARTICIPATING.

EUROPEAN UNION SUPPORT

- THE SECOND EC STRATEGIC ENERGY REVISION URGED VARIOUS INITIATIVES TO BE TAKEN RELATING TO THE ENHANCEMENT OF SECURITY OF ENERGY SUPPLIES TO THE CONTINENT. NETS IS ONE OF THE MOST SIGNIFICANT INITIATIVES OF THIS TYPE IN EUROPE.
- THE EUROPEAN COMMISSION EXPRESSED ITS INTEREST IN THE PROJECT AND ASSURED NETS ITS SUPPORT.
- THE HUNGARIAN GOVERNMENT ALSO DECLARED ITS COMMITMENT TO PROVIDE FULL SUPPORT TO THE PROJECT.



DEVELOPMENTS IN THE IMPROVEMENT OF SECURITY OF ENERGY SUPPLY

Strategic inter-connection

Increasing transmission demand for transit gas and the need to mitigate risks associated with security of supplies require further developments in cross-border capacity. To this end, in 2008, we signed an agreement with Transgaz, the Romanian gas transmission company, for the construction of a Hungarian-Romanian inter-connection pipeline. In

2008, we finished the design phase for the domestic section of the Szeged–Arad gas pipeline (47 km, DN700, PN63), and the implementation phase then commenced with a planned completion date of December, 2009. Project funding requirements totalled HUF 9 billion. A Hungarian–Croatian inter-connection is planned between Városföld and Slobodnica. The project is currently in the design

phase with implementation scheduled to finish by mid-2011. The domestic section of this project also includes a 206-km-long (DN800, PN75) natural gas transmission pipeline between Városföld and Drávaszerdahely, the expansion of the compressor station and node at Városföld as well as the construction of a compressor station at Bába. The planned CAPEX for the Hungarian part of the development is HUF 80.7 billion.

These facilities are designed to permit two-way transmission operations. Inter-connection of the Hungarian-Romanian and the Hungarian-Croatian

gas transmission networks will significantly improve security of gas supplies and provide a larger number of sources of supply despite ever-increasing consumption demand. Moreover, genuine diversification of supply sources will also enhance gas market competitiveness.

The importance of these projects can best be demonstrated by the fact that although the design phase started well before the NETS concept emerged, without such projects we cannot create a coherent gas network in the region that offers access to all players.



FINANCIAL AND OPERATING PERFORMANCE

FINANCES AND OPERATIONS — OVERVIEW

Stable regulatory environment; successful operations; a deteriorating economic environment

In 2008, FGSZ Ltd. reported operating profits of HUF 28.8 bn and HUF 15.9 bn profit after tax. Stability in regulations governing the natural gas market, profitable Company operations but a deteriorating external economic environment were key factors behind our slightly declining operating profits. Profit after tax decreased due to increasing financing burdens caused by a poorer economic environment.

Projects supporting our strategic targets

The main balance sheet figure increased by HUF 63.1 bn or 27.6% as a result of projects that supported the achievement of strategic Company targets.

Movements of capital aimed at optimising our financing structure.

Within our total assets, the proportion of share capital decreased from 40.8% to 39.3% as a result of capital movements required to optimise our financing structure of projects that support achievement of 2008 corporate strategy.

Projects and major loans

The parent company loan increased from HUF 111.2 bn to HUF 133.3 bn (i.e. by HUF 22.1) to finance these strategic projects in which HUF 73.8 bn was then invested. This increase was the result of imports capacity expansion required to meet higher consumer demand, the construction of pipelines and compressor stations required to underpin strategic gas storage operations as prescribed by law, the completion of the pipeline system encircling Budapest which now significantly improves security of domestic gas supply and the start of construction of interconnecting gas pipelines with Romania in 2008.

A MANAGEMENT OVERVIEW OF THE BUSINESS ENVIRONMENT

The economic environment had the greatest effect of all

Movement in the domestic and regional economic environment in 2008 had a significant effect on FGSZ business and financial performance.

