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FGSZ LTD. ANNUAL REPORT 2009

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BUSINESS, SOCIAL AND ENVIRONMENTAL PERFORMANCE



NATURAL GAS TRANSMISSION
MEMBER OF THE MOL GROUP



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MOST OF THE TIME THE FUNDAMENTAL, MOST IMPORTANT THINGS IN LIFE ARE TAKEN FOR GRANTED. WE ONLY COME TO APPRECIATE THEM AND FEEL HOW INDISPENSABLE THEY ARE ONCE THEY ARE LOST. SUCH IS THE CASE WITH HEALTH AND VITALITY. NATURAL GAS IS ANOTHER SUCH INDISPENSABLE NATURAL RESOURCE TO MODERN CIVILIZATION. WE, AT FGSZ WORK TO ENSURE THAT THIS RESOURCE IS AVAILABLE EVERYWHERE, DAY AFTER DAY. OUR PIPELINE SYSTEM NOW COVERS ALL OF HUNGARY, JUST LIKE A HEALTHY VASCULAR SYSTEM RUNNING THROUGH THE HUMAN BODY. THIS IS OUR WAY OF ENERGIZING EVERYDAY LIFE — AND THE FUTURE.

ENERGY INTO THE FUTURE
IN EVERY MOMENT OF LIFE

FGSZ IN BRIEF

Our Company is the sole natural gas transmission and system operator licensee within Hungary. We supply gas to all Hungarian gas distribution companies, power plants and large industrial consumers through our high-pressure transmission pipeline system.

As well as playing a central role in domestic gas transmission, we also deliver gas to our Serbian and Bosnian partners outside of Hungary. Further expansion of our capacities and markets in this region is a strategic aspect of our vision and mission. Our Company is characterized by balanced growth and capacity management. Further to this, our geographical position and dynamism makes us one of Europe's most prominent natural gas suppliers.

All these factors favor the creation of short and long term shareholder value, which is one of our fundamental goals. We perform our activities in a legally regulated market environment and our conduct is driven by the values of supply safety and energy culture. MOL is the owner of FGSZ's ordinary shares.

A BRIEF OVERVIEW OF OUR ACTIVITIES

The purpose of our activities is the safe and optimal acceptance, transmission and delivery of natural gas. This entails a wide scope of tasks, including a set of quantitative and qualitative measurements, gas odourization as prescribed by relevant laws and regulations, as well as the regulation of gas pressure.

The key role of natural gas transmission activity is ensuring and maintaining hydraulic equilibrium. The Company's head office at Siófok is responsible for this task, assisted by six regional natural gas transmission units in performing operative tasks. Our system operator centre (TSO) is responsible for the monitoring and evaluation of the operational parameters 24 hours a day and conducting any necessary interventions in the operation of the system.

Harmonious cooperation between the high-pressure transmission pipeline system and the pipeline systems connected to it through the gas transfer stations, is one of the key factors in ensuring system safety. Our Siófok TSO centre is responsible for the control and monitoring of these processes, as well.

The ethical culture of non-discrimination and transparency are integral to our operations as well as being a legal prerequisite.

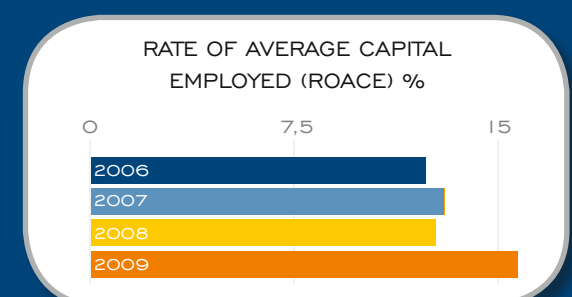
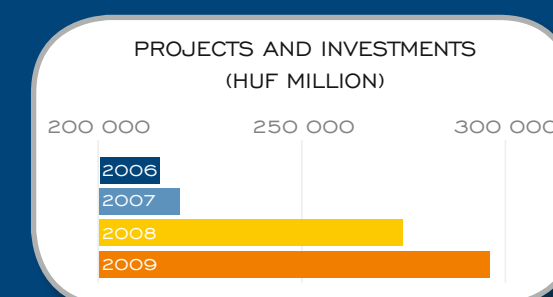
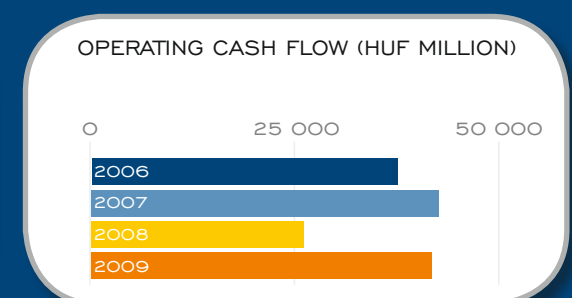
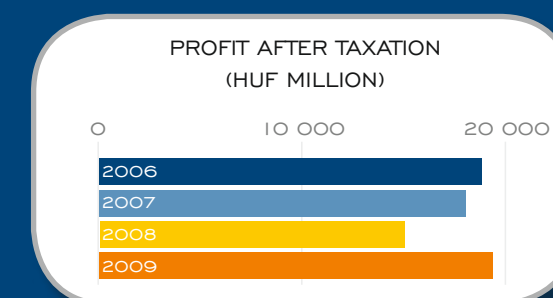
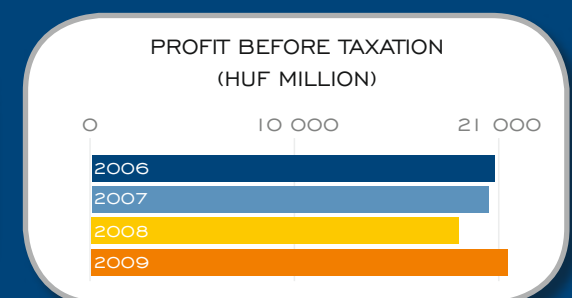
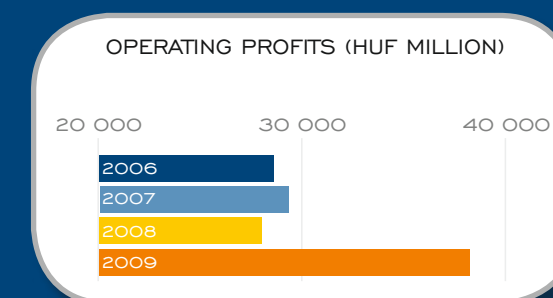
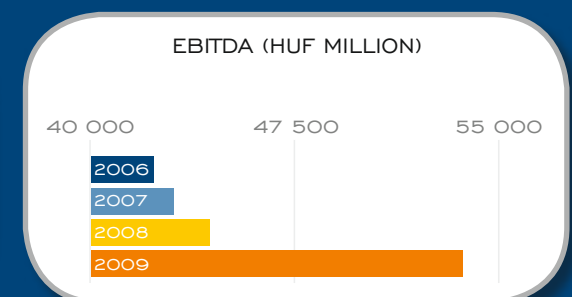
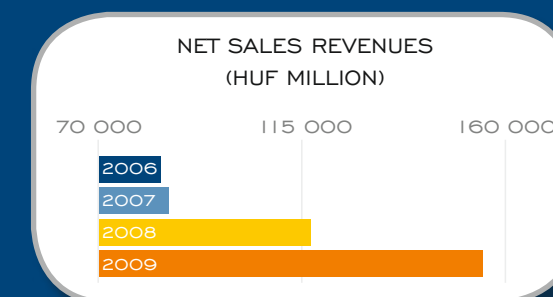
In order to best meet our shippers' demands, we continuously develop our input and output capacities accepting, transmitting and delivering natural gas based on precise quantitative and qualitative measurements and settlement. We fulfill our obligations arising from or related to Capacity Contracts, Natural Gas Transmission, Odourization and System Operator Contracts in compliance with the relevant legal regulations and the provisions of the Business & Commercial Code, at all times.

