

A large, abstract red graphic on the left side of the slide, composed of several overlapping triangular shapes in different shades of red, pointing towards the right.

# ACQUISITION OF NORTH SEA ASSETS

Creating a new hub  
13th of December, 2013

# MOL PURCHASES WINTERSHALL'S UK NORTH SEA ASSETS

## Transaction metrics

### Transaction values

- ▶ **USD 375MN** TRANSACTION VALUE<sup>(1)</sup>
- ▶ **~USD 500-600MN** NOMINAL CAPEX ON 2P BY 2019
- ▶ TAX INCENTIVES TO CAP EFFECTIVE TAX RATE **~45-50%**
- ▶ **>10% IRR** ON PROJECT LIFE CYCLE

### Volumes

- ▶ **28 MMBOE** EXPECTED 2P RESERVES
- ▶ **97%** OF 2P IS MEDIUM-LIGHT CRUDE OIL
- ▶ **16-18 MBOEPD** RISKED PEAK PRODUCTION IN 2018-19
- ▶ **>USD 70/BOE** UNIT EBITDA<sup>(2)</sup>

### Maintaining Strong Group Balance Sheet

- ▶ **1.26** NET DEBT / EBITDA & **23%** GEARING - POST-TRANSACTION

# TOWARDS CREATING A NEW OFFSHORE HUB IN A LOW RISK REGION

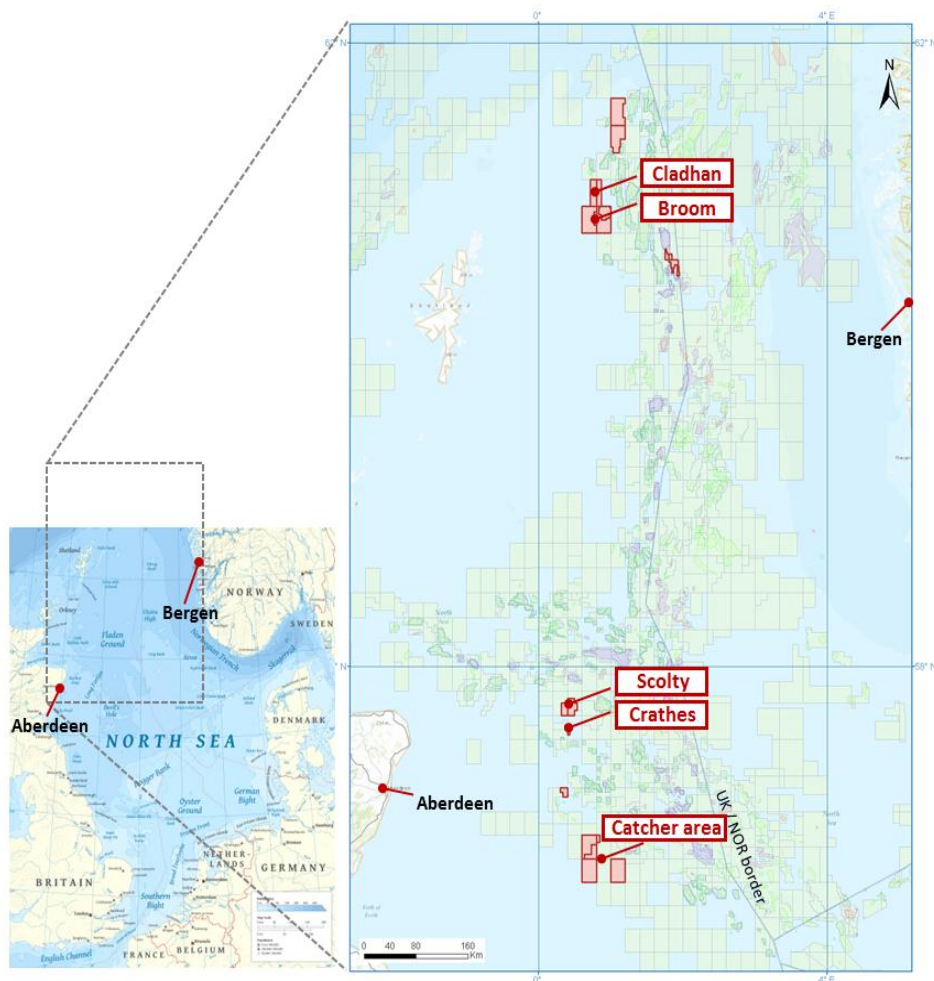
## *Strategic considerations*

- ▶ **Entering an attractive new region** which complements the current portfolio
- ▶ **1st strategic step** to enhance offshore experience and **create a new hub**
- ▶ **Access to upcoming UK Exploration Bid Rounds** with further value creation
- ▶ **Strategic Cooperation with Wintershall for joint E&P expansion** in the North Sea & the Middle East regions
- ▶ **Cooperation with reputable operators** – TAQA, Premier Oil, EnQuest
- ▶ **Shifting average political risk profile of MOL Group's upstream portfolio in a favorable way**
- ▶ **Short-term incremental production** supports MOL reversing the declining production trend