Stable demand

In Hungary, growth in natural gas consumption and consequently growth in domestic gas transmission volume came to a halt and demand stabilised. Reasons for this include higher domestic natural gas prices leading to energy conservation, prevailing weather conditions during the year and saturation of the natural gas market.

The domestic market was able to expand and new consumers were connected to the network, in the short term, through implementation of strategic

gas storage measures and the development of a new market structure supported by gas market liberalisation. In the medium term, new opportunities could open up through further expansion of the economy and increased gas-firing power plant capacity. Our Company will take advantage of these trends by developing its infrastructure.

Strategic goals

Economic developments in the Balkan region and its integration into the European gas transmission system might be the keys to expanding the regional market in the medium term whereas on the strategic horizon establishing an East-West transit transmission business will offer exploitable market opportunities. The Company started, in line with its strategic goals, to implement a pro-active market development policy in the region and continued negotiations to increase cooperation among the regional gas transmission companies.

THE CONTRIBUTIONS OF VARIOUS ACTIVITIES TO OPERATING PROFITS

Sound management; profitable operations

The Company's operating profits, and within them, business unit operating profits, from a variety of activities, were also affected, in 2008, by changes in the domestic regulatory environment and the relative stability of regional markets. Swift adjustment to these changes enabled us to maintain sound management and profitable operations in 2008.

The contributions of our various operations

The contribution of domestic transmission to operating profits was fully in line with the regulated rate of return based on regulated prices. The profit-generating abilities of other operations produced higher yields than those from regulated activities, thus improving Company profitability.

DATA ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (HAS)	2007 (HUF BN)	2008 (HUF BN)	2008/2007 (%)
NET SALES REVENUES	75.1	115.1	153.3
OPERATING PROFITS	29.4	28.8	98.0
PROFIT AFTER TAX	18.6	15.9	85.5

Business activity operating profit components

As a result of Company sales revenues and expenditure, our business operations showed profits of HUF 28.8 bn.

Net Company sales revenues derived from 18.2 bcm in gas transmission (calculated at 15°C) as well as gas transactions required to maintain the equilibrium of the system.

Our carefully controlled operating costs and other expenditures produced profitable operations, through efficient management, in 2008.

Profit from financial transactions in 2008 was HUF -11.6 bn, mainly accounted for by interest paid on the parent company loan (HUF -12.0 bn).

Extraordinary profits were the result of settlement of assets transferred free-of-charge in accordance with Accounting Law, and their amount was not a determining factor in profits made by the Company in 2008.

Aggregated business operations profits, financial transaction profits and extraordinary profits caused Company profits before tax to total HUF 17.5 bn in 2008.

The effects of items adjusting the tax base were significant, and basically arose from differences in depreciation rates of pipelines as prescribed by Accounting and Tax Laws.

The Company's actual tax rate payable in 2008 was 8.7%. The Company did not make use of any tax holiday or allowances in 2008.

The Company foresees the maintenance of the present level of economic indicators after its 2008 economic and business performance, also in accordance with statutory regulations and investor expectations. Since the external economic environment was unfavourable in 2008, FGSZ Ltd. now seeks to off-set its effects by further increasing internal efficiency. The Company will continue to pursue its strategic regional goals since they will guarantee our meeting of shareholder expectations.

OTHER KEY INFORMATION REGARDING OPERATIONS

Main events occurring between balance sheet closing date and the date the operating report was prepared.

When the Russo-Ukrainian gas dispute broke out, Hungary received no gas from the Ukraine between January 6th and 21st, 2009. This created a significant technical challenge to FGSZ Ltd., the country's sole gas transmission company and gas system operator (TSO), but we were able to manage the crisis very successfully, providing the uninterrupted system operations and gas transmission activities required to ensure security of gas supplies to the country, as prescribed by relevant laws. The January gas crisis had no directly measurable or considerable impact on the Company's economic and financial activities and profits and so there was no need to adjust Company plans and processes for 2009 since in 2008 we conducted the same operations in respect of economic financial aspects as we would have done under normal operating conditions.