We also ensure transparent and discrimination-free access to the natural gas transmission pipeline for all our partners and are pleased to be at the disposal of contractual partners and supervising authorities, concerning the supply of data.

In the course of our operations we put great emphasis on health, safety and environmental protection, ensuring the continuous improvement of system safety through technology and information technology developments.

KEY FINANCIAL DATA

FACTOR	2008 (HUF MILLION)	2009 (HUF MILLION)	09/08 %
Net sales revenues	115,145	151,535	131.6
EBITDA	43,638	52,944	121.3
Operating profits	28,847	38,540	133.6
Profit before taxation	17,464	21,503	123.1
Profit after taxation	15,947	19,414	121.7
Operating cash flow	26,923	41,893	155.6
Projects and investments	274,944	289,724	105.4
Rate of Average Capital Employed (ROACE) %	12.74	15.75	123.6



LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Reader!

This last year filled with hardships and challenges, not only placed serious difficulties to companies operating in the natural gas industry, but to all major Hungarian industries. Our Company, like so many others, could not avoid the adversity caused by the global economic crisis; the wave of bankruptcy filings, shocking financial markets and the gas crisis hitting Europe. Furthermore, the change in legal regulations also entailed significant tasks for the Company. We were successful in overcoming the difficulties and FGSZ's position remained stable both nationally and internationally. I am especially pleased with our achievement in a prestigious survey, where FGSZ was awarded best employer in three categories.

2009 was an especially important year in the life of the Company for various reasons. A considerable achievement is that we were able to deliver stable and outstanding performance despite the global financial crisis affecting all industries. The well trained and experienced expert staff of FGSZ also proved to be able to soundly defy unexpected professional challenges caused by external factors, during the gas crisis of early 2009.

The security of gas supply to Hungarian residential consumers remained uninterrupted throughout this critical period which lasted almost three weeks.

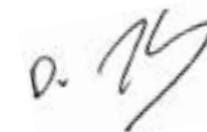
Nonetheless, the most significant event in 2009 was the emergence of Directive no. 2009/73/EC of the European Union regulations. This directive, with the aim to ensure further market liberalization, established a new, comprehensive framework for natural gas transmission, storage and distribution, including regulation of the company's operations. The EU directive was transposed into Hungarian law with corresponding modification of the Gas Supply Act, whereby FGSZ is to operate in accordance with a new, so called ITO (Independent Transmission Operator) model in the future. This implies a fundamental change in the Company's organizational and decision-making structure, while compliance with the rigorous provisions on separation entails significant tasks and challenges for the management.

Our Company is ready to perform the restructuring required and is convinced of its success. The Company concluded its import capacity expansion project in 2009, which allowed the volume of gas transmitted from the Ukraine to increase twofold. The new pipelines significantly improve the security of supply and their construction entailed substantial developments in FGSZ facilities, as well. Construction of the natural gas pipeline connecting Szeged and Arad was completed and shall offer the possibility of gas transmission between Hungary and Romania starting the summer of 2010. Total capital expenditure of the investment was HUF 9 billion.

Construction of the Városföld–Slobodnica natural gas pipeline commenced. The estimated cost of constructing the 206 km long Hungarian section of the pipeline is HUF 80 billion and pipeline capacity is 19.2 m³/day. The Hungarian-Romanian and Hungarian-Croatian inter-connection of pipeline systems will significantly improve security of supplies, as the completion of these will ensure four input points to the Hungarian pipeline system, as opposed to the current two.

FGSZ is also conducting negotiations regarding inter-connection of the Slovakian and Slovenian pipeline networks. Both projects would significantly promote regional gas market efforts, as the former connection would facilitate the creation of the North-South natural gas pipeline also encouraged by the European Union, while the latter would assist in the realization of the Hungarian-Slovenian-Italian transmission pipeline system. FGSZ maintained specific focus on the preservation of flora and fauna, as well as the protection of nature and the environment in the areas affected by pipeline construction works performed in 2009.

The Company's financial results speak for themselves: in 2009 it reached HUF 38.5 billion operating profits. I would like to take the opportunity to thank our employees for their commitment throughout the year in performing extra tasks and investing additional effort as required by investments, developments and the adoption of the ITO model. Their commitment did not only ensure the Company's success, but also granted FGSZ Ltd. the Best Employer in Hungary award in the joint survey conducted by Világgazdaság and Hewitt. In this same survey FGSZ was recognized as Best Employer within the Energy Sector and was awarded Best Employer in Central-Eastern Europe – including eleven different countries - in the category of companies with 250-1000 employees.



Dr. János Zsuga
Chief Executive Officer



THE OPERATING ENVIRONMENT

OVERVIEW:

The two fundamental goals of FGSZ are to maintain the security of supply and to increase short, medium and long term shareholder value. Our operating environment in 2009 depicted stable demand, balanced business management and an intense external economic environment. Nevertheless, we followed a well-balanced growth path and maintained our leading position both in the fields of system operation, domestic and transit transmission.

Changes in capital in 2009 were aimed at optimizing the Company's financing structure and realizing strategic objectives. These ensured the success of our active market expansion policy, the increase of our import capacities and the integration of the strategic gas storage facility into the Hungarian natural gas transmission system.

We performed our activities to a high level of safety, with an excellent technological background and in an environmentally-friendly manner, while maintaining a discrimination-free policy.

With respect to the regulatory environment, the most significant event in 2009 was the issuing of a new European Union directive, according to which FGSZ shall operate as an independent ITO company in the future.

A company already with considerable history in the 21st century

Our Company – as the leading participant in the Hungarian natural gas business – is interested both in the further increase of transit transmission volumes and improvement of the security of supplies within Hungary. Our technological and human values are the guarantee to our success regarding both objectives. Our remote-controlled gas transmission system is operated with an excellent record of product availability. Precise and prompt administration is ensured by up-to-date information technology and integrated management systems.

We comprise a community of innovative, highly qualified, experienced and committed employees and 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 of our places of work. We maintain active and positive communications with the communities of the cities and villages affected by our operations and apply the EFQM excellence model to improve operating excellence.

In performing our operations we always keep the considerations of sustainable development in mind and this might be the reason we were recognized as “Best Employer” and “Best Employer within the Energy Sector” in 2009.* Nonetheless, our fundamental goal is to create short and long term shareholder value. To this end, we strive to follow a well-balanced growth path and improve the confidence and satisfaction of our partners. We regard our suppliers and market partners as strategic allies.

* Világgazdaság–Hewitt survey, 2009

Our legal environment

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.

Our operations are carefully regulated by relevant laws. 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 govern terms and conditions of access to natural gas transmission networks.

