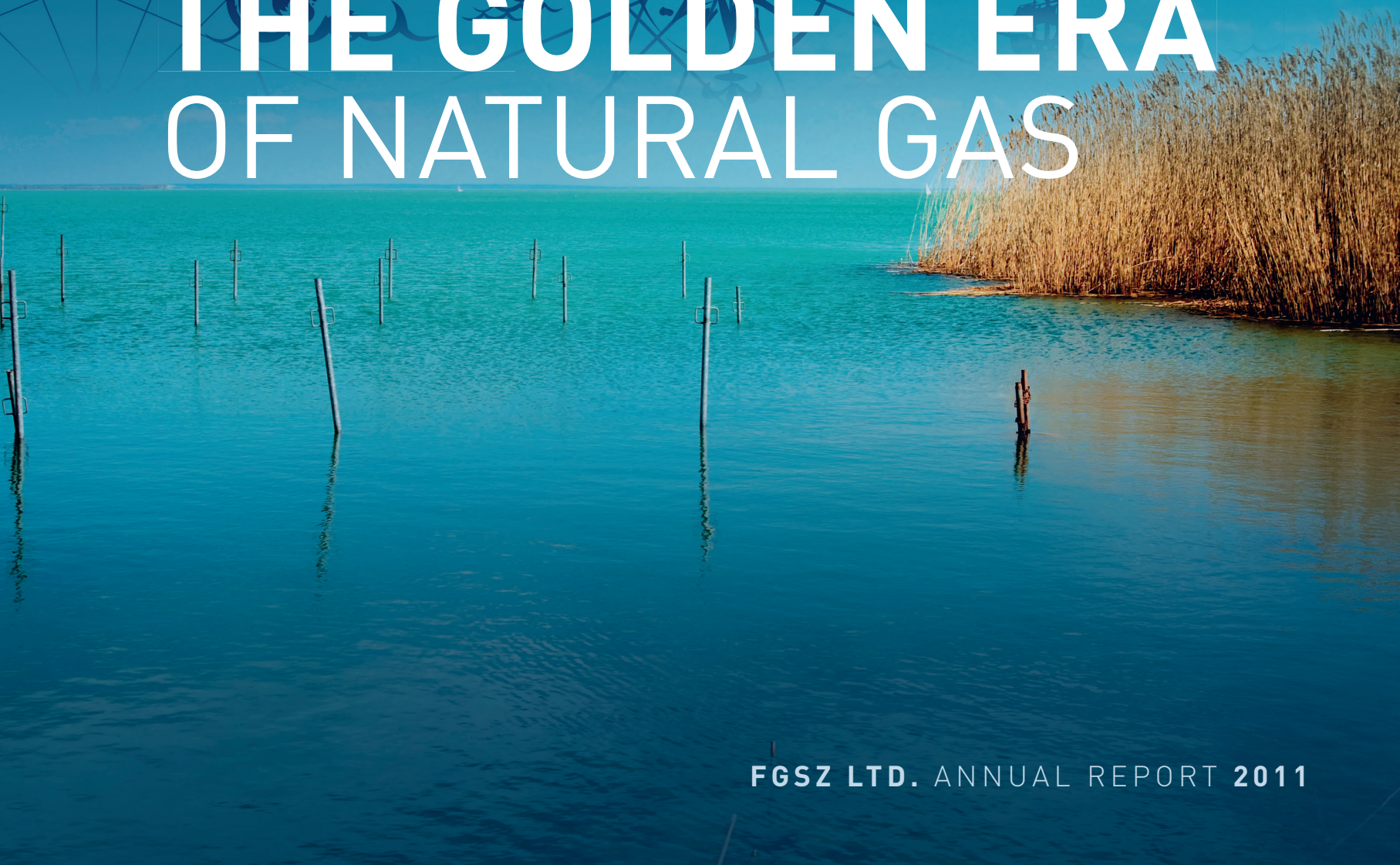




THE GOLDEN ERA OF NATURAL GAS



THE GOLDEN ERA OF NATURAL GAS



FGSZ LTD. ANNUAL REPORT **2011**



NATURAL GAS TRANSMISSION
MEMBER OF THE MOL GROUP



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WE HAVE CLOSED A SUCCESSFUL YEAR.

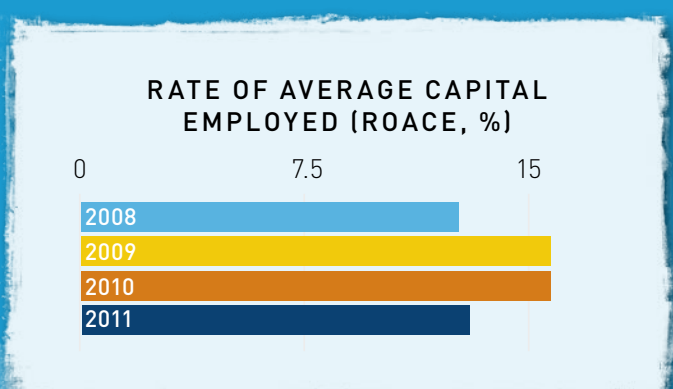
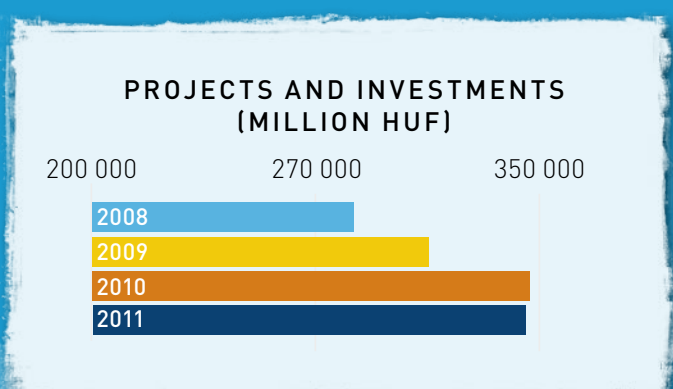
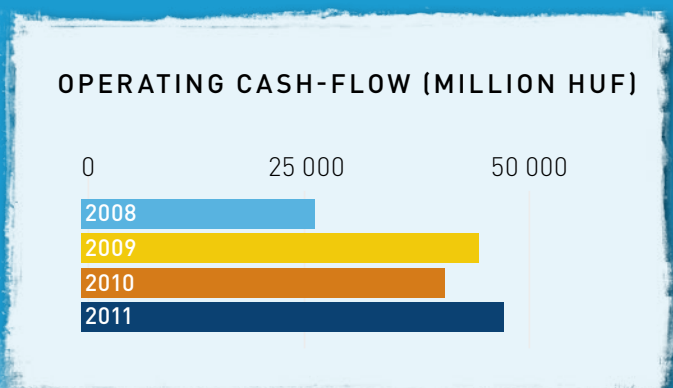
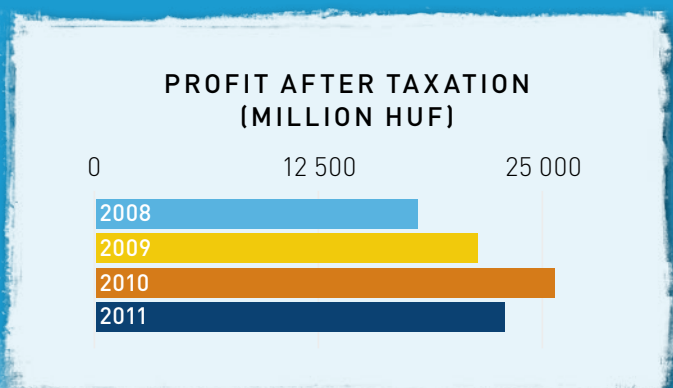
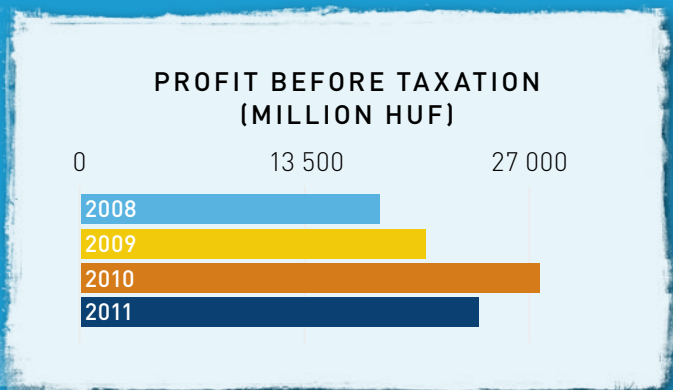
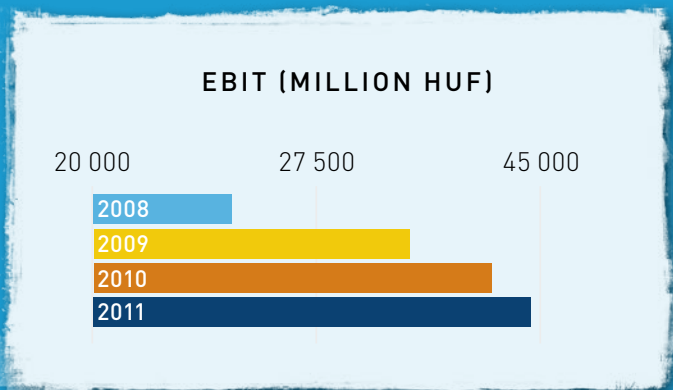
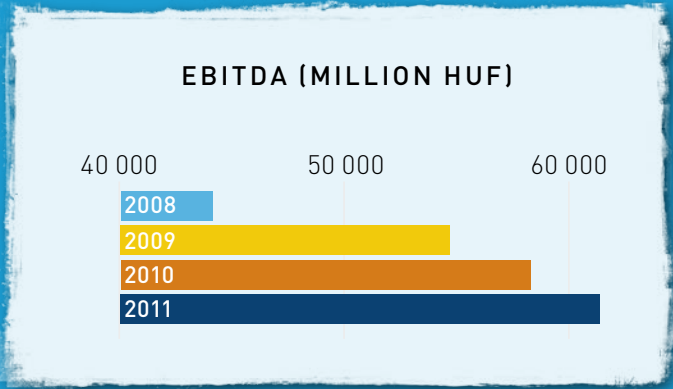
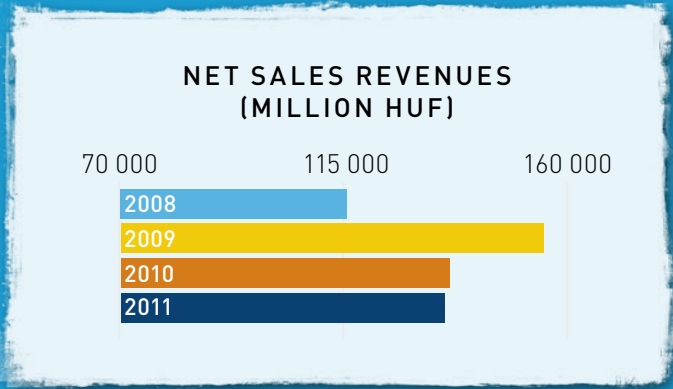
KEY FINANCIAL AND BUSINESS DATA 2011 (MILLION HUF)