OTHER EFFICIENCY INDICATORS

Positive cash flow

The Company had a positive operating cash flow in 2008, and the amount was significant enough to provide funds to pay back instalments on capital and interest payable on the parent company loan (as well as other cash flow elements).

37.9% EBITDA

Among indicators measuring the efficiency of business operations, our EBITDA rate was 37.9 % which shows fairly high operating profitability for the 2008 business year. The 2008 figure also shows the aggregated effect of profits recognised by regulations and depreciation.

12.7% ROACE

The return on average capital employed, the capital efficiency indicator calculated on operating profits, was 12.7%. This figure was higher than profits before tax on assets used for domestic transmission, namely 6.9%, because profits from other activities were higher.



CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	2007 (HUF MILLION)	2008 (HUF MILLION)	2008/2007 (%)
NON-CURRENT ASSETS	212,154	274,944	129.6
INTANGIBLE ASSETS	2,203	2,692	122.2
TANGIBLE FIXED ASSETS	209,951	272,252	129.7
FINANCIAL ASSETS EMPLOYED	0	0	-
CURRENT ASSETS	16,345	16,401	100.3
INVENTORIES	1,030	1,776	172.4
TRADING RECEIVABLES	7,221	14,418	199.7
SECURITIES	0	0	-
CASH AND CASH EQUIVALENTS	8,094	207	2.6
PRE-PAID EXPENSES	64	300	468.8
TOTAL ASSETS	228,563	291,645	127.6

LIABILITIES	2007 (HUF MILLION)	2008 (HUF MILLION)	2008/2007 (%)
EQUITY	93,191	114,567	122.9
SHARE CAPITAL	13,209	18,823	142.5
RETAINED CAPITAL	61,431	91,797	149.4
BALANCE SHEET PROFIT FIGURE	18,551	3,947	86.0
PROVISIONS	884	1,051	118.9
LIABILITIES	130,491	169,353	129.7
DEFERRED LIABILITIES	0	0	-
LONG-TERM LIABILITIES	598	134,269	22,453.0
SHORT-TERM LIABILITIES	129,893	35,084	27.0
OF WHICH, CURRENT LIABILITIES FROM AFFILIATED COMPANIES	116,073	16,863	14.5
ACCRUED EXPENSES	3,997	6,674	167.0
TOTAL LIABILITIES	228,563	291,645	127.6

PROFIT AND LOSS ACCOUNT	2007 (HUF MILLION)	2008 (HUF MILLION)	2008/2007 (%)
NET DOMESTIC SALES REVENUES	61,237	99,001	161.7
NET EXPORT SALES REVENUES	13,893	16,144	116.2
NET SALES REVENUES	75,130	115,145	153.3
CAPITALISED OWN PERFORMANCE	4,638	21,922	472.7
OTHER REVENUES	688	110	16.0
MATERIALS EXPENDITURE	29,071	85,909	295.5
PERSONNEL EXPENDITURE	4,567	4,992	109.3
DEPRECIATION	13,096	14,791	112.9
OTHER EXPENDITURE	4,303	2,638	61.3
OPERATING PROFITS	29,419	28,847	98.1
FINANCIAL TRANSACTION REVENUES	427	1,747	409.1
FINANCIAL TRANSACTION EXPENDITURE	9,278	13,305	143.4
OF WHICH: INTEREST/INTEREST- TYPE COSTS PAYABLE TO AFFILIATED COMPANIES	8,884	12,020	135.3
FINANCIAL TRANSACTION PROFITS	-8,851	-11,558	130.6
ORDINARY BUSINESS ACTIVITY PROFITS	20,568	17,289	84.1
EXTRAORDINARY PROFITS	46	175	380.4
PROFITS BEFORE TAX	20,614	17,464	84.7
TAX PAYABLE	2,063	1,517	73.5
PROFITS AFTER TAX	18,551	15,947	86.0
APPROVED DIVIDEND, PROFIT SHARING	-	12,000	-
BALANCE SHEET PROFIT FIGURE	18,551	3,947	21.2