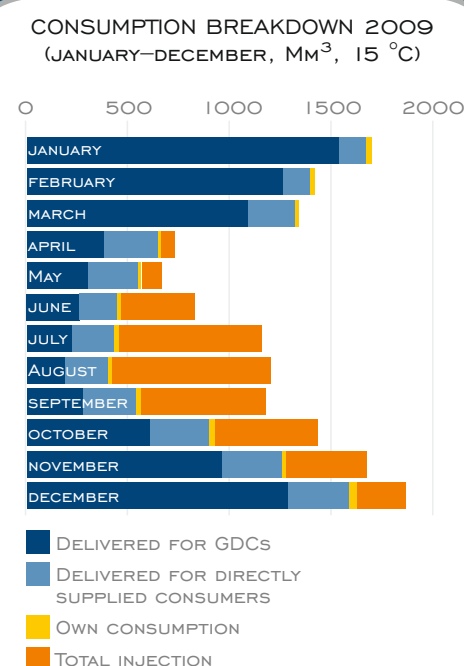
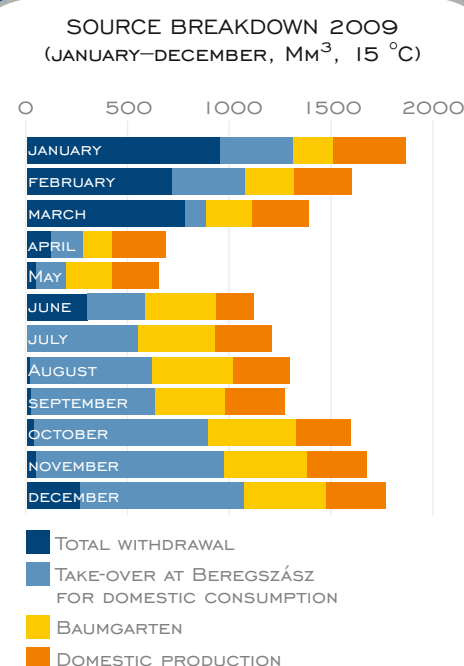
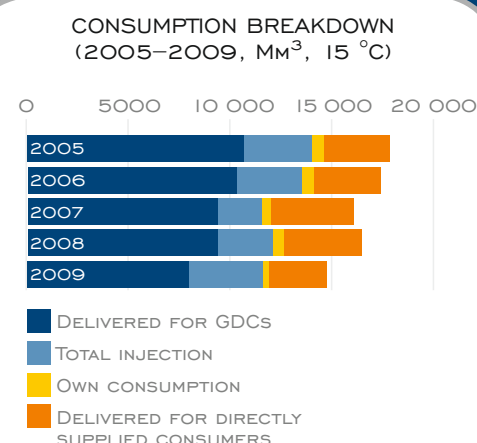
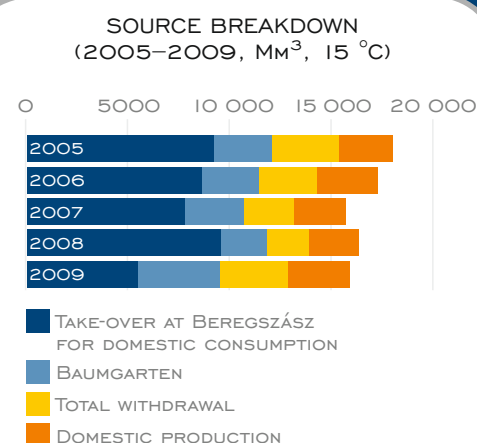
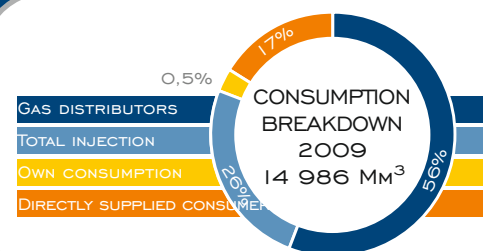
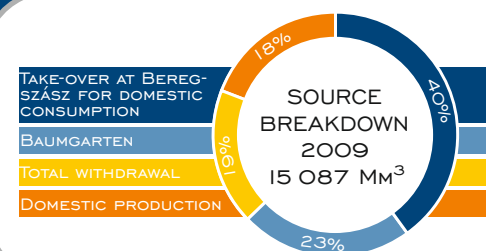
Act XL of June 2008, the Gas Supply Law (herein-after referred to as the GSL), and its by-law, Government Law Decree 19/2009 (I. 30) provide the terms and conditions for the Company's domestic operations.

The most significant event in 2009 was the emergence of Directive no. 2009/73/EC of the European Union regulations. This directive, with the aim to ensure further market liberalization, established a new, comprehensive framework for natural gas transmission, storage and distribution and modified the regulation concerning the operation of companies involved in such activities accordingly. The EU directive was adopted by the Hungarian Parliament on the 14th of January, 2010 and transposed into Hungarian law with corresponding modification of the GSL. Consequently, FGSZ is to operate in accordance with a new, so called ITO (Independent Transmission Operator) model in the future.

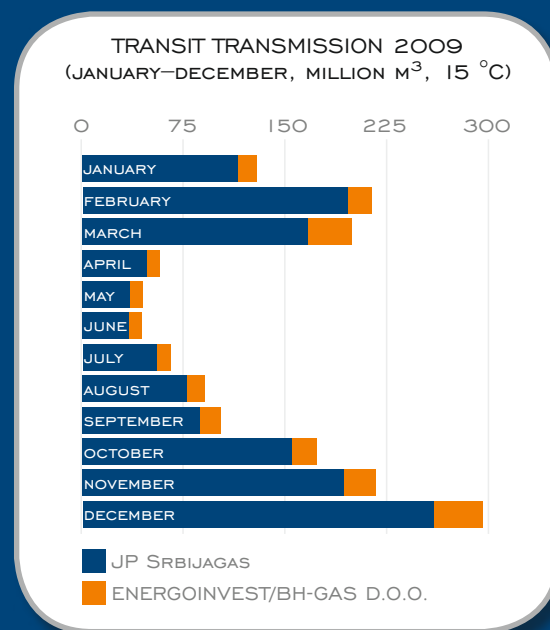
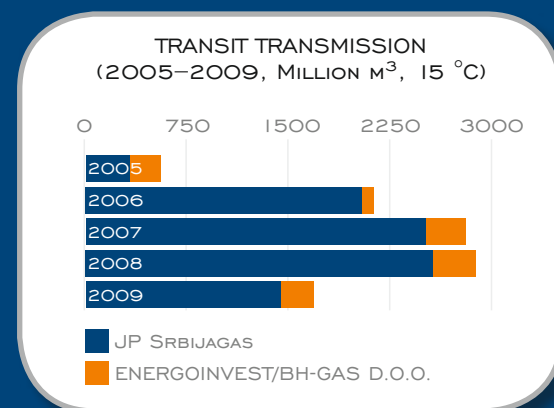
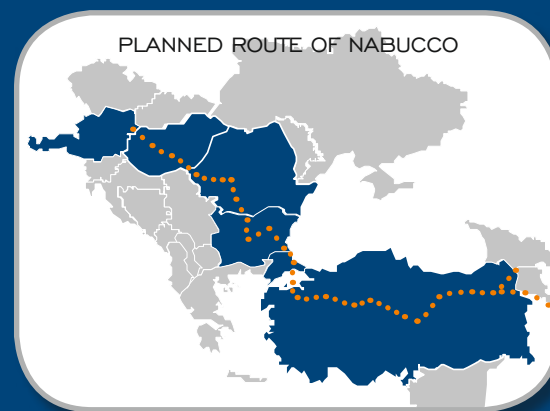
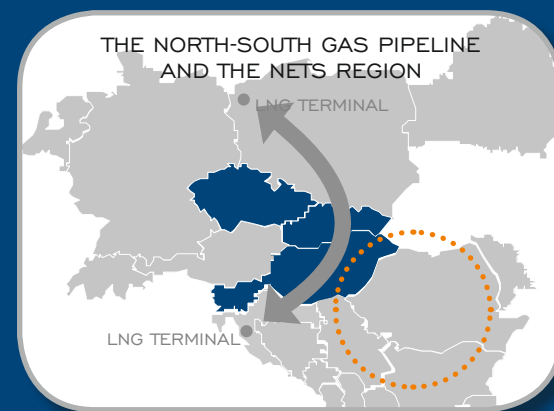
The essence of the model is that in case the natural gas transmission company is part of a vertically integrated company group, it shall ensure all market players discrimination-free and fair access to the network in accordance with its legal obligations prescribed by relevant laws, carry out investments as reasonably required by market factors and assist in the integration of European natural gas markets. Companies operating in accordance with the ITO model must operate independently from the parent company and any subsidiaries.