# MOL ENTERS THE NORTH SEA REGION

*A well developed area with stability and economic incentives*

## Location of acquired assets



## Key features of the North Sea area

- ▶ **Relatively low risk with stable political and economic framework**
- ▶ **Developed network of infrastructure** with 10,000 km+ pipes accessing the major UK and North-West European oil and gas hubs
- ▶ **Developed and liquid M&A markets:** 70+ disclosed M&A deals in the previous 3 years in excess of USD 10mn value
- ▶ **Incentives for field exploration is in favour of smaller players:** UK allowances support investments in small, old or technically challenging fields
- ▶ **Availability of well-qualified contractor / service sector**
- ▶ **Regular license Bid Rounds** - publication of the 28th Seaward Licensing Round is expected in Jan 2014

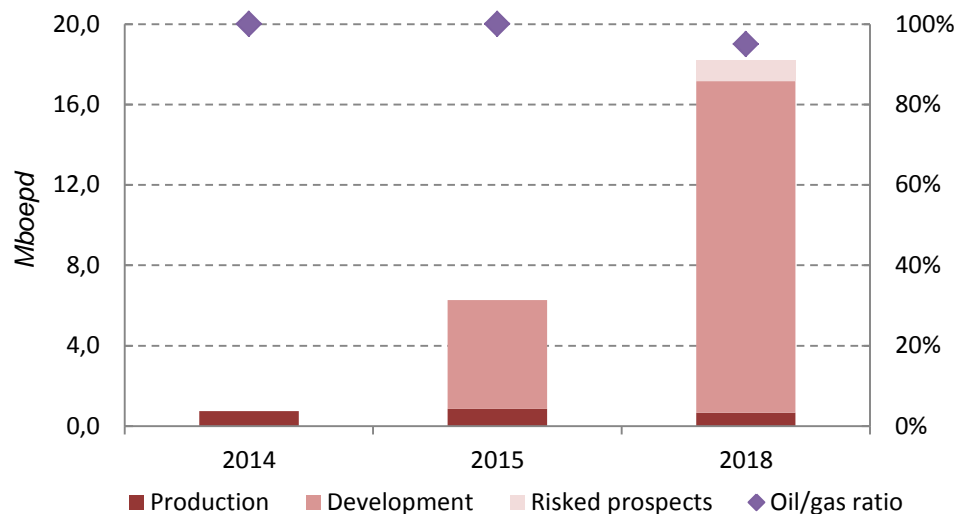
# DERISKED ASSETS WITH SIZEABLE SHORT-MID TERM PRODUCTION

with above Group average unit profitability

## Asset profile

- ▶ Majority of the **asset portfolio is already in development or production phase**
- ▶ **Considerable 2P (28 MMboe) reserve addition...**
- ▶ ...with further already discovered upside: **2C Contingent Resource (9 MMboe<sup>1</sup>)**
- ▶ **Further exploration upside with 10 MMboe P50 unrisks Prospective resource (Mid POS)**
- ▶ **Peak production is expected in 2018-2019 with 16-18 Mboepd**
- ▶ **Practically only oil production (97%)...**
- ▶ **...implying over 70 USD/bbl EBITDA on life cycle basis**
- ▶ **cca. USD 500-600mn CAPEX need for developing estimated 2P by 2019, o/w. USD 200mn in 2014**
- ▶ **Stakes obtained in Brent Pipeline System (1.2%) and Sullom Voe Terminal (0.7%)**

## Risked production profile



# BROOM AND CLADHAN

## *Fields with early cash generation*

### Broom Factsheet

First discovery	1976
Type	Oil
MOL's share	29%
Operator	EnQuest (63%)
First oil to MOL	Producing
Water depth	147m

- ▶ Two separately developed compartmentalized oil accumulations, North Terrace and West Heather
- ▶ **Producing since 2004, practically no geotechnical risk**
- ▶ Production tied back to 7 km distant Heather Alpha Production Platform
- ▶ **Injection strategy continuously under review to enhance production**