CASH FLOW	2007 (HUF MILLION)	2008 (HUF MILLION)	2008/2007 (%)
PROFITS BEFORE TAX	20,614	17,464	84.7
OPERATING CASH FLOW	40,905	26,923	65.8
INVESTED CASH FLOW	-18,552	-72,384	390.2
FINANCING CASH FLOW	-14,818	37,574	-253.6
CHANGE IN CASH AND CASH EQUIVALENTS	7,535	-7,887	-104.7



- WE PAY VERY PARTICULAR ATTENTION TO DISCOVERING AND EFFICIENTLY MAKING THE MOST OF VALUES HIDDEN IN OUR HUMAN RESOURCES, BECAUSE, IN A MODERN AND DYNAMICALLY DEVELOPING COMPANY, ONLY WELL-TRAINED, SKILLED, FULLY-COMMITTED AND RESULTS-ORIENTED EMPLOYEES CAN GUARANTEE SUCCESSFUL PERFORMANCE IN A COMPETITIVE MARKETPLACE

OVERVIEW



In 2008, our Company continued implementing its strategy always developed with Sustainable Development in mind. As part of this process, we strove not only to achieve our basic objectives of meeting shareholder expectations and ensuring security of gas supplies but also to make sure that the social and global effects of our operations would be positive and sustainable, in the long term. To meet these challenges we developed an economic and environmental protection strategy, whereby sustaining values in our corporate culture and further strengthening our social responsibility will have an ever-increasing role, as one would expect of any 21st century company.

WITH MAN IN FOCUS

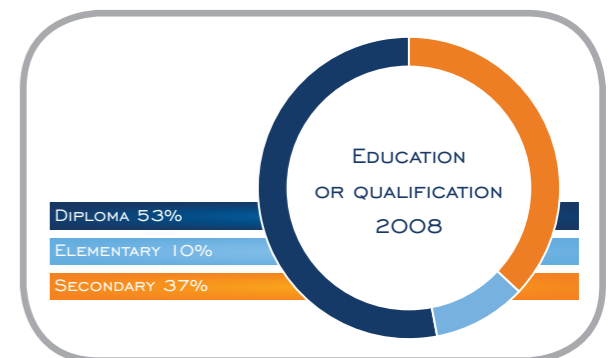
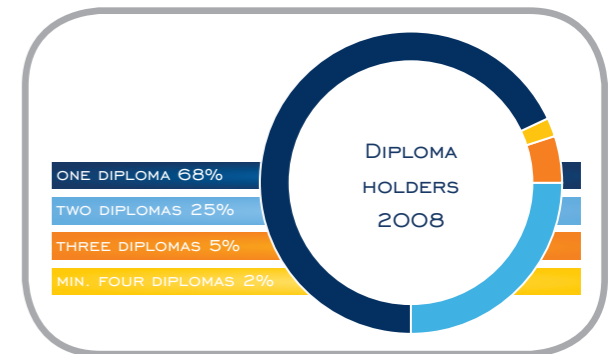
Today's talented will be the experts of the future.

Added-value can only be created by valuable people. This is why our Company pays close attention to supporting and helping young people, talented in our field. We also support the activities of medium- and high-level educational establishments to which we transfer annual one-off grants from our vocational training fund. We have also concluded cooperation agreements with a number of schools and educational institutions which enable us to invite students and undergraduates to participate in Company summer practicals and internship schemes so they may better understand our Company's core activities and operations under the supervision and guidance of mentors. Students from universities and colleges also rely on the professional support of such mentors when they prepare theses related to our Company's activities.