As such, FGSZ will be responsible for making decisions regarding system operation, infrastructure development and developments related to maintenance in the future and will have to provide the required funding independently, as well. Strict regulations on unbundling do not only concern financial matters between the ITO and its parent company or subsidiaries, but also affect company management and human resource management. Transactions concluded in these areas are monitored by the national regulatory body. By the 1st of July, 2010, FGSZ has taken all necessary measures to continue its system-operation and natural gas transmission activities within the framework of the new model in an organized manner.

KEY FIGURES



PLAYING A CENTRAL ROLE IN THE HEART OF EUROPE



INFRASTRUCTURE

OVERVIEW

5564 km long pipeline system

6735 km long telecommunications cable network, 79% of which runs along the natural gas pipeline

17 domestic and 2 import inlet points

396 gas outlet points

6 regional branch units,
5 compressor stations

State-of-the-art TSO centre at Siófok



The nationwide high-pressure pipeline and telecommunication network and its related up-to-date facility system represent outstanding market value. 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 5,564 km long. The length of the transit transmission section is 370 km. The typical diameter of this system is 100–1400 mm, operating pressure 40-75 bar, average age

25 years. There are 17 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 con-

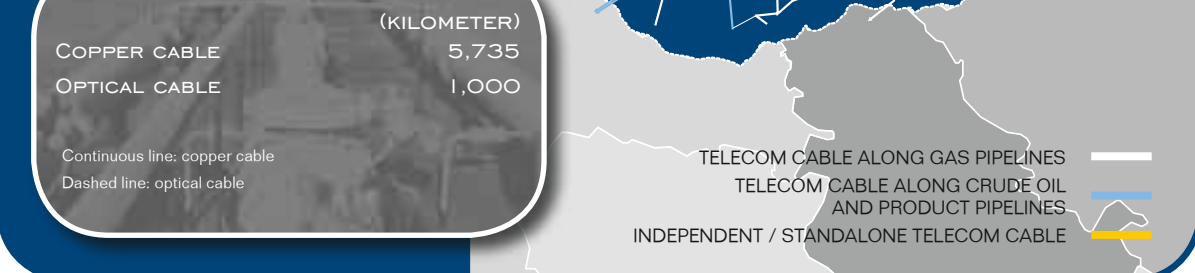
sumers in the required quantity and quality are located at Beregdaróc, Hajdúszoboszló, Mosonmagyaróvár, Nemesbikk and Városhőd. Natural gas is distributed and delivered to delivery points through nodes operating at connection points along the pipeline network. Natural gas is odourized and delivered through our gas transfer stations. The most critical role of the nearly 400 transfer stations is to ensure uninterrupted and safe gas supplies to interconnected system operators and directly-supplied industrial consumers.

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 79 % (approximately 5,327 km) of the 6,735 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.

THE BASIC CABLE NETWORK



DOMESTIC NATURAL GAS LICENSEES IN 2009

OUR PARTNERS	TYPE OF TRADER	NOTE
E.ON Földgáz Trade PUW	Public utility wholesaler	*
E.ON Földgáz Trade GTL	Gas trader licensee	
GDF Suez Energia Magyarország Zrt.	Gas trader licensee	formerly: ÉGÁZ-DÉGÁZ Zrt.**
Fővárosi Gázművek Zrt.	Gas trader licensee	formerly: FŐGÁZ Kft.**
ELMIB Zrt.	Gas trader licensee	
EMFESZ Kft.	Gas trader licensee	
MOL Nyrt. Exploration and Production Division	Producer	
MOL-Energiakereskedő Kft.	Gas trader licensee	
Global NRG Zrt.	Gas trader licensee	
Shell Hungary Zrt.	Gas trader licensee	
TIGÁZ Zrt. GTL	Gas trader licensee	
TIGÁZ Zrt. PUW	Public utility wholesaler	*
ECONGAS Hungaria Kft.	Gas trader licensee	
Nitrogénművek Zrt.	Eligible consumer	uses natural gas for own purposes
JAS Budapest Zrt.	Gas trader licensee	New shipper
Hungaro Energy Kft.	Gas trader licensee	New shipper
E.ON Energiaszolgáltató Kft.	Universal supplier	New shipper
Opten Trade Kft.	Gas trader licensee	New shipper

TRANSIT SHIPPERS IN 2009

OUR PARTNERS	COUNTRY
JP SRBIJAGAS	Serbia
ENERGOINVEST d.d.	Bosnia-Herzegovina
BH-GAS d.o.o.	Bosnia-Herzegovina

* The public utility wholesaler category was discontinued as of 01/07/2009.

** The company name was modified in 2009.



INFRASTRUCTURE

TOTAL PERFORMANCE IN 2009

(DATA AT 15°C)	(CUBIC METRES)
AGGREGATE DOMESTIC QUANTITY	
INCLUDING GAS WITHDRAWN FROM UGS	11.20 BILLION
OF WHICH: WITHDRAWN	2.89 BILLION
IMPORT QUANTITIES FOR DOMESTIC CONSUMPTION AT BEREGSZÁSZ POINT	6.06 BILLION
THROUGH HAG PIPELINE	3.57 BILLION
FROM DOMESTIC PRODUCTION	2.56 BILLION
INJECTION FROM TAKEOVER	
FOR DOMESTIC PURPOSES	3.87 BILLION
EXPORT FOR TRANSIT	0.09 BILLION
TAKEOVER FOR TRANSIT AT BEREGSZÁSZ	1.68 BILLION

HAG PIPELINE

FROM AUSTRIA	
MOSONMAGYARÓVÁR MEASUREMENT	(CUBIC METRES)
ANNUAL CAPACITY	4.50 BILLION
DAILY FIRM PEAK CAPACITY	12.10 MILLION
DAILY INTERRUPTIBLE PEAK CAPACITY	
BETWEEN 01-11-2009 AND 31-12-2009	2.29 MILLION

TESTVÉRISÉG AND ÖSSZEFOGÁS PIPELINE

FROM THE UKRAINE	
ENTRY POINT AT BEREGDARÓC	(CUBIC METRES)
ANNUAL CAPACITY	
FROM JULY 1 ST , 2009.	21.90 BILLION

DAILY PEAK CAPACITY OF THE NATURAL GAS SYSTEM

(DATA AT 15°C)	(CUBIC METRES)
TOTAL	175.40 MILLION
OF WHICH INTERRUPTIBLE	9.8 MILLION
IMPORTS	74.40 MILLION
OF WHICH INTERRUPTIBLE	2.3 MILLION
TRANSIT	11.30 MILLION
STORAGE FOR COMMERCIAL PURPOSES	59.00 MILLION
OF WHICH INTERRUPTIBLE	7.5 MILLION
STORAGE FOR STRATEGIC PURPOSES	20.00 MILLION
DOMESTIC PRODUCTION	10.70 MILLION

CAPACITY OF UNDERGROUND STORAGES OF COMMERCIAL PURPOSES

FIVE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	5.00 BILLION
DAILY PEAK CAPACITY	59.00 MILLION
OF WHICH INTERRUPTIBLE	7.5 MILLION

CAPACITY OF UNDERGROUND STORAGES OF STRATEGIC PURPOSES

ONE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	1.20 BILLION
DAILY PEAK CAPACITY	20.00 MILLION

TRANSIT (SERBIAN AND BOSNIAN)

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

FROM 2010. ROMANIAN TRANSIT

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

DOMESTIC PRODUCTION

TWELVE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	2.56 BILLION
DAILY PEAK CAPACITY	10.70 MILLION



MAIN EVENTS IN 2009

OVERVIEW

The Company was able to successfully manage the gas crisis in early 2009 and maintain system balance.

We constructed over 300 kms of new pipeline and expanded various compressor stations, increasing the safety of supply significantly.

Adapting to changing legal regulations, we prepared the Company for the launching of the NFKP and operation in accordance with the ITO model.