### Cladhan Factsheet

First discovery	2008
Type	Oil
MOL's share	33.5%
Operator	TAQA (52.7%)
First oil to MOL	2015
Water depth	150m

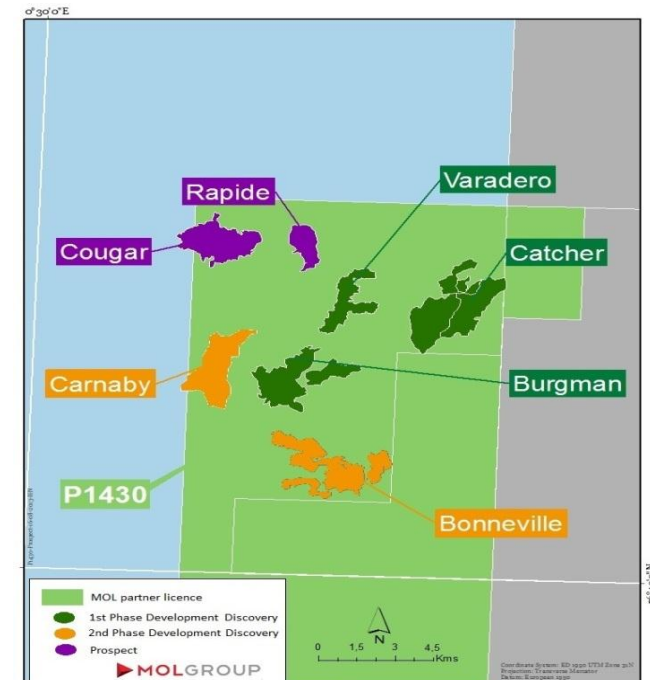
- ▶ **Discovered in 2008, appraised with 6 wells since that time.**
- ▶ Reservoirs are interbedded turbidite sandstone horizons within the Kimmeridge Clay Formation
- ▶ **Field Development Plan already approved by DECC**
- ▶ **Development drilling started in October 2013** – initial phase consist of two wells
- ▶ Production to be tied in back to TAQA's Tern Alpha Platform 18km NE to the field
- ▶ Cladhan-West is expected to be drilled in 2015

# CATCHER AREA

One of the largest discoveries in the UK in the last 5 years

- ▶ **3 main discoveries: Catcher (2010), Varadero (2011), Burgman (2011)**
- ▶ 2 additional small recent discoveries: Carnaby (2012) and Bonneville (2013)
- ▶ Stratigraphic traps in the Lower Eocene Tay turbidite sandstone reservoir level
- ▶ **Excellent reservoir properties:** high porosity and permeability
- ▶ Ongoing preparation of Field Development Plan **Field development to start in 2015** with up to 15 producers and 8 water injectors in the program reported by the Operator
- ▶ Tie back of wells to leased FPSO\*, oil export via shuttle tankers
- ▶ **Still an active exploration area** with further undrilled prospects (i.e. Cougar, Rapide)

Factsheet	
First discovery	2010
Type	Oil&Gas
MOL's share	20%
Operator	Premier (50%)
First oil to MOL	H2 2017
Water depth	90m



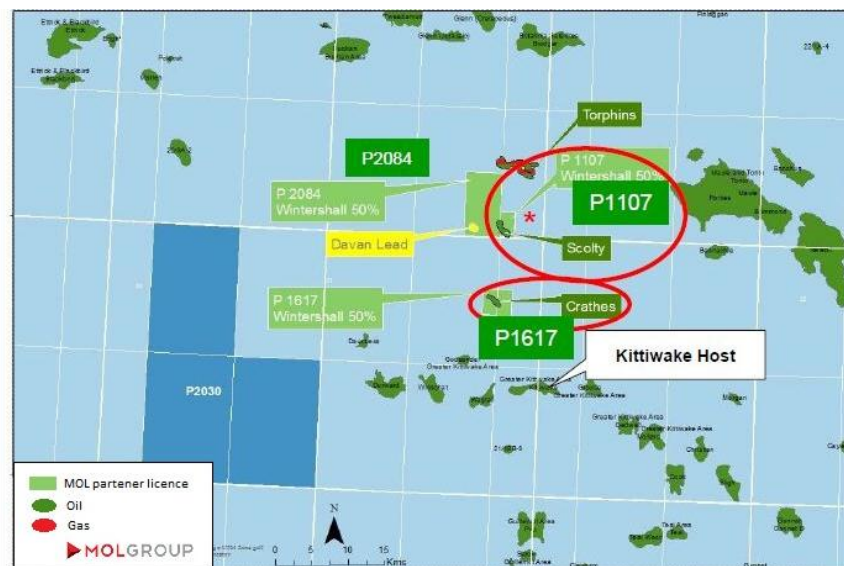
\* floating production, storage and offloading (FPSO) unit