An alliance with our employees

Only well-trained, skilled, fully-committed and results-oriented employees can guarantee successful performance in a competitive marketplace in a modern and dynamically developing company such as ours. We pay very particular attention to discovering and efficiently making the most of values hidden in our human resources in all our Company's operations. To this end, it is absolutely essential to secure and maintain a high level of harmony between organisational and individual

targets and planned foreseeable and realistic career paths. We actively focus on providing high-level training and further training opportunities to our employees to upgrade their professional skills. We are proud to report success in this field since we have so far been able to create an expert pool of talent with advanced qualifications, professional experience and a wide range of practical skills as is clearly shown in our Company's qualification





We donated a children's playground to the village of Városföld where one of the largest compressor stations is operated, as part of our social responsibility policy.

and training records. Nearly 53% of our employees have university degrees (or equivalent), and 32% have more than one degree. Our Collective Bargaining Agreement, signed with trade unions for the period 2007–2009, contains various compensation and benefit schemes, fringe (extra wage) benefits as well as bonus and recognition schemes which provide financial and non-financial incentives to our employees. Employee feedback is essential to the improvement of effi-

ciency in corporate governance and so we regularly conduct annual employee satisfaction surveys. Approximately 70% of our headcount participated in this survey in 2008. We are proud to note that the average total satisfaction indicator over the past five years has increased from 4.2 to 4.7 on the 5-digit scale. The indicator showing the opportunities to select jobs or positions also increased, from 4.51 to 4.75. According to survey results, our employees viewed the most critical FGSZ achieve-

ments as being our leading role in the sector, stable operations, excellent employee qualifications, openness to strategic thinking and innovation, as well as excellent working conditions.

Our corporate culture and social responsibility Social responsibility is an issue of outstanding significance to FGSZ since the maintenance and development of partnerships in our operating and business environment are key components in

achieving successful Company performance. We provide financial support to various initiatives in Hungary where environmental awareness, protection of health and the preservation of cultural values are to the fore. We attach significant importance to nurturing cooperation with local civic organisations. We support and help various groups, institutions and civic bodies engaged in education, training, sporting and cultural activities from our headquarters and regional branch offices.

Global processes of the new millennium have created several new challenges regarding the need to enhance protection and conservation of nature by all companies which manage natural resources. In this context, FGSZ, as a key player in Hungarian and Central European gas supplies, identified key directions for technology development in 2008 in the areas of operational safety, efficiency improvement and the protection of human health and the natural environment. Our corporate development strategy and philosophy aim to establish the highest possible level of harmony in our efforts to support Sustainable Development, security of energy supplies and the guarantee of protection of human and environmental values.

HEALTH, SAFETY AND THE ENVIRONMENT

We have developed a complex HSE strategy to reduce detrimental effects on the environment and to protect our quality of life. When planning long- and short-term operations, we specifically focus on Sustainable Development – the renewal of human and environmental resources and the need to decrease use of natural resources. We analyse the balance of materials used, energy and emission limits on an on-going basis and pay particular attention to making great efforts to create new ways of managing developments and modernisation that are friendly to Sustainable Development and thus maximising our efficiency.

Proceeding along the green path to infrastructure development

Our Company is adjusting to the challenges of the 21st century and is specifically focusing on the protection of the natural environment during pipeline construction projects. We have a highly-qualified expert team helping us in our efforts to uphold environmental values. Once a gas pipeline project is completed, we always carry out, as completely as possible, regeneration of the natural environment and conduct close monitoring activities for five years thereafter. As part of this effort, we focus particularly on the protection of flora and fauna in areas affected by pipeline construction work, the complex rehabilitation of those areas and the environment, the application of environmentally-friendly technology, the avoidance and prevention of unnecessary pollution and the improvement of air quality. To these ends, we

EMPLOYEE, VISITOR OR PARTNER SAFETY AT OUR PREMISES IS A PARTICULARLY IMPORTANT ISSUE. WE HAVE THEREFORE DRAWN UP A REGULATION TO ENSURE SAFETY AND THE PROTECTION OF HEALTH AND THE ENVIRONMENT AND WE HAVE BRIEFED EVERY EMPLOYEE AND STAKEHOLDER ABOUT IT AS WELL AS OTHER RELEVANT LAWS AND REGULATIONS.



On the forest path, created along the 3,5 km gas pipeline, we constructed a panorama terrace.

closely cooperate with local people and social organisations throughout the project implementation process. Such cooperation is very useful as is demonstrated, for example, by the forest walkway created along the Pilisvörösvár–Százhalombatta pipeline, next to Piliscsaba, a joint effort with our parent company.