In January 2009, we played a pre-eminent role in the management of the gas crisis and in combating the supply crisis. 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. We successfully met other serious challenges throughout the year, considering that the truly unfavorable economic environment of our operations had no effect whatsoever on system operation or the scheduled completion of foreseen strategic developments.

Pipeline construction

The Company concluded its import capacity expansion project, which allowed the volume of gas transmitted from the Ukraine to increase twofold. Inauguration of the 55 km long pipeline connecting Pilisvörös-vár and Százhalombatta substantially improved the security of supply to Budapest and surroundings. In addition, the Hungarian-Romanian interconnection pipeline was completed and construction of further inter-connectors is in progress.

New trading platform: NFKP

According to Act XL of 2008 on Gas Supply, FGSZ shall render new services to its partners as of the 1st of July, 2010. Preparing for the new circumstances was one of the major tasks of 2009. A crucial element of these changes was the establishment of the Daily Natural Gas and Capacity Trading Market (NFKP).

This new market allows traders to buy and sell their imbalances of daily volumes of gas from the transmission system (surplus or shortage of natural gas) using transparent, competitive market terms and market prices reflecting true demand-supply conditions, in a fast and effective manner. As a result, the volume of gas bought or sold by FGSZ at the cash-out (settlement) price to settle natural gas traders' residual commercial imbalances after a gas day - in order to maintain pressure balance of the transmission system - may decrease.

Healthy market environment

In the future, the daily cash-out price of balancing gas is to be calculated based on the transactions actually concluded on the market and as such, it is expected to reflect the actual conditions of the Hungarian natural gas market in a more precise manner. Traders will be able to plan their daily activities more efficiently and balancing at the end of the gas day will imply lower risks, which in the end will ensure a more even and reliable service for end-users.

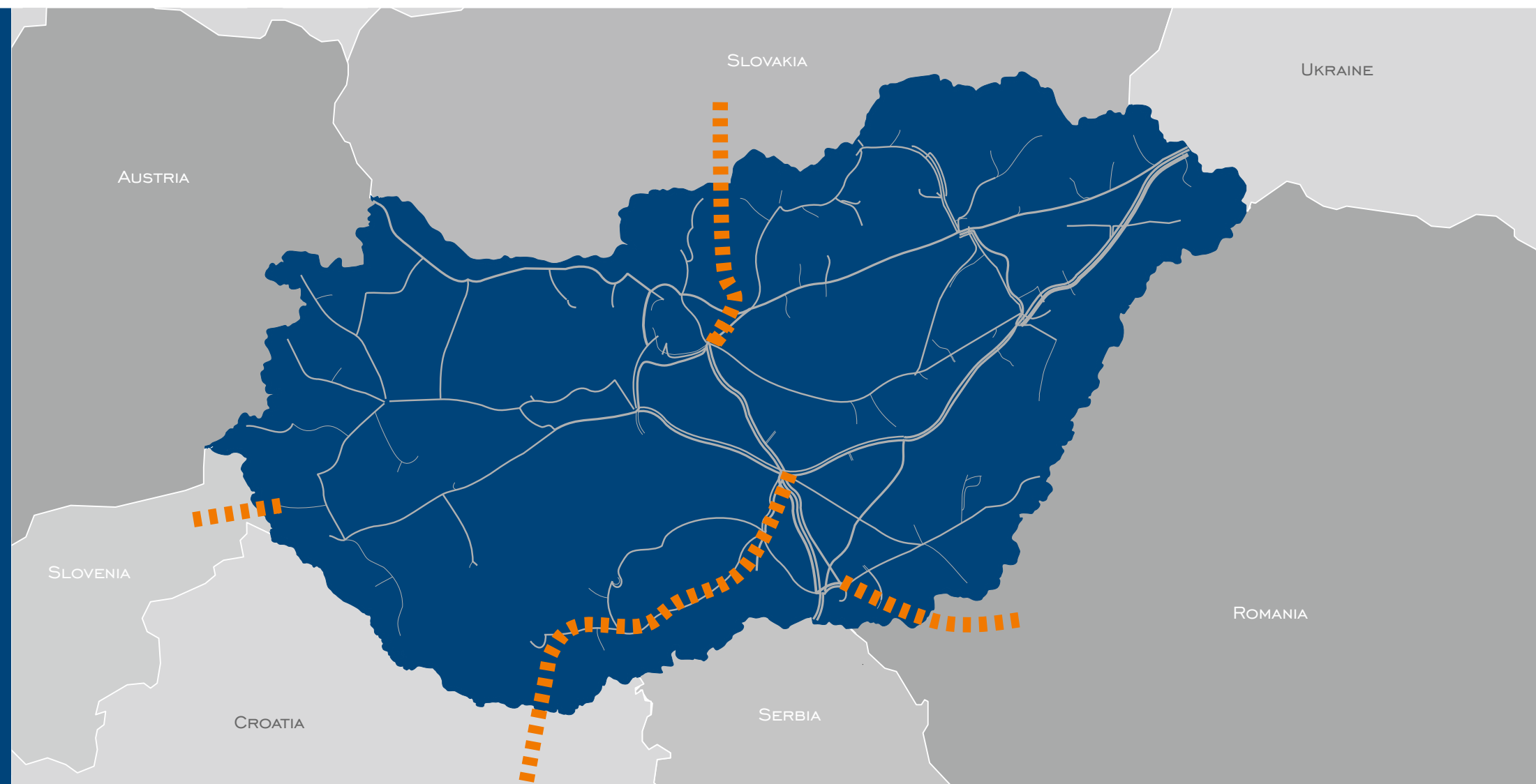
NFKP marks a crucial step in the creation of an efficient, competitive natural gas market in Hungary with higher liquidity.

CHALLENGES OF THE FUTURE

OVERVIEW

Our key short-term goal is to expand cross-border capacities in order to minimize risks of security of supplies and satisfy increasing transit demand.

The Hungarian-Romanian interconnection has been completed and termination of the Hungarian-Croatian interconnector is planned for 2011. The Hungarian-Slovakian interconnector project is now in the phase of assessment of business needs and the Hungarian-Slovenian interconnection is also under preparation. Construction of the interconnection pipelines will ensure the Hungarian gas transmission system the role of a true regional gas distributor center.



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.

ENERGY CULTURE AND ENERGY SECURITY

FGSZ was able to ensure security of gas supply throughout Hungary during the gas crisis of January 2009 by applying innovative technical and technological solutions. The lessons learnt encouraged our Company to further elaborate the NETS (New European Transmission System) concept. NETS is an open initiative aimed at the improvement of regional security of supply and creating market efficiency through coordinated regional infrastructure development (interconnectors, gas storage facilities, LNG terminals). It strives to attain these objectives with the strategic coopera-

tion of regional gas transmission companies and in accordance with a jointly developed and mutually accepted energy policy.

In 2009 the European Union confirmed on various occasions that NETS is one of its high-priority projects and was also allocated funding from the budget of its European Energy Programme for Recovery (EEPR).

North-South Gas Corridor

Another concept of the European Union aimed at enhancing security of energy supply is the North-

South Gas Corridor. The concept proposes interconnection of the gas infrastructures of Central- and South-Eastern European countries to create a North-South connection, by linking almost exclusively East-West direction pipelines of the countries involved. The NETS project offers the most comprehensive support to the realization of the North-South Gas Corridor at the moment and is open to the entry of other countries and natural gas transmission companies of the region, as well. This extensive infrastructure could create market synergies allowing for substantially higher level of security and services to the consumers of the region.

Marking the way to regional security of supply

Construction of the Szeged–Arad pipeline interconnecting Hungarian and Romanian networks was completed successfully. Transmission on the pipeline may commence in the summer of 2010. The Hungarian section of the Városhőd–Slobodnica, Hungarian-Croatian interconnection pipe-

line is currently in progress and its completion is scheduled for mid-2011. The pipeline will not only serve Croatian, Bosnian and Italian transit, but following construction of the Krk LNG terminal will also ensure diversification of sources and is expected to significantly improve gas supply to the South-Trans-Danubian region.