	2010	2011	11/10 [%]
Net sales revenues	131,715	130,915	99.4
EBITDA	57,629	61,100	106.0
EBIT	41,986	44,083	105.0
Profit before taxation	27,307	23,610	86.5
Profit after taxation	25,315	23,201	91.6
Operating cash-flow	37,631	47,675	126.7
Projects and investments	344,359	343,573	99.8
Rate of average capital employed (ROACE) %	15.75	13.97	88.7

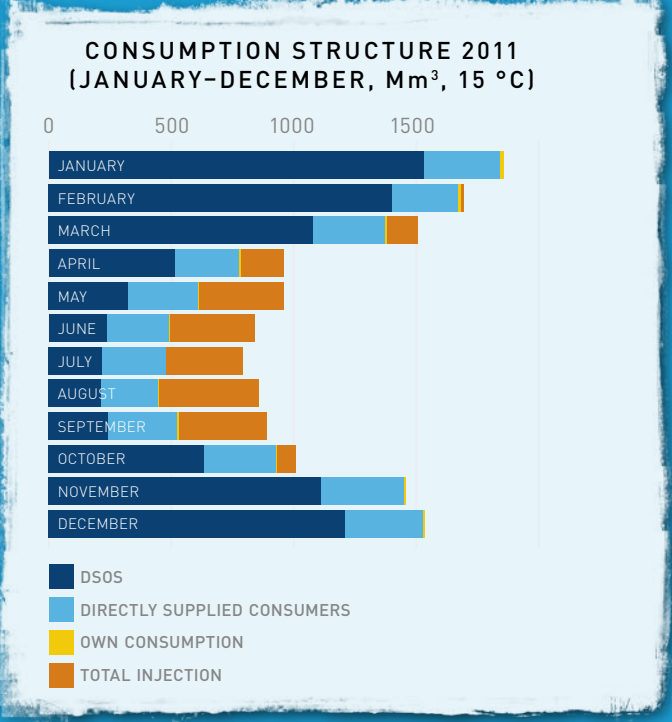
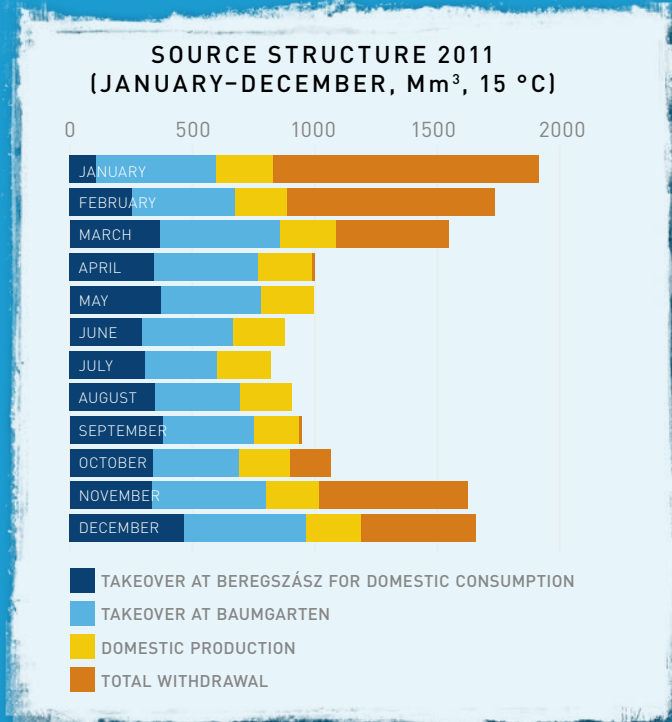
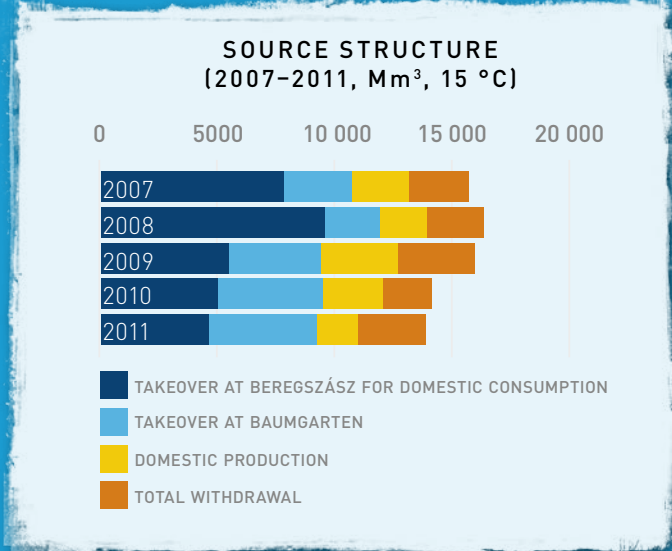
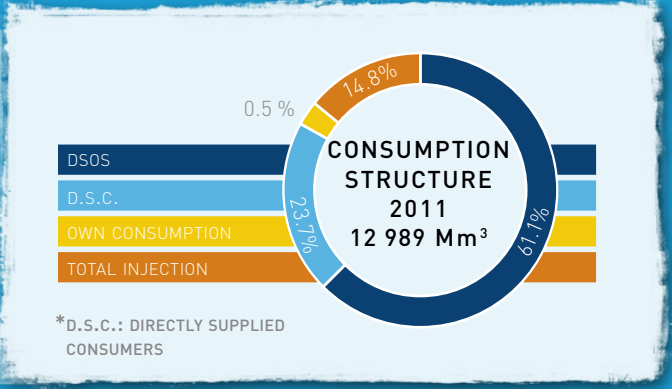
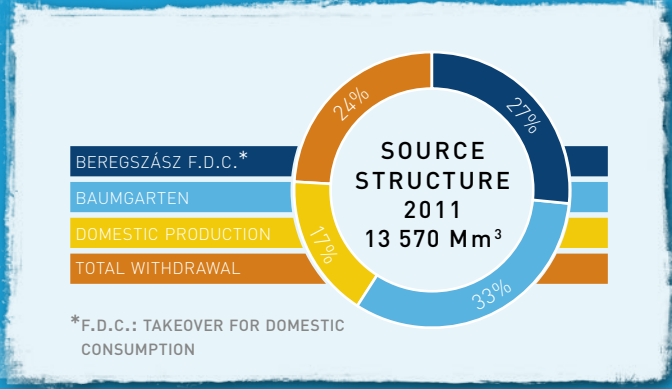
- + 26.7% OPERATING CASH-FLOW
- + 5% EBIT
- + 6% EBITDA



KEY FINANCIAL DATA



THE MOST IMPORTANT INDICATORS

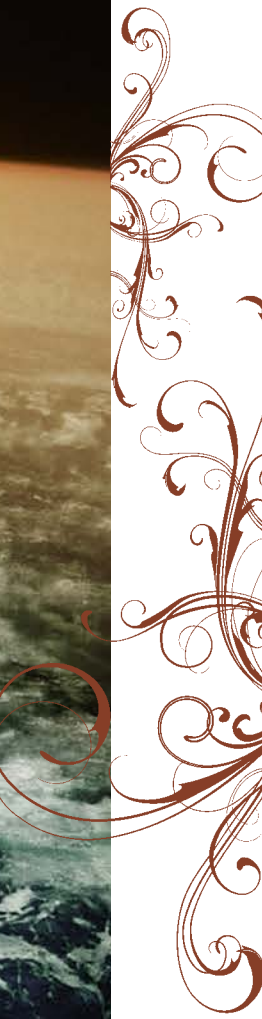




AT THE DAWN OF A NEW ERA

“FROM 2010 ON, GAS CONSUMPTION WILL GROW BY AT LEAST 50%, AND BY 2035 IT WILL COVER NEARLY 25% OF THE WORLD’S ENERGY CONSUMPTION. IT IS THUS LIKELY THAT WE ARE APPROACHING THE DAWN OF THE GOLDEN AGE OF GAS.”

(IEA World Energy Outlook, survey by the International Energy Agency of worldwide energy consumption, 2011)





At the dawn of a new era

ENERGISING THE FUTURE

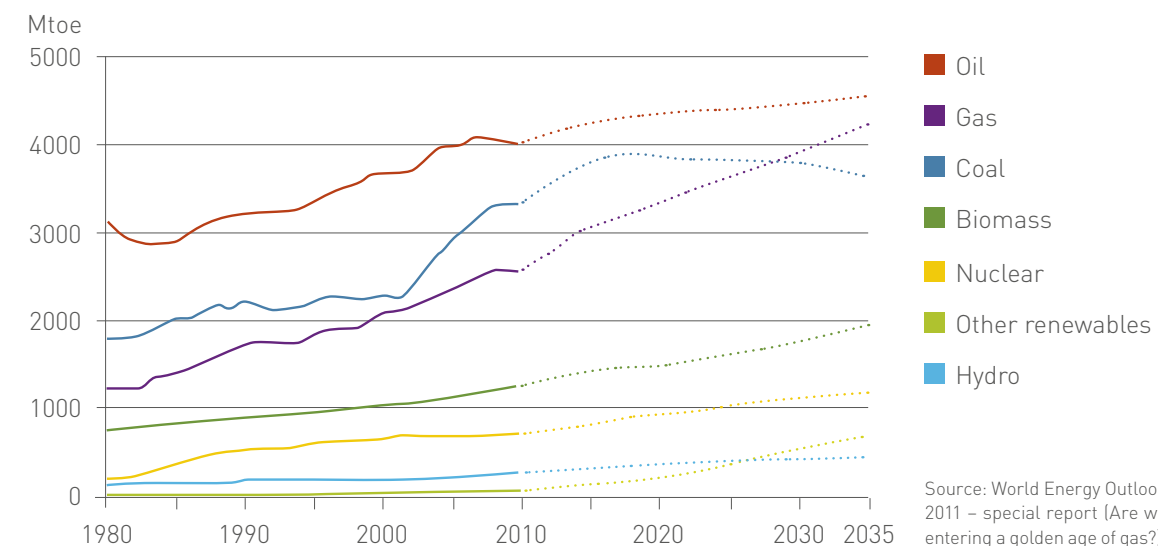
2011, the year of the nuclear plant accident in Fukushima, the year of the financial crisis in Greece, the year of preparation for the world conference on sustainable development in Rio, was a dramatic and at the same time hopeful year for the whole world, but especially regarding the future of natural gas.

In November, the International Energy Agency published an impressive report with the title „Do we enter a golden age of natural gas?“, which made it obvious that global warming can be stopped only by a radical increase in gas consumption alongside fewer emissions due to oil and coal. The mitigation of environmental damages going along with the climate change is possible only with suitable political and social support. This requires preferring natural gas, the development of production, security and environmental standards of the branch. Serving the demand requires transmission and system operation activities to be based on the most advanced technologies.