Dynamic growth in 2008 and the construction of new pipelines required for modernisation and capacity expansion in our existing compressor stations, expansion of units at Beregdaróc and Hajdúszoboszló stations and the IPPC (Integrated Pollution Prevention Control) licensing of the project were all implemented without problems. We also installed at these stations up-to-date, BAT (Best Available Technology) equipment with very low pollutant emissions that fully meet stringent EU emission standards.

The compound used in natural gas odourisation is a material dangerous to the environment. We therefore converted our natural gas odourisa-

tion technology units to use the BAT principle to minimise risk to the environment. In addition to technology development, we introduced a new logistics process that reduced the quantity of dangerous compounds stored simultaneously at the same site. We determined the heat impact zone of pipeline vent-off flares with a new method of calculation and then revised these zones in accordance with relevant environmental protection criteria.

Clean air protection and the improvement of efficiency in energy consumption were other key considerations in 2008 so we continued replacing firing units in technology operating in condensation mode. Regular flue gas analysis and monitoring of high-performance gas turbines also support the enforcement of environmental protection measures. Based on the results, we were able to establish optimum operational parameters for the technology used.

Protecting the atmosphere – CO² emissions within permitted limits

Our Company operates 5 pressure-boosting compressor stations each fully compliant with the October 13th, 2003 European Parliament and Council Directive no.2003/87/EC which established the greenhouse gas emission unit trading system within the Community. In Hungary, weather-dependent consumer and industrial gas consumption dominate the gas system and thus the quantity of gas and CO² emissions from pressure-boosting gas compressors in the natural gas transmission system are also subject to the Directive. CO² emissions from our stations in 2008 totalled 183,767 tons. We receive technical support from MOL HSE when conducting transparent and trackable CO² quota trading.

Modern noise reduction and waste management Noise impact caused by our gas transmission facilities on residential areas located in the vicinity must also meet local populations' expectations so our Company has launched a noise reduction programme comprising the following main elements: the measurement of facilities' noise emissions, the evaluation of noise impact and the development of technical solutions to noise reduction, involving research institutes. In this programme we have so





far prepared noise maps of nearly 40 facilities. A specific noise reduction plan is now a mandatory part of our facility expansion and reconstruction plans. As part of this noise reduction programme, we have started to identify areas with the highest exposure to noise in the vicinity of our Városföld compressor station and are also planning to plant lines of trees in streets facing the station. Our Company inevitably produces dangerous waste materials but the volume is decreasing year by year. This is clearly the result of our well-planned environmental protection programme whereby we have transformed slop systems in our pressure-boosting stations to become closed system units and have replaced heat dissipation fluid in gas heating technology units with a less hazardous more environmentally-friendly compound. Our Zala Refinery can now fully re-cycle used oil produced by our compressor stations.

In harmony with nature

We recognise the importance of local and national civic organisations' activities in the area of environmental protection and we support such initiatives, as far as we can.

Company representatives always participate in public hearings organised by the "green" authorities and we always investigate all questions or queries raised by local populations or environment protection groups. We have developed excellent cooperation with managers of areas under nature conservation that are affected by our activities and we treat and manage any issues as top priorities. We have regular contacts and cooperation contracts with several research institutes and have developed exemplary collaboration with their experts. We follow their recommendations on the enhanced protection of flora and fauna when implementing solutions at areas affected by pipeline projects. Prior to launching a project, we conduct due diligence into the values of nature in a given area, and we limit, restrict or suspend operations during periods that are especially sensitive to local flora and fauna. When dealing with an area under specific protection, we apply horizontal drilling technology instead of the traditional open ditch method when laying a pipeline and we continuously monitor the flora and fauna in the area and

provide opportunities to conserve endangered species, e.g. reptiles or insects. Once construction work is over, we take special care to rehabilitate and recultivate the natural environment.