We made serious progress in the planning of the Slovakian–Hungarian two-way interconnector in 2009. Market players demonstrated great interest in the non-binding open season, closed in the end of 2009. As a result, in 2010 – subject to the submission of binding offers – Eustream and FGSZ may carry on with the negotiations regarding implementation of the new cross-border capacity.

Realization of the joint cross-border capacity with Slovenia would allow Hungary to broaden diversification of its import routes. To this end, we are committed to analyzing the potentials of the Slovenian connection in detail in the near future.



MANAGEMENT REPORT AND ANALYSIS REGARDING OUR FINANCIAL POSITION AND OPERATING RESULTS

FINANCES AND OPERATIONS – OVERVIEW

Stable regulatory environment, successful operations

In 2009, FGSZ Ltd. reported operating profits of HUF 38.5 bn and 19.4 bn profits after tax. The significant increase in operating profits and profit after tax was due to the nature of the regulatory environment of the natural gas market, profitable Company operations and reactions to the gas crisis of January 2009. Following the gas crisis and in reaction to the economic crisis, substantial free sources emerged in Europe – characterized by a natural gas trade system principally relying on Russian gas and hence imports from the East – which boosted demand of import from the West as well as demand for gas storage. Following the crisis, growth in transmission demand on the Western transit route (HAG) significantly exceeded expectations, which in turn increased contracted capacities and transmission volume on this route. As a result, the Company's capacity fee income increased on one hand and a substantial decrease in compressing needs on the Eastern route resulted in significant gas cost saving on the other hand.

Investments supporting our strategic targets

The main balance sheet figure increased by HUF 20.4 bn (7%) mostly as a result of projects that supported the achievement of strategic Company targets.

Movements of capital aimed at optimizing our financing structure

Unchanged in volume, the proportion of equity within total assets decreased from 39.3% to 36.7%, which is primarily due to the increase in debt required to optimize the financing structure of strategy driven investments. Dividends to be paid increased significantly (by 61.7%; HUF 7.4 bn) as compared to the previous year.

Investments, higher loan volume

While parent company loan decreased by HUF 11.6 bn, from HUF 133.3 bn to HUF 121.7 bn, an additional revolving bank credit of HUF 20 bn was drawn down with the aim to optimize financing of strategic investments and business operations. The Company invested HUF 29.9 bn into the construction of international inter-connections (Romanian and Croatian) in line with its strategy. In 2009, the Company implemented the pipelines and compressor stations necessary to operate the strategic gas storage facility required by law and to increase import capacity.

OVERVIEW OF THE BUSINESS ENVIRONMENT

The economic environment had the greatest effect of all

Movement in the domestic and regional economic environment in 2009 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 stabilized. 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 the strategic gas storage facility and the development of a new market structure supported by gas market liberalization. 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 (through investments).

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 proactive market development policy in the region, within the framework of which it is to realize physical inter-connection of the Hungarian gas transmission system with the Romanian and Croatian natural gas transmission networks and is involved in negotiations regarding construction of inter-connections with Slovakia and Slovenia, as well.

THE CONTRIBUTION OF VARIOUS ACTIVITIES TO OPERATING PROFITS

Stable management

The Company's operating profits, and within them, business unit operating profits, from a variety of activities, were also affected, in 2009, by changes in the domestic regulatory environment and changes on the domestic and regional markets. Swift adjustment to these changes enabled us to maintain sound management and profitable operations in 2009.

Profitable 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)	2008 (HUF BN)	2009 (HUF BN)	2009/2008 (%)
Net sales revenues	115.1	151.5	131.6
Operating profits	28.8	38.5	133.7
Profit after tax	15.9	19.4	122.0

Business activity operating profit components

As a result of Company sales revenues and expenditure, our business operations showed profits of HUF 38.5 bn. Net Company sales revenues derived from 17.3 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 2009.

Profit from financial transactions in 2009 was HUF -17.2 bn, mainly accounted for by interest paid on the parent company loan (HUF -17.6 bn). The bank loan was drawn down at the end of the year (23 December, 2009).

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 2009. Aggregated business operations profits, financial transaction profits and extraordinary profits caused Company profits before tax to total HUF 21.5 bn in 2009.

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 2009 was 9.7% and the Company did not make use of any tax holiday or allowances.

The Company foresees the stabilization (decline) of the present, exceptionally high level of economic indicators after its 2009 business performance, also in accordance with statutory price regulations and investor expectations.

Statutory price regulations for 2010 were prepared in view of the experiences of the 2009 gas crisis and resulting market reactions, which will cause the level of attainable profits to return to that allowed by regulations.

FGSZ seeks to offset deterioration of the external economic environment by further improving internal efficiency.

The Company will continue to pursue its strategic regional goals since they will guarantee the meeting of shareholder expectations.

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 installments on capital and interest payable on the parent company loan and external bank loans, as well as other cash flow elements.

34.9% EBITDA

Among indicators measuring the efficiency of business operations, our EBITDA rate was 34.9 % which shows high operating profitability for the 2009 business year. The 2009 figure also shows the aggregated effect of profits recognized by regulations and depreciation.

15.75% ROACE

The return on average capital employed, the capital efficiency indicator calculated on operating profits, was 15.75%. This figure was higher than the return on assets before taxation recognized for domestic transmission, namely 6.9%, due to extraordinary profits and a higher return on other activities.

Main events following closing of the balance sheet

Sustainable development

OTHER KEY INFORMATION REGARDING OPERATIONS

Act VII of 2010 on the modification of certain energy laws entered into force as of the 14th of January, 2010, which also modified Act XL of 2008 on Gas Supply. Modification of the Gas Supply Act was made to ensure compliance with European Union gas market regulations (209/72 EC, 209/73 EC Directives), which stipulate new unbundling provisions within the gas industry, involving organizational and decision-making structures, as well as operations. These directives and legal modifications put special emphasis on regulations pertaining to gas transmission companies. In order to ensure compliance, our Company has started taking the necessary measures to fulfill the tasks and obligations implied by the legal modifications.

FGSZ Ltd. achieves business successes with sustainable development in mind. This philosophy leads us to take special care in minimizing the impact of our operations on the natural environment. The same principles guide us in the development, operation and maintenance of the gas transmission system, with particular focus on landscape rehabilitation following construction works in order to restore the natural environment, minimizing the pollution (primarily CO₂) emitted by compressors and minimizing gas loss.



CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	2008	2009	2009/2008
	(HUF million)	(HUF million)	(%)
Non-current assets	274,944	289,724	105.4
Intangible assets	2,692	2,785	103.5
Tangible fixed assets	272,252	286,934	105.4
Financial assets employed	0	5	-
Current assets	16,402	21,629	131.9
Inventories	1,777	2,123	119.5
Trading receivables	14,418	11,932	82.8
Securities	0	0	-
Cash and cash equivalents	207	7,574	3658.9
Pre-paid expenses	299	648	216.7
Total assets	291,645	312,001	107.0

LIABILITIES	2008	2009	2009/2008
	(HUF million)	(HUF million)	(%)
Equity	114,567	114,537	99.9
Share capital	18,823	18,823	-
Retained capital	64,766	64,766	-
Balance sheet profit figure	3,947	14	0.4
Provisions	1,051	2,725	259.3
Liabilities	169,353	186,568	110.2
Deferred liabilities	0	0	-
Long-term liabilities	134,269	143,620	107.0
Short-term liabilities	35,084	42,948	122.4
of which, current liabilities from affiliated companies	16,863	25,326	150.2
Accrued expenses	6,674	8,171	122.4
Total liabilities	291,645	312,001	107.0