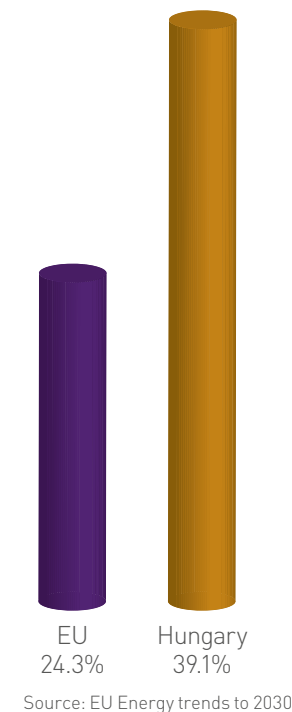
This natural material burning with a blue light and displaying wonderful physical features has always been a special, and not only material value for us natural gas experts. It is at the same time a lifetime duty, a serious technical challenge, and a matter of professional pride to provide comfort for many families, settlements, industrial and agricultural companies through our partners, and to facilitate their operation and development with the energy of natural gas. However, we also know that today's challenges require even more responsibility and innovation. The great attention paid to the industry has recently confirmed the adequacy of our basic goals, i.e. to ensure more energy safety, more environmentally-friendly and efficient operation for Hungary and the region.

Join us, and learn more about the world of natural gas and FGSZ! Learn about developments through which we ensure more energy safety, environmental-friendly and efficient operation!

Primary energy demand of the world



Estimated share of gas in the total primary energy demand in 2015.



KEY STATEMENT OF THE INTERNATIONAL ENERGY AGENCY IN ITS 2011 ANNUAL REPORT

Until 2035, gas will have a greater role with regard to energy consumption, and will foreseeably gain in importance compared to both coal-based and nuclear energy.

The most positive contribution of the above can be the decrease in the emission of carbon dioxide and other poisonous gases (for example sulphur dioxide and nitrogen oxide).

The energy policy of China, the greatest energy consumer of the world, and shaking confidence in nuclear energy played a key role in the changes.

Experts think that the growing demand goes along with price increase.

The issue of gas transmission will gain more importance, and this will also influence the prices.



INTRODUCTION

“RESPECT THE PAST TO UNDERSTAND THE
PRESENT, AND TO WORK ON THE FUTURE!”

(István Széchenyi)





Introduction



Our company and natural gas transmission in Hungary look back on a tradition of more than 70 years. The first Hungarian gas pipe was built in 1938. Several innovations are associated with the name of Hungarian experts, for example the epoch-making so-called cyclic (plug) transmission technology was used here first in the world in 1949. This technology made possible the transmission of natural gas and crude oil in the same pipeline. In Hungary, the industry reflected sudden development first upon exploration of the domestic natural gas fields and upon appearance of natural gas-based production technologies. The 1970s gave a new impulse, when our transmission system was connected to the former Soviet natural gas system. From the second half of the 1990s, when the Austrian state border-Győr pipeline was put into operation, bi-directional gas supply and the possibility of trading with EU countries have become possible for Hungary and the role of Hungarian gas transmission also gained importance on a regional level.

Accession to the European Union required also the creation of a regulatory environment conform with EU norms. This involved first the elimination of gas industry monopolies, and then the corporate separation of FGSZ. Today, as a result of directive 2009/73/EC and its implementation in Hungarian law, FGSZ operates as a so-called ITO (Independent Transmission Operator) independently of the vertically integrated natural gas industry companies, i.e. both of the parent and subsidiary companies.

Today, at the beginning of the 21st century, the service provision philosophy of FGSZ has three pillars: FGSZ ensures energy safety, applies the

policy of non-discrimination and promotes transparency for its partners and the country.

We carry out our developments by maximally taking into account sustainability aspects in such a manner as to ensure smooth gas supply by all means to Hungary and to the region. The most important goals of our medium and long-term development strategy are capacity increase and expansion of the transit markets. The realisation of developments aimed at the above considerably increase the weight and role of our company, FGSZ Natural Gas Transmission Ltd. in the international gas market.

Our company is the only company in Hungary that holds a transmission system operation license, the operation of the high-pressure natural gas pipeline system and the coordination of the system are entirely our responsibility and task in Hungary. With our pipeline system, we serve eight Hungarian gas distribution companies, and large industrial consumers. Our scope of activities includes ongoing control of the quality and volume of the delivered gas, the odourisation of gas, regulation of the gas pressure, protection against overpressure, safe and optimal operation of the pipeline network, its maintenance and development.

The sole owner of FGSZ Natural Gas Transmission Ltd. is MOL Plc. The framework of our operation is specifically set by relevant domestic and EU rules, under which our highly qualified engineers and associates enable the company's global competitiveness and ensure the reliable operation and self-confident development of the company.

Act XL of 2008 on Natural Gas Supply (GSA) clearly states that the following shall be ensured:



balance of the sources of natural gas, high-quality and undisturbed service to the consumers, implementation of the principle of energy efficiency and conservation, access to the natural gas system by applying objective, transparent and equal treatment. Besides these principles, the interests of the consumers shall be protected, the efficient entry of those entering the competitive market shall be made possible, the integration of the Hungarian natural gas market into the single European gas market and the development of the domestic and international transmission, distribution and storage capacities, and efficient and economic operation shall be facilitated.

We create and operate natural gas pipelines and exercise related activities by observing the technical safety prescriptions of Act No. XLVIII of 1993

on Mining by maximally considering the protection of human life, health, natural environment and private property.

Beyond the above two legal provisions, the everyday activity related to natural gas transmission is regulated by numerous implementing level legislation and authority regulations (Hungarian Office of Mining and Geology, etc.).

Our vision of the future is determined by harmonizing the values of our past with the challenges of the present. In the course of our long-standing history of development, generations have passed on their expertise to each other. Today, this accumulated knowledge and commitment enable us to efficiently implement the strategic goals of our company.



OUR COMPETITIVE ADVANTAGES





Our competitive advantages



Our company is a balanced and respected member of the MOL Group, a dynamic and development-oriented family of companies. Our major competitive advantage is that our Company is Hungary's only transmission system operator and transmission system coordinator. FGSZ Natural Gas Transmission Ltd. exercises its activity according to the provisions of the relevant law independently of its main shareholder, MOL, and of its other affiliate companies. In Europe, FGSZ was among the first companies to receive an ITO (Independent Transmission Operator) license.

Our competitive advantage is mainly based on our 5784 km-long countrywide high-pressure natural gas transmission system which represents state-of-the-art technology.

We dispose of 18 domestic and 2 import inlet points and of nearly 400 gas outlet points. We have 6 regional centres and 6 compressor stations. We operate a world-class dispatching centre.

We exercise transit activity currently for Serbia and Bosnia and Herzegovina, and we transfer gas for Romania and Croatia.

Pipeline developments of strategic importance carried out in the past years and ongoing developments accommodating current demand create a safe basis for the further growth of our company.

Our mission is to assume the role of a regional gas hub and to ensure safe gas supply for the country in an environmental-friendly manner and at competitive prices.

Today, FGSZ means nearly 800 jobs in Hungary which require great expertise and technological discipline, and in 2011, we generated nearly HUF 0.5 billion for the country only in form of gains tax.

800 jobs

5784 km transmission pipeline system

130 915 000 000 Ft
net sales revenue

12 300 000 000 Ft investments

WHAT WE ARE PROUD OF:

- Best Employer in Hungary 2009 (Világgazdaság-Hewitt survey)
- Best Employer in Hungary 2010 (Világgazdaság-Hewitt survey)
- Best Employer in Hungary 2011 (Világgazdaság-Aon Hewitt survey)
- Industry leader 2009 (Világgazdaság-Hewitt survey)
- Best Employer Central Eastern Europe 2009/2010 (Aon Hewitt survey)
- Best Employer Central Eastern Europe 2010/2011 (Aon Hewitt survey) Country Representative 2011 (European Business Awards)
- ISO 9001:2008 certified quality management system
- Health, Safety and Environmental Control (EBK)
- Occupational Health and Safety System
- Environment-Centred Control System
- EFQM Excellence Model



2013
2014



[CEO's letter]

THE BEGINNING OF A NEW ERA



CEO's letter

THE BEGINNING OF A NEW ERA

With the introduction of ITO (Independent Transmission Operator) and the issuance of the Transmission System Operator Certification a new chapter opened in the life of our company. I am pleased and proud to inform you about this fact, because we are among the first in Europe to obtain this important certification, namely a business license in conformity with the new European gas market model. For the successful introduction of ITO, let me express my gratitude to all our employees, since their competence and commitment allowed us not only to keep but also to

increase operational safety and effectiveness during this period of transformation.

This important change does not simply open a new chapter but it indicates the beginning of a new era as well. It clearly demonstrates that the future of FGSZ is exceptionally well established. The outstanding success of our company shows that we are absolutely able to meet the current challenges of energy safety and integration. Our successes enable us in the future to play a key role in the region as one of the most advanced and efficient natural gas transmission companies in the European gas market. We have a good reason to hope this, since in 2011, despite the difficult economic, financial and legal environment, our EBIT reached HUF 44.083 billion, a 5% increase in our financial performance compared to the previous year.

In addition, we were able last year to spend a sum of HUF 12.3 billion on important investments, including the completion of the Croatian-Hungarian interconnector and the necessary maintenance of the existing system. We have acquired positive experiences with the use of the electronic trading platform, created in 2010, and the Daily Natural Gas and Capacity Trading Market. We are glad to hear how this system helps our partners to be far more efficient and competitive than before. By reducing their risks, we also achieve a more predictable operating environment.

I consider to be very important the fact that despite the present economic situation we managed to create a peaceful work environment and that the transformations due to the

ITO: AMONG THE FIRST IN EUROPE

In Hungary, FGSZ Ltd. was the first to submit a request to the Hungarian Energy Office for a certificate on the compliance with the European rules on unbundling.

The Office – in accordance with the position of the European Commission – for the first time in Hungary issued a certificate which attested that our Company had separated from the vertically integrated gas companies according to the ITO model, in compliance with the EU regulations and the domestic legislation. After receiving this certificate, issued for the first time in Hungary, and fulfilling the relative EU-directive among the first in Europe, on 9 March 2012 FGSZ Ltd. submitted a new request for a transmission system operator license. On 28 June 2012, the Hungarian Energy Office issued the ITO license. As a result, from the gas year 2012/13 that begins on 1 July our company performs domestic supplies, transits and system operation services on its high pressure pipeline system authorized by the new license.

introduction of ITO and to the economic situation did not reduce the extremely high, 85% commitment of our employees. In this way we won for the third time the Best Employer in Hungary Award in the category of companies with 250-1000 employees, ranking us for the second time among the best in Central and Eastern Europe.

In the last year, FGSZ has had to face several new challenges and tasks. I wish to thank my colleagues for their arduous and responsible work during this crucial period. Without their expertise and human qualities, our recent large investments, the Ukrainian-Hungarian capacity expansion, the Romanian-Hungarian and Croatian-Hungarian

interconnectors and, moreover, the success of the ongoing HAG capacity expansion would not have been possible. On the basis of these achievements, FGSZ wishes to develop into a Central-European regional gas hub during the period of the imminent transformation regarding the European gas market and the interconnection of regional markets.