# SCOLTY & CRATHES

with further MOL estimated 7 MMboe fully derisked 2C reserve

- ▶ **Two small discoveries: Scolty (2007) and Crathes (2011)**
- ▶ Stratigraphically defined fields in Paleocene sandstone with good reservoir properties
- ▶ Operator started the concept selection for development
- ▶ **Project sanction in 2014 followed by FDP submission**
- ▶ Joint development of fields is planned
- ▶ **Expected tie-in to adjacent Kittiwake platform (16 km)**
  - ▶ Operator EnQuest recently (22 Oct 2013) acquired the operatorship (50%) of Kittiwake platform

Factsheet	
First discovery	2007
Type	Oil
MOL's share	50%
Operator	EnQuest (40%)
First oil to MOL	2017
Water depth	90-105m





# TAX REGIME WITH SEVERAL INCENTIVES

*Expected effective tax rate is ~45-50% on a life cycle basis*

## Corporate income tax

- ▶ Ring-fence **CIT rate is 30%**
- ▶ Taxable income is calculated by subtracting from revenues:
  - ▶ OPEX,
  - ▶ depreciation (actual CAPEX),
  - ▶ 50% PRT,
  - ▶ decommissioning costs,
  - ▶ financing costs
  - ▶ **loss carried forward**

## Supplementary charge tax

- ▶ Ring-fence **SCT rate is 32%**
- ▶ Taxable income is calculated by subtracting from revenues:
  - ▶ OPEX,
  - ▶ depreciation (actual CAPEX),
  - ▶ 50% PRT,
  - ▶ decommissioning costs (capped @ 20%)
  - ▶ **loss carried forward**
  - ▶ **value allowances**

## Petroleum revenue tax

- ▶ **PRT rate is 50%**
- ▶ **Applies solely to fields developed prior to 1993**
- ▶ Taxable income is calculated by subtracting from revenues:
  - ▶ OPEX,
  - ▶ CAPEX and
  - ▶ loss carried forward