PROFIT AND LOSS ACCOUNT	2008	2009	2009/2008
	(HUF million)	(HUF million)	(%)
Net domestic sales revenues	99,001	135,505	136.9
Net export sales revenues	16,144	16,030	99.3
Net sales revenues	115,145	151,535	131.6
Capitalized own performance	21,922	2,556	11.7
Other revenues	110	1,631	1482.7
Materials expenditure	85,909	91,613	106.6
Personnel expenditure	4,992	5,641	113.0
Depreciation	14,791	14,404	97.4
Other expenditure	2,638	5,524	209.4
Operating profits	28,847	38,540	133.6
Financial transaction revenues	1,747	1,525	87.3
Financial transaction expenditure	13,305	18,766	141.0
Of which: interest/interest-type costs payable to affiliated companies	12,020	17,647	146.8
Financial transaction profits	-11,558	-17,241	149.2
Ordinary business activity profits	17,289	21,299	123.2
Extraordinary profits	175	203	116.0
Profits before tax	17,464	21,502	123.1
Tax payable	1,517	2,088	137.6
Profits after tax	15,947	19,414	121.7
Approved dividend, profit sharing	12,000	19,400	161.7
Balance sheet profit figure	3,947	14	0.4

CASH FLOW	2008	2009	2009/2008
	(HUF million)	(HUF million)	(%)
Profits before tax	17,464	21,502	123.1
Operating cash flow	26,923	41,894	155.6
Invested cash flow	-72,384	-34,843	48.1
Financing cash flow	37,574	316	0.8
Change in cash and cash equivalents	-7,887	7,367	-93.4



THE SUCCESS OF A CORPORATION IN THE 21ST CENTURY MAY NOT ONLY BE MEASURED IN NUMERICAL VALUES. OF EQUAL IMPORTANCE TO ITS SUCCESS IS RECOGNIZING AND VALUING PEOPLE AND THE ENVIRONMENT AS ESSENTIAL ENERGY RESOURCES, WHICH MUST BE RESPECTED, NEGOTIATED AND HANDLED IN THE APPROPRIATE WAY.

CREATING HARMONY BETWEEN HUMAN BEINGS OR BETWEEN THE HUMAN BEING AND NATURE SOMETIMES HOLDS EVEN MORE CHALLENGES, THAN THE MANAGEMENT OF A CORPORATION. FGSZ LTD. IS COMMITTED TO THE CONSCIOUS HANDLING OF HUMAN AND NATURAL RESOURCES, BECAUSE WE BELIEVE THAT THE SMILE OF A SATISFIED EMPLOYEE IS WORTH MORE, THAN ANY INDICATOR...



FGSZ donated a sports ground to the village of Bata, where a new compressor station is being constructed. 90 FGSZ employees also participated in construction and landscaping.

HUMAN VALUES

OVERVIEW

We are well aware that high-level coordination of business, organizational and individual interests is the key to maintaining our leading position and to realizing our strategic objectives.

Our employees comprise a community of highly qualified, widely experienced experts with a high level of professional know-how. Our human resource strategy is developed with consideration to both the challenges and requirements dictated by our operating environment and the exploitation of our employees' skills in a manner mutually beneficial to the Company and the employees.

Our integrated HR system allows for the continuous planning and evaluation of the Company's human resource management. We invest serious effort into the further development of this system, as we know that in this very specialist field of expertise, the loyalty and responsibility of our employees are exceptionally important values.

TODAY'S TALENTS ARE THE EXPERTS OF THE FUTURE

Successful cooperation between old and new employees ensures FGSZ an innovative approach, openness toward new technologies and a wide range of professional know-how.

In recruiting new employees we put great emphasis on their integration into the Company and training. In 2009, FGSZ continued and further developed its existing Young Talent Programme by adding new elements. Professionals participating in the programme receive knowledge-based benefits upon the completion of their personal targets, provided that they successfully propose new, innovative solutions for a given field of specialty, enhancing our Company's efficient operations.

Our Company keeps paying 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 practices 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 result-oriented employees can guarantee success-

ful performance in a competitive marketplace in a modern company. 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 organizational 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.

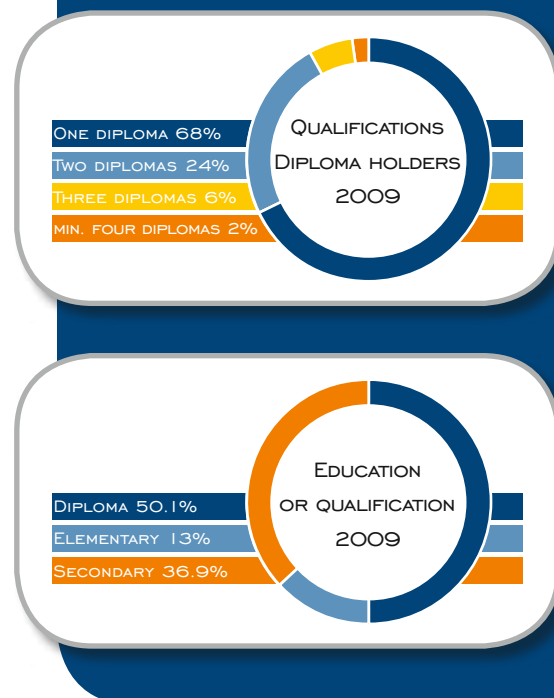
We are proud to report success in this field since we have so far been able to create an expert pool of talent with advanced qualifications, professional experience and a wide range of practical skills as is clearly shown in our Company's qualification and training records. 50% of our employees have university degrees (or equivalent), and 32% have more than one degree.

Our R&D partners

Our Company has developed and maintains fruitful relationships with various university institutions in connection with R&D projects. Our most important partners in this field are:

- University of Miskolc, Institution of Business Statistics and Forecasting. Project: Development of the gas demand forecasting model
- University of Miskolc, Institution of Petroleum and Natural Gas. Project: upgrading of the Flare 5.0 software
- University of Miskolc, Institution of Petroleum and Natural Gas. Project: Balancing of the gas transmission system and mitigation of associated business risks
- University of Miskolc, Faculty of Engineering. Project: Development of a pipeline cleaning device
- Pannon University. Project: Treatment and minimizing risks related to gas filters polluted with pyrophoric substances
- College of Kecskemét. Project: development of CO₂-filtering technologies

EMPLOYEE QUALIFICATIONS



The young represent our future

94 employees participated in FGSZ Ltd.'s Career Management System programme in 2009. We relied on PDI's (Personnel Decisions International) Leadership Pipeline system in selecting the leaders.

The Young Talents Programme offers the possibility to our non-management employees under the age of 40 and holding a diploma to participate in workshops supported and attended by the Chief Executive Officer. This programme has 39 participants at the moment.

Among the best in Hungary and in Europe

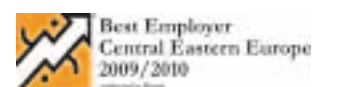
In order to ensure efficient corporate governance, we attribute great importance to employee feedback. To this end, we participated in Világgazdaság-Hewitt's Best Employer Survey in 2009, where we were announced winner in the category of Hungarian companies with 250-1000 employees and were recognized as Best Employer within the Energy Sector, as well.

How did we earn these honorable titles? Let the survey results speak for us. Answers provided by FGSZ employees show a commitment index of

85% to the company, which far exceeds the national average (53%) as well as the average of the best employers to date (82%). Another illustrative fact is that 87% of our employees would gladly recommend FGSZ to their job-seeking friends and 88% agreed with the statement: "I would find it difficult to leave my employer", suggested in the survey.

One of the best indicators of employee satisfaction is provided by answers showing the extent to which employees see the realization of personal perspectives at the company. FGSZ reached outstanding results in this respect, as well. 90% of employees participating in the survey said that they wish to continue working for the Company in the next year. The share of those picturing their future with FGSZ in the medium term is also exceptionally high (86%), similarly to the ratio of those seeing the possibility of staying with the company until retirement (83%). 93% of survey participants agreed with the statement: "my employer is a recognized company with good reputation" and similar outstanding result was achieved regarding the statement: "our products/services deliver extraordinary value to our customers/buyers" (91%).