DR. JÁNOS ZSUGA
Chief Executive Officer

WHY USE NATURAL GAS?

Natural gas has several advantages over other fossil fuels: it produces 45% less carbon dioxide than coal and 30% less than oil. It can be easily transmitted and stored in the pipeline system. The use of natural gas is highly versatile and it serves the needs of modern societies in many different ways such as heating, transport or cooking. Natural gas is the cleanest fossil fuel and energy source. It is abundantly available and easily transportable.

Family houses, flats and companies can join the pipeline system on a relatively low cost. Since natural gas is lighter than air, leaks can easily be dissolved. Its domestic use is more economic than that of electricity because natural gas can be used more efficiently for cooking or water heating. Moreover, gas appliances are mostly cheaper than those using electricity, and, in addition, replacing electric appliances with gas appliances reduces the electro-smog load of homes.

Natural gas-based fuels can be used for powering cars, trucks and machinery, providing a much cleaner and more ecological solution than petrol or diesel. Natural gas is also an important material for chemical industry and agriculture: it is used for the production of certain fertilizers, plastics and paints as well.



LEARN ABOUT OUR OPERATION
ENVIRONMENT



Learn about our operation environment

The 100% owner of FGSZ Natural Gas Supplier Ltd. is MOL Plc.; the legal framework of our activity is defined by the relevant national and EU law.

Among these, one of the most important rules is Act XL of 2008 (GSA, Gas Supply Act), which clearly describes the following principles of our operation:

- Harmonization of the natural gas resources;
- Undisturbed service at a high quality standard;
- Transparency and non-discrimination;
- Energy-saving, efficient and economic operation;
- Protection of the consumers' interests;
- Helping new participants to enter the market;
- Supporting the integration of EU gas markets;
- Developing the national and international transmission, distribution and storage capacities.

OUR NEW, INDEPENDENT TRANSMISSION SYSTEM OPERATING ACTIVITIES

The issue and adoption of the 2009/73/EC Directive brought complete change into the life of FGSZ Ltd. The EU directive with the purpose of promoting market liberalization determined the new European framework for takeover, storage and distribution of natural gas by restructuring the activities of the companies in the energy sector.

In accordance with the legal provisions, FGSZ is operating in the ITO model, i.e. as an independent transmission system operator. Accordingly, FGSZ Ltd. will have fully inde-

pendent decision-making powers concerning the measures and the material resources required for the operation of the system, the infrastructural development and the maintenance tasks. Besides the finances, the strict rules concerning separation are also applicable for the separation of the management and human resources management of MOL and FGSZ, and the compliance with them is supervised by both the national and the EU regulatory authorities.

At the beginning of 2010, our Company started to take the necessary measures to prepare for the continuation of its activities within the framework of the new model. This had been completed by the end of 2011. As a final measure, FGSZ terminated its contracts related to the services provided by the vertically integrated enterprise (according to the GSA's provisions) and its member companies; liquidated its contracts related to identical safety access systems; and resolved the statuses of the real estates of which titles had been shared earlier. As the last one of the previously outsourced activities, in September 2011 we took back the accounting activity, which is now completely done by our own employees, thus continuing our compliance with the highest and strictest quality expectations set against the regulated and transparent financial processes.

As a result, our Company has been operating with an autonomous quality management and a regulation, decision-making, IT and business organizing system since 2011, and it performs all of its activities necessary for performing its

tasks at a high standard, exclusively by its own employees.

OUR BUSINESS AND COMMERCIAL CODE

Our Business and Commercial Code (BCC) includes the minimal content elements of the commercial, settlement, measurement and data exchange agreements as well as the detailed rules of system access and the daily balancing. We continuously update them in accordance with the provisions of the rules of the GSA

and its executive orders related to the operation of the cooperative natural gas system.

In accordance with the legal provisions, and to support the formulation of the BCC and to comment it, the transmission system coordinator operates an industry workgroup, the so called Code Committee (CC) and acts as its chairman. The circles of similar types of license holders (distributors, traders, storages, producers, etc.) take part in the work of the CC through their elected representatives.

BCC is an absolutely necessary regulation system for the cooperative natural gas system. Our Company pays special attention to the operation of the CC and to the updating of the BCC, thus preserving the conditions of a safe gas supply for Hungary. To support the successful and smooth professional operation of the CC, our Company established the Code Committee Web Portal in 2011 as an own development of which test run has commenced in the first half of 2012.

The BCC has been amended four times since the beginning of the year 2011. These modifications have been made due to the legal provisions and the changes of the market processes and the market demands. Likewise, the BCC will need to be amended in the first half of 2012 due to changes of the law and on the basis of the resolutions of the Hungarian Energy Office. The compulsory annual audit to be finished by October 2012 and the most recent experiences on the market's operation will also contribute to the actual amendment of the BCC.

OUR QUALITY MANAGEMENT CULTURE

We have been operating a Quality Management System corresponding to the ISO 9001 standard since 1997. The certificate is signed by SGS, which is widely recognized in the international oil and gas sector. The operation of the quality assurance system is audited by SGS Hungária Ltd. every six months.





OUR INFRASTRUCTURE AND PERFORMANCE IN 2011

"A PLAN IS NOTHING – PLANNING IS EVERYTHING."

(Dwight D. Eisenhower)



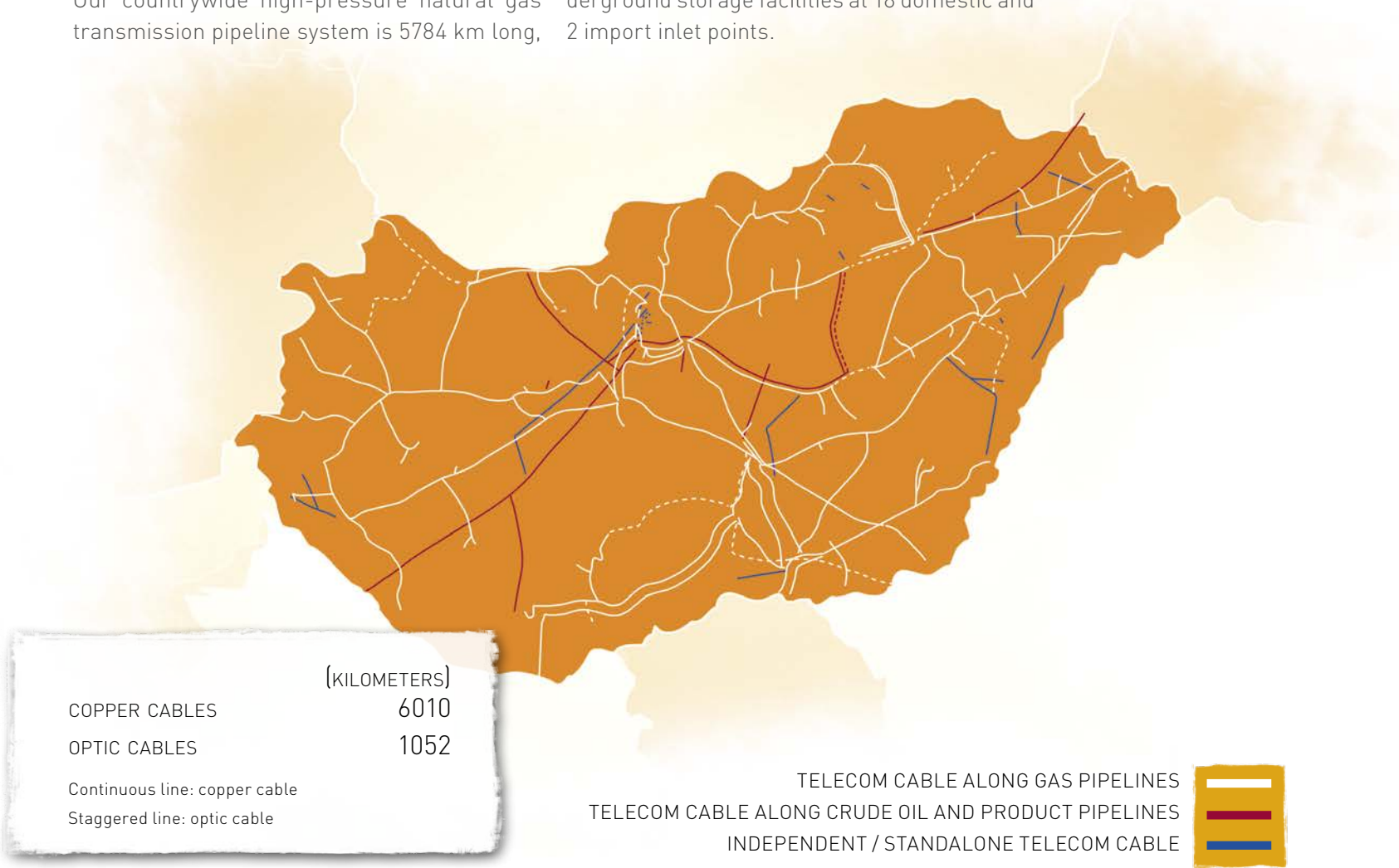
Our infrastructure and performance in 2011

The head office of the company – equipped with state-of-the-art technology – is located in Siófok. From here we operate the entire system, while the operative tasks are performed first of all by our six regional natural gas transmission plants at Gellénháza, Hajdúszoboszló, Kápolnásnyék, Kecskemét, Miskolc and Vecsés.

Our countrywide high-pressure natural gas transmission pipeline system is 5784 km long,

of which the length of the transit transmission direction is 370 km. The average age of the pipelines is 25 years, and their typical diameter is between 100-1400 mm with a pressure of 40-75 bar.

We provide for the takeover and qualitative and quantitative measuring of the natural gas stemming from domestic production and underground storage facilities at 18 domestic and 2 import inlet points.



At Bába, Beregdaróc, Hajdúszoboszló, Mosonmagyaróvár, Nemesbikk and Városlőd each compressor station is responsible for pressure increase, and for the transmission of natural gas of an adequate quality and pressure.

In the area of natural gas transmission and storage one of the greatest challenges has been seasonal fluctuation in consumption from year to year. We meet considerably higher demands in winter with the help of underground gas storage facilities, to which our natural gas transmission pipeline network is connected at five points.

The distribution and transmission of natural gas towards the transfer points takes place at the junctions of the pipeline network. We transmit

properly odoured natural gas to our clients through the transfer facility stations. The most important task of the nearly 400 exit points is to guarantee ongoing and first of all secure transmission to the connecting system operators and direct large industrial consumers. Therefore, we provide for the measuring of the volume of the natural gas at every inlet and outlet point, and we prudently check also the quality of the natural gas.