Health protection

As a modern corporation, we are fully committed to protecting and developing employee safety and health. In addition to statutory medical services, we have introduced several prevention-oriented health promotion programmes. We provide free-of-charge medical screening tests (for bone and muscular systems, osteoporosis and skin cancer) and vaccinations to protect employee health.

Practical safety training courses play a predominant role in our corporate culture to ensure accident-free work performance. To this end, every member of our operating staff (blue collar) participates in relevant training at the well-equipped Duna Refinery Fire Brigade drill site, supervised by safety experts. White collar employees gain similar experience in fire-fighting using a simulator. Fire-fighting drills are supplemented with first-aid training by our occupational health service provider partner.

HSE

PROTECTION OF HEALTH, SAFETY AND THE ENVIRONMENT ARE OF FUNDAMENTAL IMPORTANCE TO OUR ACTIVITIES. WE FOCUS SPECIAL ATTENTION ON SUSTAINABLE DEVELOPMENT, THE RENEWAL OF HUMAN AND ENVIRONMENTAL RESOURCES AS WELL AS THE REDUCTION IN OUR CONSUMPTION OF NATURAL RESOURCES.

QUALITY ASSURANCE

Since 1997, our Company has operated an officially certified quality assurance system which is in compliance with ISO Standard 9001 requirements. The agency certifying the system is SGS, widely recognised in the international oil and gas sector, its Hungarian subsidiary being SGS Hungária Plc. SGS Hungária Plc. audits the operations of our quality assurance system bi-annually, whereas the Mining Bureau of Hungary does so once a year.





BOARD OF DIRECTORS



Dr. János Zsuga

Graduated at the University of Miskolc with a degree in gas engineering; earned his Ph.D. at the Sámuel Mikoviny School for Postgraduate Studies, University of Miskolc; 1994-1999, technical engineer at the MOL Crude Oil & Natural Gas Transportation Business Unit; 1999-2000, head of the MOL Natural Gas Transmission Business Unit's trade dispatcher service; 2001-2003, head of System Management & Gas Transmission at MOL's Natural Gas Transportation Business Unit and then, from 2004, appointed Chief Executive Officer of MOL Natural Gas Transmission Co. (later a Plc.).



István Keresztesi

Earned degrees in mechanical engineering, gas distribution engineering and engineering-cum-economics; has worked in the gas industry since 1985 for, inter alia, MOL Natural Gas Transmission Plc's predecessors under various company names; 1985-2001, technical engineer at the Kápolnásnyék Transmission branch office then head of operations for the branch office; 2001-2003, Head of System Operations (TSO) Settlements Department; since 2003, Director of System Operations (TSO).



Csaba Juhász

Degree earned in gas engineering; has worked in the gas industry since 1989 for MOL Natural Gas Transmission Plc's predecessors; 1989-1994, technical engineer at the Algyő Plant, then head of the Kecskemét Transmission branch office, 1994-2003; since 2003, has been Director of Operations.

SUPERVISORY BOARD

György Mosonyi

MOL Plc. GCEO and member of the Board of Directors since July 19th, 1999.

Chairman of the Board of Directors' Sustainability Committee; Chairman of the Board of TVK Plc.; from 1974, employed by Shell International Petroleum Co. Hungary; from 1986 Marketing Director. In 1991, worked at Shell Head Office, London. Between 1992 and 1993, Managing Director of Shell-Interag Ltd. Between 1994 and 1999, Chairman and CEO of Shell Hungary Co. At the same time, in 1997, Chairman of the Central & East Europe Region; in 1998, CEO of Shell Czekia. Honourable President of the Joint Venture Association and Vice-President of the Hungarian Chamber of Commerce & Industry; Vice-President of the National Society of Hungarian Industrialists.

Dr. Pál Kara

Director of Legal Department at MOL Plc.