Answers to questions regarding employee satisfaction and identification with corporate objectives also portrayed a positive image of FGSZ. An overwhelming majority (89%) of the employees agreed with the statement: “the top management governs our company well” and 86% were satisfied with everyday work conditions and location. It is especially noteworthy that a considerably high percentage of survey participants (84%) believed that “corporate values are compatible with my personal values”.

In addition to our first position among Hungarian companies we are also proud of having finished as one of the Best Employers of Central Eastern Europe in the 2009/2010 survey conducted with the participation/surveying of 600 companies, 123,000 employees and 27,000 top management employees.

The survey results clearly demonstrate that FGSZ employees comprise an excellent team. We are proud to be able to work with people who can rely upon each other and the corporate community and upon whom our company can rely every day.

Our corporate culture and social responsibility

Social responsibility, the maintenance and development of a harmonious relationship with our natural and social environment are issues of outstanding significance to FGSZ and constitute key success factors in our operations. We provide financial support to various initiatives throughout 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 organizations. 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.

Health approach

FGSZ is fully committed to assisting the healthy lifestyle of employees. In addition to statutory medical screening, we support several prevention-oriented health services, such as providing free-of-charge medical screening tests and vaccinations to protect employee health.

PROTECTION OF THE ENVIRONMENT

OVERVIEW

We have launched a five-year programme for the development of the Energy Monitoring System of our pipelines, which is to ensure lower energy consumption of the transmission system and lower environmental impact.

The responsible selection of suppliers guarantees compliance with rigorous environmental protection regulations in the course of pipeline construction.

This represents the energy culture of the new millennium to us.



WE INJECT ENERGY INTO OUR ENVIRONMENT

Special attention to environmental values not only entails the least possible environmental impact, but also the creation of value. In the course of technological developments we consider the protection of human health and natural environment top priorities, along with safe operations and efficiency improvement. Our corporate development strategy and philosophy is aimed at ensuring harmony between the security of energy supply and simultaneous protection of human and environmental values in order to achieve sustainable development. This represents the energy culture of the new millennium to us.

Health, safety and the environment: value

We have developed a complex HSE (Protection of Health, Safety and the Environment) strategy to reduce detrimental effects on human health and the environment and to protect our quality of life. In our operations, we specifically focus on Sustainable Development – the renewal of human and environmental resources and the need to decrease use of natural resources. We analyze the balance of energy and materials used, the manner they are used, and emission limits on an on-going basis and pay particular attention to developing new ways of development and modernization that assist Sustainable Development.

Proceeding along the green path to infrastructure development

Our Company is specifically focusing on the protection of the natural environment during pipeline construction. We strive to construct pipelines in the least possible time and with minimum impact. FGSZ understands high social expectations in this regard and hence puts great emphasis on the cooperation of highly qualified engineers and environmental experts in the construction of natural gas pipelines and other operations.

Natural 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 to avoid and prevent unnecessary pollution and the improvement of air quality. FGSZ cooperates closely with local communities, municipalities and civil organizations throughout the project implementation process. Once a gas pipeline project is completed, we always carry out regeneration of the natural environment and conduct close monitoring activities for five years thereafter.

One of our most successful initiatives was the creation of a 3.5 km-long educational forest path next to Piliscsaba, realized in a joint effort with local civic organizations.

Minimizing risks

We recently converted our natural gas odourization technology units according to the best technology currently available in the industry. In addition to technology development, we introduced a new logistics process that reduced the quantity of dangerous compounds stored simultaneously at the same site. A new technology was also recently introduced to light pipeline vent-off flares in the pipeline system, within the framework of a successful R&D project. This innovation involves lighting of the flares using a low voltage but high potential electric igniter, hence lowering work safety risks and improving safety of operations. Clean air protection and the improvement of efficiency in energy consumption were other key considerations in 2009 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

The pressure-boosting compressor stations operated by the Company are 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. The Company's CO₂ emission is within limit values. Seasonality of natural gas demand is a dominating factor in Hungary and the weather determines demand to a great extent, provided that the population is the largest consumer. Satisfaction of this peculiar demand is a great professional challenge to natural gas transmission even in our days. Optimum operation of gas compressors allowed our Company to substantially decrease the volume of natural gas used for operations.

Modern noise reduction and waste management

Noise impact caused by our gas transmission facilities on residential areas located in the vicinity must not exceed values acceptable to local populations. To this end, 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. The environmental protection authority marked the vicinity of our Városföld compressor station as a high noise level area and as part of our noise reduction programme, we have started the planting of a line of trees fitting into the landscape in the said location, which may not only be appreciated for its aesthetic and environmental value, but also reduces noise pollution. 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. We fully re-cycle the used oil produced by our compressor stations in cooperation with Zala Refinery.

In harmony with nature

We recognize the importance of local and national civic organizations' activities in the area of environmental protection and we support such initiatives, as far as we can. Company representatives always participate in public hearings organized by the "green" authorities and we are always ready to 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. We maintain regular contact and cooperation 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 sus-

2009 EMISSIONS	TONS
CO ₂	156,250
SO ₂	15
NO _x	286
CO	33
Hazardous waste	130



pend 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 re-cultivate 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 programs. FGSZ provides a series of free-of-charge medical screening tests (for bone and muscular systems, osteoporosis and skin cancer) and vaccinations to protect employee health and minimize health risks.

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 recognized in the international oil and gas sector, its Hungarian subsidiary being SGS Hungária Plc. Audits the operations of our quality assurance system bi-annually, whereas the Mining Bureau of Hungary does so once a year. The renewal audit of the Company's quality control system was closed successfully in 2009.





BOARD OF DIRECTORS AND SUPERVISORY BOARD

BOARD OF DIRECTORS



Dr. János Zsuga



István Keresztesi



Csaba Juhász

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; later the University Senate granted him the title of honorary associate professor.

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.).

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); since January, 2010 Head of TSO and Capacity Trading.

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; since January, 2010 Head of Corporate Services.

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. Vice-President of the Hungarian Chamber of Commerce & Industry; Vice- President of the Confederation of Hungarian Employers and 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 Tungsram 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 FGSZ Natural Gas Transmission Ltd; Chairman of the Supervisory Board of the New Europe Foundation since 2006 September.

László Fekete

Between 1992 and 2000, held various positions at Tungsram 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; was member of Slovnaft Board of Directors and owner's representative at MOL Group SSC maintenance company until 31 December 2009. Head of Corporate Services at MOL Plc. between 2004 and 31st December, 2009; Managing Director of Olajterv Vagyonkezelő Ltd. since 1st January, 2010.

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, GROUND FLOOR, ROOM 3.

POSTAL ADDRESS: 8601 SIÓFOK, PF. 102

TELEPHONE: +36 (84) 505-117

TELEFAX: +36 (84) 505-592

E-MAIL: INFO@FGSZ.HU

OPENING HOURS:

TUESDAYS AND THURSDAYS: 13.00–16.00

MONDAY, WEDNESDAY, FRIDAY: CLOSED

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, GROUND FLOOR, ROOM 3.

POSTAL ADDRESS: 8601 SIÓFOK, PF. 102

OPENING HOURS:

TUESDAYS AND THURSDAYS: 7.30–10.00

MONDAY, WEDNESDAY, FRIDAY: CLOSED

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@FGSZ.HU

OUR COMPANY'S WEBSITE MAY BE ACCESSED AT: WWW.FGSZ.HU.

THE DATA INCLUDED IN THIS REPORT REPRESENT THE STATE OF AFFAIRS AS ON THE 15TH JULY, 2010.



CONTACT INFORMATION