In the interest of the maximal security of transmission and of a rapid information flow we also operate an own telecommunications system. This system enables us to ensure the prominently available telemonitoring of the transmission system and its control, and to operate our administration systems and gas market

OUR PERFORMANCE AND CAPACITY IN 2011

TOTAL PERFORMANCE IN 2011

(at 15 ° C, cubic meters)

Total quantity for domestic purposes together with the withdrawn quantity	11.06 billion
Withdrawal from this	3.26 billion
Transit and export	2.76 billion
Imported quantities at Beregszász	
from domestic takeovers	3.61 billion
On the HAG pipeline	4.41 billion
From domestic production	2.29 billion

CAPACITY DATA

(at 15°C)

Ukrainian/Hungarian interconnector (Testvériség, Összefogás)

Inlet point	(cubic meters)
Annual non-interruptible capacity	20.5 billion
Daily non-interruptible capacity	56.3 million
Annual interruptible capacity	5.5 billion
Daily interruptible capacity	15.0 million

Austrian/Hungarian interconnector (from the HAG pipeline)

Inlet point	(cubic meters)
Annual non-interruptible capacity	4.4 billion
Daily non-interruptible capacity	12.1 million
Annual interruptible capacity	0.8 billion
Daily interruptible capacity	2.3 million

Hungarian/Serbian interconnector

Exit point	(cubic meters)
Annual non-interruptible capacity	4.8 billion
Daily non-interruptible capacity	13.2 million

Hungarian/Romanian interconnector

Exit point	(cubic meters)
Annual non-interruptible capacity	1.7 billion
Daily non-interruptible capacity	4.8 million

Hungarian/Croatian interconnector

Exit/inlet point	(cubic meters)
Annual non-interruptible capacity	6.5 billion
Daily non-interruptible capacity	19.2 million

Domestic production

12 inlet points	(cubic meters)
Annual non-interruptible capacity	2.5 billion
Daily non-interruptible capacity	10.4 million

Capacity data for commercial purpose underground gas storage facilities

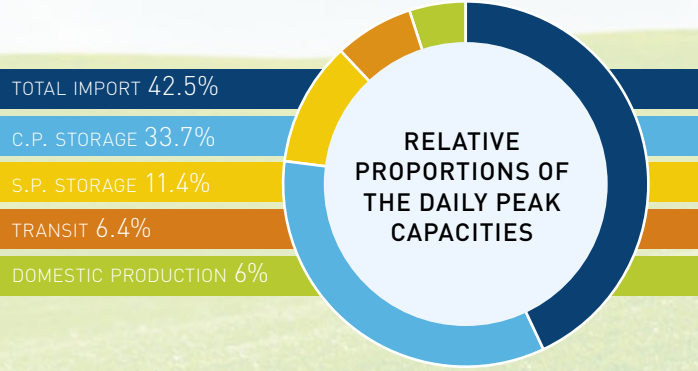
5 inlet points	(cubic meters)
Annual non-interruptible capacity	5.0 billion
Daily peak capacity	59.0 million
Thereof interruptible	6.5 million

Capacity data for strategic purpose underground gas storage facilities

1 inlet point	(cubic meters)
Annual non-interruptible capacity	1.2 billion
Daily peak capacity	20.0 million

NATURAL GAS TRANSMISSION SYSTEM'S DAILY INLET PEAK CAPACITY

	(cubic meters)
Total	174.3 million
There of interruptible	23.8 million
Imported	74.4 million
There of interruptible	17.3 million
Transit	11.3 million
Storage capacity for commercial purposes	59.0 million
There of interruptible	6.5 million
Storage for strategic purposes	20.0 million
Production	10.4 million



C.P. = COMMERCIAL PURPOSE
S.P. = STRATEGIC PURPOSE

5784 KM TRANSMISSION PIPELINE SYSTEM
20 INLET POINTS
398 GAS OUTLET POINTS
6 REGIONAL BRANCH UNITS
6 COMPRESSOR STATIONS

OUR INFRASTRUCTURE

5784 KM LONG NATURAL GAS TRANSMISSION
PIPELINE SYSTEM





+25% import natural gas inlet option

462 km new natural gas pipeline

applications related to our licensee activity. The 7062 km long cable network, 15% of which is represented by optical cables, runs mainly next to the gas pipes.

OUR STRATEGIC GOALS

FGSZ always looks forward to the future, and so it regards maximal plant and supply security and gas market stability aspects as dominant factors of system development. However, as the consequences of the economic crisis are not yet clear for the industry, we develop our services and infrastructure with a view to preparing for every eventuality. Hence, we can preserve our stability and scope of action even if the oil-indexed long-term contracts that determine the market today remain in force, and even if we have to hold our position in a more flexible gas market.

Recently, we built 462 km of pipes, 210 km of which are close to the Ukrainian-Hungarian border, as a result of which the possibility of inlet of import gas has been considerably increased - by 25%. This also positively influences our strategic natural gas storage possibilities.

In the recent past we have also completed the Városföld-Slobodnica investment, where we also added several hundred kilometres, of which 205 km is in Hungary, while the Croatian section built by Plinacro is 80 km-long. By mid-2010, we also completed the 47 km-long Hungarian section of the Arad-Szeged pipe-connection in co-operation with our Romanian partner, Transgaz S.A. Today only we transmit energy through the connections crossing the Hungarian-Romanian and Hungarian-Croatian borders, but in the future we expect bi-directional transmission.

In line with the gas market efforts of the European Union and of Hungary today, we lay the greatest stress on strengthening the Western direction, but as a responsible market actor we are also prepared for an eventual Eastern turn. Our strategy is obvious: in our decisions we consider the interests of Hungary and of the industry actors, and we attempt to ensure the basic conditions of a transparent and fair competition-based gas market operation for Hungary.

FGSZ's interest is that an efficient gas market should come into existence. In the coming

decade, we plan comprehensive infrastructure development projects which concern both Hungarian and international markets, and which aim to facilitate the coming into existence of the liquid gas market on the one hand, and to make it possible for Hungarian consumers to always use the cheapest gas source of the region on the other hand.

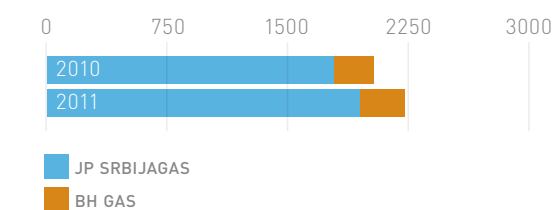
The goal of FGSZ is that Hungary be connected to every neighbouring country, becoming an indispensable key actor in the surrounding region and hence also considerably improving Hungary's security of supply.

OUR TRANSIT PARTNERS

JP SRBIJAGAS (Serbia)
ENERGOINVEST d.d. (Bosnia-Herzegovina)
BH-GAS d.o.o. (Bosnia-Herzegovina)

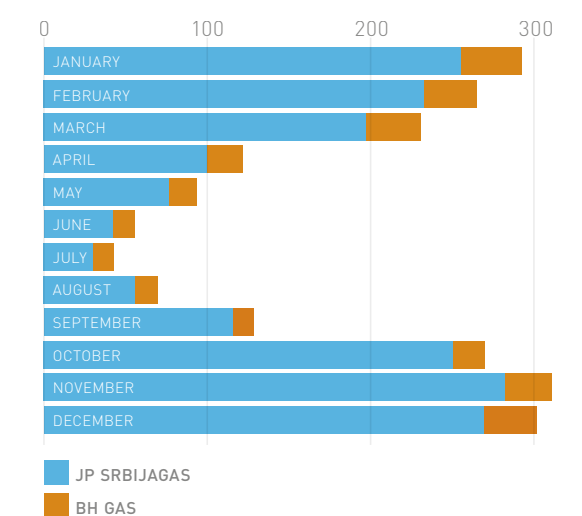
TRANSIT DELIVERY 2010-2011

Mm³, 15 °C



TRANSIT DELIVERY 2011

Mm³, 15 °C



Until then every small step may be important which improves the security of supply. For example, as a result of the change in the legal environment, connection to the cooperating natural gas transmission system will soon become possible for new biogas producers appearing on the Hungarian natural gas market, so in the near future the Hungarian natural gas system may be expanded by numerous smaller domestic inlet points.

We think that prudent planning now and in the near future, together with our investment plans specified in our long term strategy make it possible for Hungary to break out from its role of peripheral gas supplier, and to become a regional gas distribution centre in the coming decade.

Connection of the gas markets is a national and at the same time pan-European interest, but it has an inspiring impact also on the market actors. FGSZ thinks that the creation of real gas-to-gas competition, gas price reduction as result of the above, and the possibility of creation of a liquid gas stock exchange supported by the whole industry are changes for which the country, the region, and those who are concerned should fight together.

In line with the interests of the MOL Group and with the efforts of the European Union, our Company makes all efforts to further strengthen its position in gas transmission. Our plans and investments naturally reflect this intention.

EUROPEAN DIMENSIONS

We can achieve more favourable gas prices and reduce energy safety risks mostly by applying market instruments, by creating real gas competition, and by increasing the volume of transit transmissions and transfers through Hungary.

To achieve our goals, we have to make possibly all regional sources available to Hungary. This infrastructure is not entirely available yet.

The second phase of the strategic investment planned for 2011-2020 includes the North-West developments. Connected to the already created capacities, together with the creation of Hungarian-Slovak and Hungarian-Slovenian interconnectors and with the expansion of the existing Western import capacities, this will represent a standardized and from every direction penetrable natural gas transmission system.

It is our goal that Hungary be connected to every neighbouring country also from the inlet and outlet aspect, and that the basic principle of bi-directionalism should be enforced also in its border crossing capacities according to EU-directives.

The future of Europe, Hungary in it and of FGSZ will considerably depend on which of the competing ideas, i.e. the North-South Gas corridor, Nabucco West, the Southern Stream or the SEEP project will be realised, when they will be realised, and how they will be realised.

The goal of the North-South gas corridor is to increase the security of supply, and the creation of a single, transparent gas market in the Central and South-East-European region. This plan established connection between the East-West transmission routes by making available the already created and currently planned LNG terminals that are on the way to the countries of the region. This project of strategic importance is not only of key importance for FGSZ, but it is also included among the strategic priorities of the European Union in the domain of energy. The initiative of FGSZ, namely NETS (New European Transmission System) that is prominently supported by the European Commission, is organically related to this. The cooperation, which commenced in 2007, would create mutually beneficial connections between the gas transmission companies of the Central-Eastern European region. Its goal is to increase supply security in the region, to develop regional infrastructure, and to create an efficient regional gas market.



The Nabucco gas pipe, which is supported by the European Union and by the United States, would connect the eastern border of Turkey with Austria, would lead among others through Hungary on an almost 3900 km-long section, and would have a capacity of 31 billion cubic metres. If this were to be realised, it would result in a considerable source diversification in the Central and South-East European region, which would also serve the interests of Hungarian gas market actors. A shorter version of the Nabucco natural gas pipeline, the so-called Nabucco West, would transmit natural gas to the European markets, in partnership with the Turkish natural gas company together with the planned Turkish Trans-Anatolian gas pipeline (Tanap), from the Bulgarian-Turkish border to the Austrian border. The share of MOL in Nabucco Gas Pipeline International GmbH was taken over by our company in 2011. As a result of the above FGSZ is a supporting and active actor in the decision, preparation and decision-taking processes related to the Nabucco project.