Earned degree at ELTE University of State & Legal Sciences in 1994 (summa cum laude); Employed at GE Lighting Tungfram Co as company secretary until May 1997, then as legal expert in procurement and marketing; between 1997 and 2001, Head of HR and Law Department at METRO Holding Hungary Marketing Ltd; from 2001, legal counsel to MOL Co., then Director of Legal Department at MOL Plc; since June 1st, 2006, Member of the Trustees of the National Marketing Association (OKSZ); MOL Council of Ethics; Supervisory Board of MMBF Natural Gas Storage Ltd; Chairman of the Supervisory Board of the New Europe Foundation since 2006 September

László Fekete

Managing Director of MOL Plc. Corporate Services since 2004;

between 1992 and 2000, held various positions at Tungfram Co., then, following its acquisition, at General Electric as the legal successor, including plant manager, head of productivity and factory director; joined MOL Group in 2000; between 2001 and 2003, as Vice Chairman, active participant in Slovnaft's acquisition and integration into MOL Group; member of Slovnaft Board of Directors; owner's representative at MOL Group SSC maintenance company..

József Horváth

Economist and auditor;

1976-1997, held various positions at MOL and its legal predecessors as economist and expert; from 1983, manager; 1997, head of MOL Planning Department; since 2003, head of MOL Planning & Controlling; member of the Hungarian Chamber of Auditors.

István Zsíros

Joined the company in 1983, working at MOL Natural Gas Transmission Plc., Miskolc and its legal predecessors, transmission branch;

1993, degree in electrical engineering; 2003, degree in engineering-cum-economics; 2004, member of the Supervisory Board of MOL Natural Gas Transmission Plc., as employee delegate; since June 18th, 2007, member of MOL Group European Workers Council; since 2008, President of FGSZ Ltd. Workers Council.

Gábor Fett

Since 1995 has held various engineering positions at MOL Natural Gas Transmission Plc., Kápolnásnyék Transmission branch office and its predecessors;

2004, head of the Technical Supervision Unit; currently, Technical Supervision Unit Manager and deputy to the Technical Director at Kápolnásnyék branch office; 1999, member of the "Unity" Trade Union and its legal predecessor, which delegated him to the Supervisory Board when Natural Gas Transmission Ltd. was established; member of the Supervisory Board as employee delegate, since 2004.

FGSZ LTD. OPERATES A CLIENT SERVICE OFFICE FOR CONTRACTED PARTNERS.

OUR CLIENTS MAY RAISE QUESTIONS RELATED TO NATURAL GAS TRANSMISSION AND SYSTEM OPERATOR SERVICES AT THE CLIENT SERVICE OFFICE.

CLIENT SERVICE OFFICE:

SEAT: 8600 SIÓFOK, TANÁCSHÁZ U. 5.
1ST FLOOR, ROOM 108

POSTAL ADDRESS: 8601 SIÓFOK, PF. 102

TELEPHONE: +36 (84) 505-114

TELEFAX: +36 (84) 505-592

E-MAIL: FGSZ.UGYFELSZOLGALAT@MOL.HU

OPENING HOURS:

TUESDAYS AND THURSDAYS: 13.00–16.00

THE INFORMATION OFFICE WILL GIVE ANSWERS TO QUERIES RELATED TO PIPELINE CONSTRUCTION PROJECTS AND OTHER ISSUES RELATED TO COMPANY ACTIVITIES.

INFORMATION OFFICE

SEAT: 8600 SIÓFOK, TANÁCSHÁZ U. 5. 1ST FLOOR, ROOM 108.

POSTAL ADDRESS: 8601 SIÓFOK, PF. 102

OPENING HOURS:

TUESDAYS AND THURSDAYS: 07.30–10.00

THE DISPATCHER SERVICE SHOULD BE CONTACTED ABOUT DAY-TO-DAY OPERATIONAL ISSUES (24-HOUR SERVICE) THROUGH THE FOLLOWING CONTACT POINTS.

SYSTEM OPERATIONS – DISPATCHER CENTRE

TELEPHONE: +36 (84) 505-777

TELEFAX: +36 (84) 505-217

E-MAIL: FRI@MOL.HU

YOU CAN ACCESS OUR COMPANY'S WEBSITE AT THE FOLLOWING LINKS: WWW.FGSZ.HU AND WWW.FRI.HU.



CONTACT US