SEEP (South East Europe Pipeline) is a pipeline project supported by British Petrol (BP), a member in the Shah Deniz consortium, which would transmit Central-Asian natural gas from the Turkish-Bulgarian border by using the available gas infrastructures and by expanding them to the Central-European markets. Based on the provisions of the gas act, FGSZ is obliged to examine every possibility that would increase the security of supply to Hungary's consumers and could also serve the development of the Hungarian market. By complying with these provisions we also examine the aspects of the technical and economic feasibility of this project.

[Sustainable development step by step]

HOW SHALL WE PRESERVE OUR ENVIRONMENT?

“NATURE IS NOT OUR PROPERTY:
WE HAVE TO PASS IT ONTO OUR CHILDREN
JUST AS IT WAS WHEN WE GOT IT.”

(Oscar Wilde)





How shall we preserve our environment?

SUSTAINABLE DEVELOPMENT STEP BY STEP

Each day we work with a special, natural treasure called natural gas. And each day we face how vulnerable the Earth is. We know well that our natural resources are plentiful, yet not infinite. We must use the gifts of nature smartly, without exploiting them. We observe this principle with due diligence and awareness when performing our tasks.

COOPERATION AND HARMONY

Our vision is built upon the harmony between nature and society. Sustainable development and security of energy supplies are equal core values for us, which we harmonize with our business interests during our decision-making process. We find that a provider with a corporate culture of the 21st century could not otherwise function successfully in the long term.

We will do our best to draw as little as possible on our natural resources. Today we do not only settle for avoiding unnecessary damage but also work proactively to help the preservation and regeneration of our environment's natural values.

PROACTIVE RESPONSIBILITY

In our health care, safety and environmental protection strategies, we place our emphasis on precaution, responsible thinking and effective resource management as well as on keeping the environment clean and on the reduction of greenhouse gas emissions.

Each year we take important steps to promote the regeneration of the ground and water areas

we use, as well as the reduction of the amount of our harmful materials and waste.

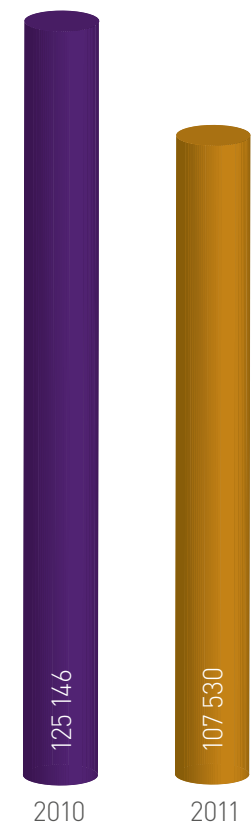
We assess the environmental effects of our activities on the natural habitats with careful analytical work. We protect the wildlife with environmental conservation operations in consultation with environment protection agencies and handlers. During the development of our pipelines, we use the most modern technologies to reshape the landscape with the least damage possible and to respect the vulnerability of nature. Upon finishing with the work, we restore the green areas and replant a multiple number of the trees we have cut. The change of the lubricating oil is done on the basis of the results of strict oil-diagnostics, thus avoiding unnecessary lubricating oil consumption. We have managed to reduce the emission of harmful materials using optimized boilers and gas turbines.

IMPROVED SAFETY

No gas spillage has occurred in FGSZ's network in the year 2011. We have increased the safety of our installations, significantly reducing the chances of damages caused by foreign tampering.

The natural gas odorization procedure has undergone a general modernization, so that today no dangerous materials used for odourization may go into the ground, not even following an eventual technical failure. Environmental protection safety aspects have gained a special role during the transformation of the odorization systems at the HAG-mains located near the Austrian-Hungarian border.

FGSZ constantly reduces the rate of harmful material emissions CO₂ (t)



Thanks to our struggle for environmental protection, our activities harm neither the geological base nor the quality of ground and surface waters, since the storage and transportation of dangerous materials and products are in strict accordance with the existing legislation.

In 2011, an important goal for us was to build a modern fire-protection system for our installations that need special protection. We have established automated fire-extinguishing

equipment next to our process control and information technology equipment. In choosing an extinguishing medium, we have decided in favour of the more environmentally-friendly one - in spite of its higher implementation costs. We have improved the fire-safety of our plan storerooms, warehouses and maintenance workshops also with similar considerations.

COOPERATION WITH THOSE CONCERNED

FGSZ Ltd. agrees with the social expectation of preserving natural treasures, therefore we pay extra attention that the construction of the gas pipelines, as well as the operations connected to it are performed in cooperation with our most prepared engineers and independent environmental protection specialists.

We put great emphasis on the protection of the wildlife in the areas concerned and on the extensive rehabilitation of the landscape and the environment. To eliminate contamination, we apply environment-friendly technologies, and during our investments we cooperate with local communities, governments and civil organizations, taking their needs into account during the construction of our gas pipelines.

Our company always strives to build our lines with the least interference and within the shortest time possible.

Besides, we acknowledge and support the work of civil organizations dealing with environmental protection. Representatives of FGSZ attend public hearings organized by the environmental protection agencies. Moreover, we are ready to perform discussions with interest representatives and local residents on the basis of any requests about environmental protection, because for our company, these opinions are important and we take them into consideration.

We have established a good relationship with the handlers of environmental protection areas and take their recommendations into consideration; we assess the natural values of the given area before each investment. During the wildlife's sensitive periods, we suspend the works. In specially protected areas, we use horizontal drilling technologies instead of the traditional trench method to construct our pipelines. We monitor the affected area's wildlife constantly and we also provide possibilities to rescue any potentially harmed organisms. We have used

these methods during our last gas pipeline investments, too, as we connected Hungary with Romania and Croatia.

NOISE PROTECTION

The relaxation of the people living near our working environment is important for our company. However, the equipment necessary for the uninterrupted supply of gas is found in residential areas. Within the framework of our noise protection program, we measure the noise emission of our installations, we evaluate the noise impact and in case of any problems, we look for the best solution for reducing the noise level with the help of specialists. On our noise map, there are over 40 installations present. Every new installation of which noise emission exceeds 85 dB is presently equipped with passive noise protection.

WASTE MANAGEMENT

A voluntary undertaking of our company is the protection and care of the environment in the area of our facilities and the separate collection of waste. In the frame of this, we continue to clean the surroundings of our gas transfer facilities from the ever growing outer (communal and industrial) illegal communal waste and debris. We keep focusing on recyclable materials. We decrease the quantity of the dangerous waste by optimizing the use of hazardous materials and products. The traceability of the waste is important to our company as well as the salvage and disposal based on legal provisions. Therefore, we expect from our waste recipients the legal conformity and the adaptation of quality assurance and environmental protection systems. Upon selecting our waste management partners, we consider the principle of proximity i.e. the waste should travel the shortest possible route from the place of origin to the receiver thus minimizing our ecological footprint. The transportation of waste is ordered directly from the place of origin. This procedure decreases the transportation time, the extra costs related to the temporary storage and the risks.





THE ATMOSPHERE OF LIFE

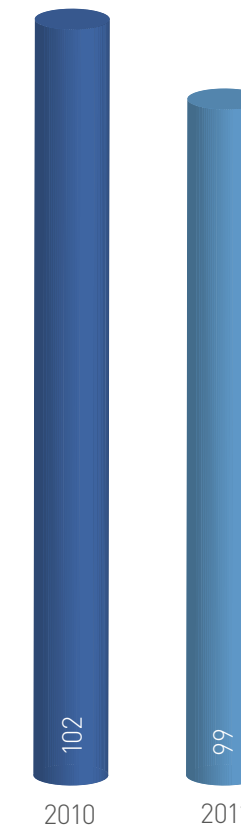
Our company follows the 2003/87/EC directives specified by the European Parliament and the European Council on the commercial system of greenhouse gas emission units. Due to the seasonal changes of natural gas consumption, the compliance with the directives proves to be an especially big challenge to our specialists, but despite that, FGSZ has maximally complied with the directives. Furthermore, with the optimal operation of the gas compressors, we have even managed to reduce the amount of natural gas needed for the operation.

During the reconstruction of our offices, workshops and other installations, we have given

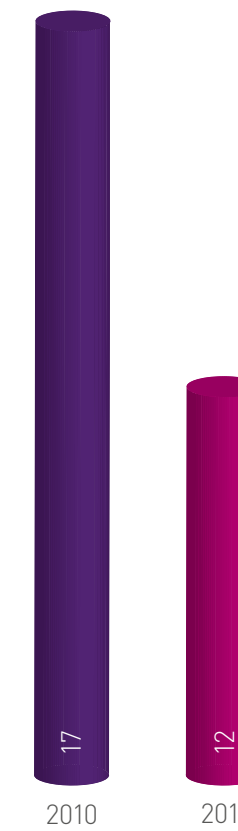
extra consideration to the technologies reducing operational energy consumption. Besides the passive insulation of our buildings, we have provided our installations with heating, warm water supply, lighting and air conditioning with low energy-consuming building-machinery equipment.

Our company believes that besides the reduction of the industrial amount of energy consumption, our workers shall intensify their personal responsibility in their everyday life. Recently we have set up guarded bicycle racks next to our office buildings, thus inspiring our employees to use environmental-friendly vehicles.

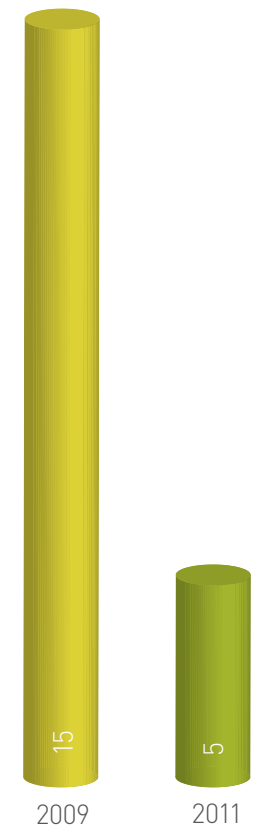
FGSZ constantly reduces
the rate of harmful
material emissions
NO_x (t)




FGSZ constantly reduces
the rate of harmful
material emissions
CO (t)



FGSZ constantly reduces
the rate of harmful
material emissions
SO₂ (t)



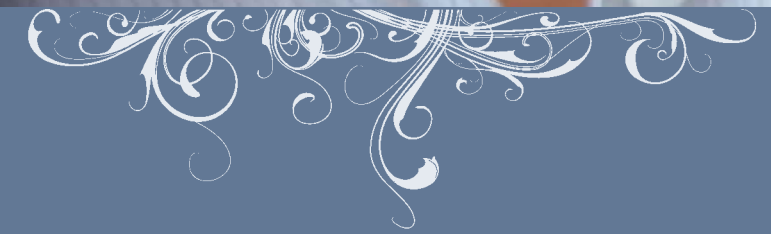


[Faces of FGSZ]

OUR HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY

“INDIVIDUAL COMMITMENT TO THE WORK
OF A TEAM – THAT MAKES A GREAT TEAM,
A GREAT COMPANY, A GREAT SOCIETY,
A GREAT CIVILIZATION.”

[Rensis Likert]





Our Human resources and corporate social responsibility

FACES OF FGSZ

Our geographic position and the quality and culture of our services can make us a significant natural gas transmitter of Europe. We have the opportunity to be the main distributor in the region. At the same time we are continuously working to create long term community values: in case of infrastructure development public interests are taken into consideration, environment resources are protected, and we highly appreciate our employees, who are the carriers of our values.

THE FACE OF KNOWLEDGE

Working with FGSZ is not a daily routine. The success of a company like this depends more than usual on the preparedness, experience and commitment of the employees. During our history of more decades, the company's social network was one of its main values. We are therefore striving to honour them in several ways.

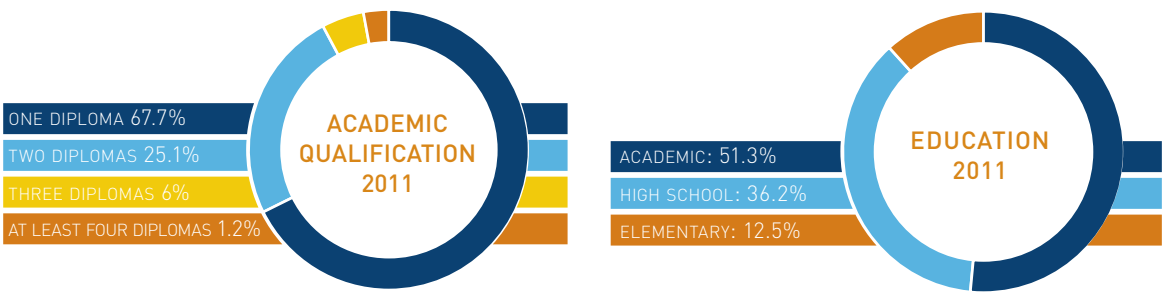
In the past years it was an important task to develop a company-specific integrated human resource management system. Today this system is

ensuring very fast reaction, and with several years of experience it makes the performance of nearly 800 employees of FGSZ planned, transparent and evaluable in a verified way. The system takes into consideration internal and external expectations and makes everything manageable from legislative changes to reorganization and also minimizing possible risks.

The selection of FGSZ employees and the management of their performance and knowledge is a multi-level, sequential process. The protocol of this process covers every detail from recruitment and selection to motivation. It is due to this well functioning system that not only the best and most prepared but also the most up-to-date professionals work for our company with exemplary vocation and motivation.

The employee community of FGSZ is characterized by its high qualification value: 50% of our nearly 800 staff have graduated in higher education institutions and 87% have finished secondary education.

EDUCATION AND NUMBER OF DIPLOMAS OF FGSZ LTD. STAFF



THE BEST EMPLOYER

Since 2009 FGSZ has won the Best Employer Award three times in Hungary and twice in Central Eastern Europe. People like to work for FGSZ with loyalty and many of them have a lifelong connection to the company. This is of prime importance in a sensitive sector such as natural gas transportation with a complex system operation requiring great knowledge and vocation.





Keeping up to date with professional knowledge and acquiring new abilities is a basic requirement at a company and in a sector with such a dynamic growth. Therefore, training opportunities for the employees are explored and offered permanently.

THE FACE OF APPRECIATION

The basis for our success is the sense of vocation and commitment of our colleagues in the most

strained situations. Therefore, our employees are ensured a well-planned future and a designable career.

FGSZ Ltd. was the best employer in Hungary and in Central and Eastern Europe in the past three years according to the research carried out by Világgazdaság together with Aon Hewitt. Staff opinion formed the basis of the research. The

participation of the employees in the research was over 70% and the company commitment and satisfaction rate was 85% in all three years. This well exceeds the Hungarian average of 53%.

This is the result of a trust that makes us proud. Thanks to this trust current and future employees and partners maintain our company among the most reliable companies where people can count on each other and the whole country can rely on our employees every minute of the day.

FACES OF THE FUTURE

We are well aware that the future is in the hand of the new generation. Therefore FGSZ gives every help to children and young people to get familiar with the world of natural gas transportation, in order to find this profession attractive and after growing up the best of them be able to join us.

We are trying to involve young talents into the life of FGSZ through dissemination of information about the company. Supporting young talents of this profession has always been among the company's strengths. Competitions, sponsoring and specific programs involve them into the life of the company and help them to integrate and widen their knowledge.

To support innovation and in order to receive a wide range of professional knowledge, FGSZ has extensive relationships with specialized secondary and higher education institutions. We participate in education through cooperation agreements. Students have the opportunity to participate in summer internship programs where they can get familiar with the operations of FGSZ assisted by a subject specialist. Students in higher education can also have the support of our experts in case they are preparing a thesis about the gas industry. When awarding the contribution to vocational training, those schools are supported financially that are among the best in training professionals.

Nevertheless the members of the youngest generation are also important for us, leading to the

launch of the FGSZ Junior Natural Gas Academy. In 2011 hundreds of senior elementary school students have applied to the creative knowledge quiz "Looking for a genius!".

A good reputation, relations with universities, professional development opportunities, and the compensation system appreciating work have made FGSZ one of the most attractive player on the regional labor market today.

Recognizing, selecting and motivating talents is not an easy job. Retaining them is yet more difficult. Therefore it is very important for us to create a working environment based on common values to ensure straight communication within the company and proper working conditions.

FACES OF HERITAGE

Paying regard to the great history of our company we should not forget senior colleagues and tradition. In every year on St. Barbara's day a traditional event is organized for retired professionals where they are able to share their experiences with younger colleagues and where they can still be part of the community they have been in during their whole active life.

Our past is an important part of the history of the Hungarian industry. In 2011 an old plan was realized when an exhibition was inaugurated which traveled around the country to present the history of FGSZ and domestic natural gas transmission. Those who are interested can obtain first-hand information about the operation and history of the company at the spectacular and successful exhibition.

The outstanding archaeological traveling exhibition "Pipe archeology", started in 2010, was kept running in 2011. This exhibition was arranged from the archaeological artifacts found during the works of the development of import capacity with the help of museologists.

FACES OF CARE

FGSZ lays great emphasis on the preservation and improvement of employee health. This is an important part of the health protection, security and environmental protection (EBK) strategy. Beside obligatory screening examinations, preventive health programs are also promoted.

Employees are supplied with consultations and information about health. To protect the health and vitality of the staff FGSZ regularly organizes sport and outdoor programs.

During the recent renewal of company image the tendering of occupational safety and health supply services also became due. The labor unions were also involved in the tendering process. Protection ability and comfort of use were the main selection criteria. Beside proper protection, the new clothing is comfortable to wear with the new corporate identity visuals also representing our corporate values.

CORPORATE SOCIAL RESPONSIBILITY

The main activities of FGSZ Ltd. are cooperation and delivering values. These are also the framework for the corporate social responsibility activities of the company. It is always an honor and we are glad if we are able to support in saving and preserving values that are increasing social values beyond the specialty of FGSZ.

It is an honor to be the Sport Supporter of the Year in 2011 in Siófok.

FGSZ is striving to maintain a good relationship with the settlements affected by the operation of the company. In 2011 as well as in earlier years FGSZ has supported social, cultural and sport programs of these settlements and has given great attention towards supporting the work of educational institutions.



[Our financial and operative performance]

BALANCE, SUCCESS, STABILITY

“SUCCESS IS ALWAYS THE RESULT OF A GOOD
DECISION. THERE IS ALWAYS AN IMPORTANT
EXPERIENCE BEHIND GOOD DECISIONS.”

[Anthony Robbins]





Balance, success, stability

OUR FINANCIAL AND OPERATIVE PERFORMANCE

For FGSZ, success means not only outstanding business results, but also that we are able to continue to grow in financial and technological terms.

In 2011, FGSZ Ltd. realised outstanding EBIT worth HUF 44.1 billion, which exceeded our financial performance recorded in the past year by HUF 2.1 billion. Our profit after tax amounted to HUF 23.2 billion, which was less than our result recorded in the previous year. This is mainly due to our investment in establishing an international connection with Croatia, which increased the value of our company on the one hand, and on the other hand decreased our profit after tax owing to the unrealised exchange rate loss on the FX-based loan taken out among others for this project.

The unfavourable impact of the decrease in the average rate of return on our financial performance – which was due to the dual price system

laid down in the legal provision of 3 December 2010 – was balanced by our value-increasing and efficient operation.

It is a statutory liability of our company to maintain the balance between gas sources and the gas consumption, which we ensure by applying a balancing gas sale and purchase practice. We cannot make profit on this operation. There was a considerable (nearly 23%) decrease in the turnover of the balancing gas in 2011 compared to 2010. Apart from this item, our revenues from gas transmission increased by 11.5%.

LARGE INVESTMENTS, GREAT RESULTS

In 2011, FGSZ Ltd. spent HUF 12.3 billion on investments, which consisted of the completion of the international connection established with Croatia to implement the strategy of the Company, and of reconstruction of the existing system.

23.2 billion HUF profit after taxation

44.1 billion HUF EBIT

11.5 % increase in natural gas transmission sales revenues

OUR MANAGEMENT ENVIRONMENT IS STABLE

Stability and calculability are of key importance for business success. In 2011, FGSZ was active in such regulatory environment and in the existence of demand.

However, increase in consumption stopped in Hungary, but it remained balanced and stable. A reason for this stagnation is partly consumer saving owing to higher domestic gas prices, and partly the saturation of the gas market which cannot grow under the present structures.

However, the further liberalisation of the gas market may lead to structural change and market expansion, and to growth in consumption already in the short term. In the medium term, we can expect growth from further economic growth and from building gas-fired electricity plant capacities. FGSZ supports such pro-

cesses by continuously developing the available infrastructure.

DEVELOPMENT CONNECTS

FGSZ Ltd. lays great stress on the development of successful market strategies favourable to every cooperating party. In the interest of the above we realised and plan multidirectional co-operation in the future.

The key to the expansion of the regional market may be in the economic development of the Balkan region, and its connection to the integrated European gas delivery system, which has been realised already partly, while strategically, the creation of the East-West and North-South transit corridor means exploitable market opportunities. In the interest of the above we purchased a share in Nabucco Gas Pipeline International GmbH, which aims at connecting the Near- and Middle-East gas resources to Western Europe through Hungary.



12.3 billion HUF investments

46.67% EBITDA

According to our strategic goals, we commenced active market development in this region. As a result of the above we connected our national gas transmission system with Croatia and Romania, and we commenced progressive negotiations on establishing connection with Slovenia as well.

EFFICIENCY AND BUSINESS RESULT

Despite legal provisions in 2011 which reduced our revenue generating options and affected our cost reduction and efficiency increasing measures, we closed a profitable year due to other activities, the results of which considerably increased revenue from our regulated activities.

We gained our net revenues from the transmission of 18.8 billion cubic metre gas, and from the gas turnover that is related to the maintenance of the system balance.

The impact of the tax base correction items proved to be considerable. This can be explained by the difference between the depreciation rate of the pipeline according to the accountancy and the tax law.

In the future, we wish to take important further steps in line with the expectations of the owner

in the interest of the attainment of our regional strategic goals. With regard to our economic performance in 2012 we forecast that we will be able to maintain the level of our 2011 annual business indicators. We wish to balance the eventual negative domestic processes of the regulatory and economic environment by increasing the internal efficiency.

THE PLEDGE OF SUCCESS

The operative cash flow of our company is positive, and its volume is also rather considerable. With this safe financial background we can successfully carry out our investment plans, repay the principal from the parent company loan and the related interest, and provide coverage for other cash flow elements.

Our indicator, acknowledged in regulation (i.e. our 46.67% EBITDA rate before interest-payment, tax-payment and depreciation), indicates our business successfulness in 2011.

The value of the ROACE calculated over the 2011 annual business result is 13.97%. An even more important indicator than the asset-proportional return before tax acknowledged for domestic delivery is due to more favourable returns realised with our other activities.

DATA IN ACCORDANCE WITH THE HUNGARIAN ACCOUNTING STANDARDS

	2010 (billion HUF)	2011 (billion HUF)	2010/2011 (%)
Net sales revenues	131.715	130.915	99.4
Operating profit	41.986	44.083	105.0
Profit after taxation	25.315	23.201	91.6

KEY FINANCIAL STATEMENTS

Assets	2010 (million HUF)	2011 (million HUF)	2011/2010 (%)
Projects and investments	344,359	343,573	99.8
Intangible assets	3,635	3,811	104.8
Tangible assets	340,719	334,947	98.3
Financial investments	5	4,815	96,300.0
Current assets	26,866	19,298	71.8
Inventories	2,551	3,384	132.7
Claims	17,285	15,009	86.8
Securities	0	0	-
Cash and cash equivalents	7,030	905	12.9
Accrued and deferred assets	713	161	22.6
Total assets	371,938	363,032	97.6

Liabilities	2010 (million HUF)	2011 (million HUF)	2011/2010 (%)
Equity	115,862	116,036	100.2
Share capital	18,823	18,823	-
Retained capital	64,766	64,766	-
Profit or loss for the year	1,315	201	15.3
Provisions	3,204	3,551	110.8
Liabilities	242,615	224,448	92.5
Deferred liabilities	0	0	-
Long-term liabilities	189,556	182,665	96.4
Short-term liabilities	53,059	41,783	78.7
Thereof short-term liabilities to affiliated companies	25,723	26,574	103.3
Accrued and deferred liabilities	10,257	18,997	185.2
Total liabilities	371,938	363,032	97.6


Profit and loss statement	2010 (million HUF)	2011 (million HUF)	2011/2010 (%)
Net domestic sales revenues	113,744	109,796	96.5
Net export sales revenues	17,971	21,119	117.5
Net sales revenues	131,715	130,915	99.4
Own performance capitalized	216	206	95.4
Other incomes	1,348	2,404	178.3
Material costs	64,745	55,019	85.0
Personnel expenditure	6,812	7,467	109.6
Depreciation	15,643	17,017	108.8
Other operating costs	4,093	9,939	242.8
Operating profit	41,986	44,083	105.0
Income from financial transactions	1,478	811	54.9
Financial transaction expenditure	16,346	20,307	124.2
Thereof: interests and interest-type costs payable to affiliated companies	12,940	12,327	95.3
Financial transaction profit	-14,868	-19,496	131.1
Ordinary business activity profit	27,118	24,587	90.7
Extraordinary profit	189	-977	-516.9
Profit before taxation	27,307	23,610	86.5
Tax payable	1,992	409	20.5
Profit after taxation	25,315	23,201	91.6
Approved dividend, profit sharing	24,000	23,000	95.8
Profit or loss for the year	1,315	201	15.3

Cash flow	2010 (million HUF)	2011 (million HUF)	2011/2010 (%)
Profit before taxation	27,307	23,610	86.5
Operating cash-flow	37,631	47,675	126.7
Invested cash flow	-60,479	-9,770	16.2
Financing cash flow	22,304	-44,030	-197.4
Change in cash and cash equivalents	-544	-6,125	1,125.9

ISO CERTIFICATE



INDEPENDENT AUDITOR'S REPORT



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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholder of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság

Report on financial statements

1.) We have audited the accompanying 2011 annual financial statements of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság ("the Company"), which comprise the balance sheet as at 31 December 2011 - showing a balance sheet total of HUF 363,032 million and a profit for the year of HUF 201 million -, the related profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2.) Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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



Opinion

6.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság as at 31 December 2011 and of the results of its operations for the year then ended.

Other reporting requirement - The business report

7.) We have reviewed the business report of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság for 2011. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. Our responsibility is to assess whether the business report is consistent with the financial statements for the same financial year. Our work regarding the business report has been restricted to assessing whether the business report is consistent with the financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the business report of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság for 2011 corresponds to the disclosures in the 2011 financial statements of FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság.

Budapest, 22 February 2012,
except for the effect of the HUF 23,000 million dividend approved in the founder's resolution relating to the year (ended 31 December 2011), which is dated 3 March 2012.

(The original Hungarian language version has been signed.)

Szilágyi Judit
Ernst & Young Kft.
Registration No. 001165

Hajbin Tímea
Registered auditor
Chamber membership No.: 005429

[Board of Directors and Supervisory Board]

COMPANY MANAGEMENT





Company Management

(BOARD OF DIRECTORS AND SUPERVISORY BOARD)

BOARD OF DIRECTORS



Dr. János Zsuga

Graduated from 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; the University Senate later granted him the title of honorary associate professor. From 1994 to 1999, technology engineer at the MOL Crude Oil & Natural Gas Transportation Business Unit; between 1999 and 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 December 2003, appointed Chief Executive Officer of MOL Natural Gas Transmission Ltd.



Pál Buday

Graduated from the University of Miskolc with a degree in economics, then took a university degree in economics with a legal professional degree. He has been working for the Company (and its legal predecessor) since 1987. Until 1995, he worked as natural gas and, until 2000, as crude oil transport dispatcher. In 2000, he was an associate of MOL Natural Gas Trade Business Unit's trade dispatcher service, and then, from 2001 to 2004, a capacity economy associate at Natural Gas Transmission System Management & Gas Transmission at MOL's Natural Gas Transportation Business Unit. From 2004, he was head of the Accounting and Metrology organization in the System Operation organization. From 2009, he directed the company's Regulation and MSZF organization; from 2010, he was the director of the Company's Support, and from March 2011, that of the System Operation and Capacity Trade.



Csaba Juhász

Degree earned in gas engineering; has worked for FGSZ Ltd. and its predecessors since 1989. From 1989 to 1994, technical engineer at the Algyő Plant, then head of the Kecskemét Transmission branch office from 1994 to 2003. Since 2003, has been Director of Operations; since 1 January 2010 Head of Corporate Services, from 1 August 2011 the director of Information and Communications Technology.

SUPERVISORY BOARD

József Molnár

MOL Co. Chief Executive Officer since 1st May 2011 and member of the MOL Board of Directors since 12th October 2007. From 1978 to 2001, he held various management positions at BorsodChem Co., including Head of Pricing Department from 1982 to 1987, and Head of Controlling Department from 1987 to 1991. Between 1991 and 2003, as deputy Chief Financial Officer, he contributed to the crisis management and reorganisation of the company, and later to the creation of its vision and subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was CEO of TVK between 2001 and 2003, MOL Group Planning & Controlling Director in 2003 and 2004, and from 2004 until his appointment as Group CEO in 2011, he was the Group CFO of MOL Group. Between 2004 and 2008 a Board member of Slovnaft A. S. Between 2001 and 2011, he has been a Board member of TVK, and he has also been a member of INA Supervisory Board since April 2010 and the member of FGSZ Ltd. Supervisory Board since May 2011.

Péter Ratatics

Graduated in economics from Corvinus University Budapest in 2006. In the MOL Group, he started as an expert at the Gas Trading and Business Development organization, then he was head of the MOL-Group Management Support organization until 2009. Between 2009-2010, he was head of the Organizational Development and Process Management, and then in 2010-2011 Head of Management Services. From 1 May Director of Corporate Centre of the MOL-Group and elected as member of the Supervisory Board of FGSZ Ltd. and on 25 May he was elected Vice Chairman of FGSZ Ltd. A member of INA Board of Directors since June 2011.

Gabriel Szabó

CEO of Slovnaft Downstream since 1 July 2012. Graduated from the Faculty of Economy and Business at the University of Economy in Slovakia in 1999. Sales Manager of Kovohuty Krompachy in 2000, then joined MOL Group subsidiary Slovnaft as resource allocation economist in 2001. Between 2002 and 2006 worked as Director of Finance and Accounting of Slovnaft subsidiary S-MAO. Between 2006 and 2009 Manager of Corporate Services of Slovnaft, in 2009 Procurement Sector Director of INA. Between 1 January 2010 and 30 June 2012, head of MOL Co. Corporate Services organization. Slovak citizen.

Gábor Fett

Since 1995 has held various engineering positions at MOL Natural Gas Transmission Ltd., Kápolnásnyék Transmission branch office and its predecessors. From 2004, he was head of the Technical Supervision Unit. Currently, Technical Supervision Unit Manager engineer and deputy to the Responsible Technical Director at the Kápolnásnyék Natural Gas Transmission Plant. Since 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. Since 2004, member of the Supervisory Board as employee delegate.

OUR CONTACTS

FGSZ Ltd. operates a Customer Service Office for its contractual partners. Should you have any queries related to the use of natural gas transmission and system operation services, please do not hesitate to contact us.

CUSTOMER SERVICE OFFICE

Registered seat: H-8600 Siófok,
Tanácsház u. 5. ground floor 3.
Postal address: H-8601 Siófok, P.O.Box 102
Telephone: +36 (84) 505-117
Telefax: +36 (84) 505-592
E-mail: info@fgsz.hu
Opening hours:
Tuesday, Thursday: 13.00–16.00
Monday, Wednesday, Friday: closed

The Information Office will reply to queries related to pipeline construction projects and other issues related to Company activities.

INFORMATION OFFICE

Registered seat: H-8600 Siófok, Tanácsház u. 5.
ground floor 3
Postal address: H-8601 Siófok, P.O.Box 102
Opening hours:
Tuesday, Thursday: 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:

DISPATCHER CENTRE

Telephone: +36 (84) 505-777
Telefax: +36 (84) 505-217
E-mail: fri@fgsz.hu

The website of our company is accessible at www.fgsz.hu





NATURAL GAS TRANSMISSION
MEMBER OF THE MOL GROUP

WWW.FGSZ.HU