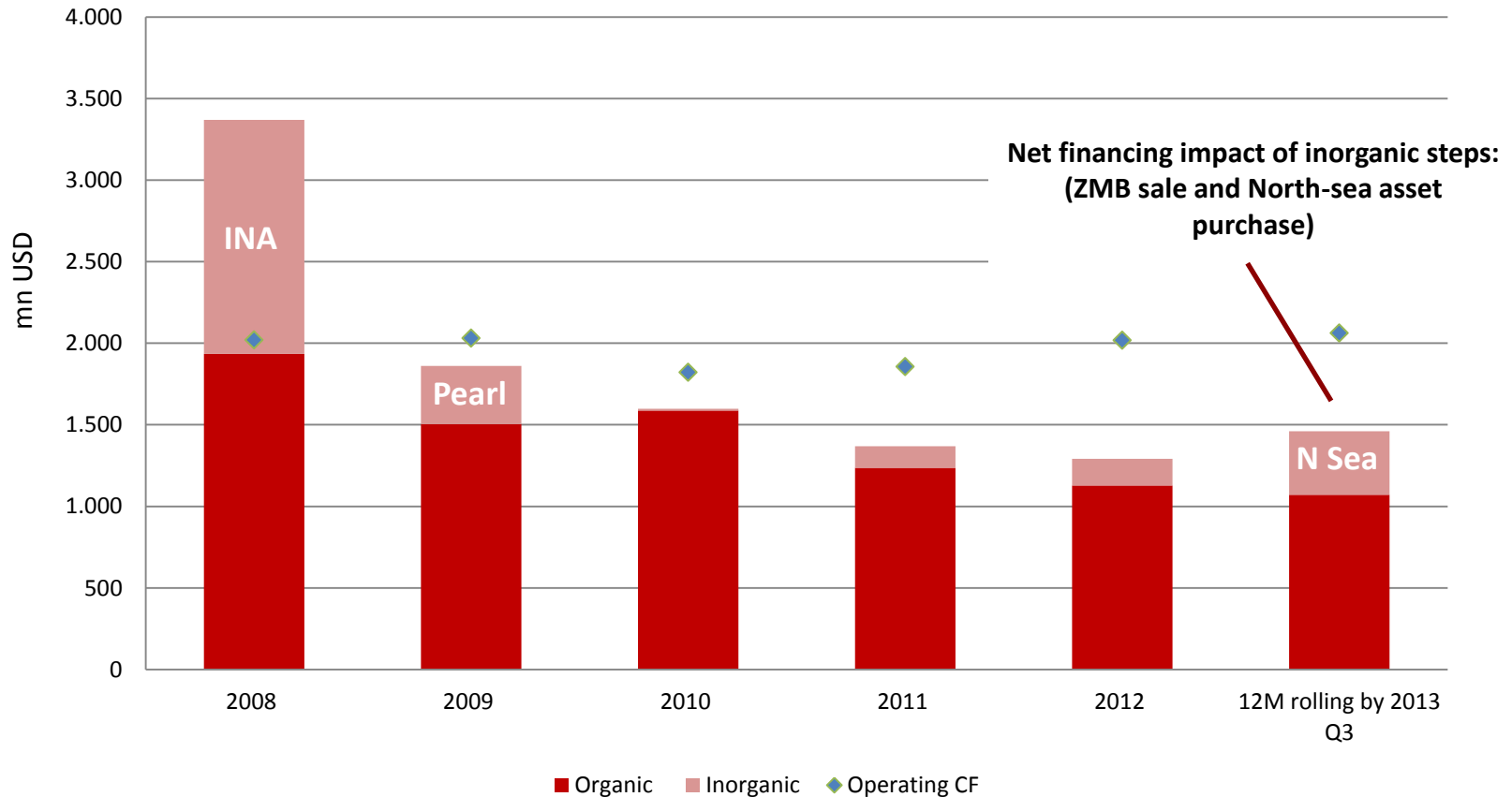
## Tax benefits available to MOL

- ▶ Through the acquisition MOL will be in possession of **over USD 40mn PV tax losses carried forward** (a combination of CIT & SCT)
- ▶ **Expected small field allowance** with a present value **impact of USD >100mn**; applicable for Catcher Area (3 fields), Cladhan<sup>1</sup>, Scolty & Crathes
- ▶ **All fields are exempt from PRT**

# ACQUISITION CAN BE COVERED FROM OPERATING CASH-FLOW

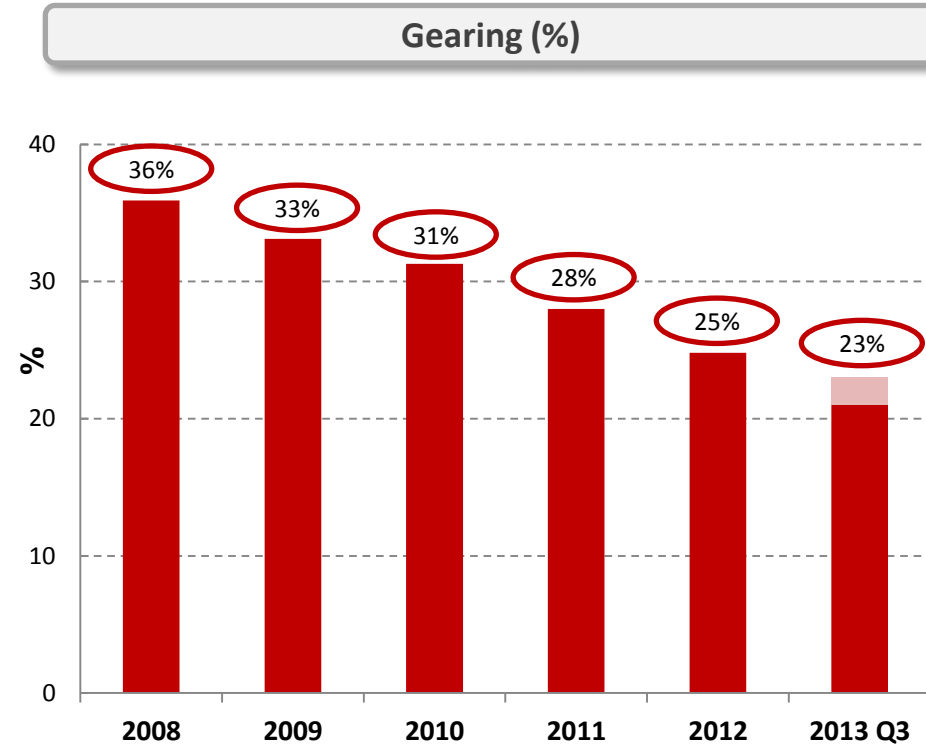
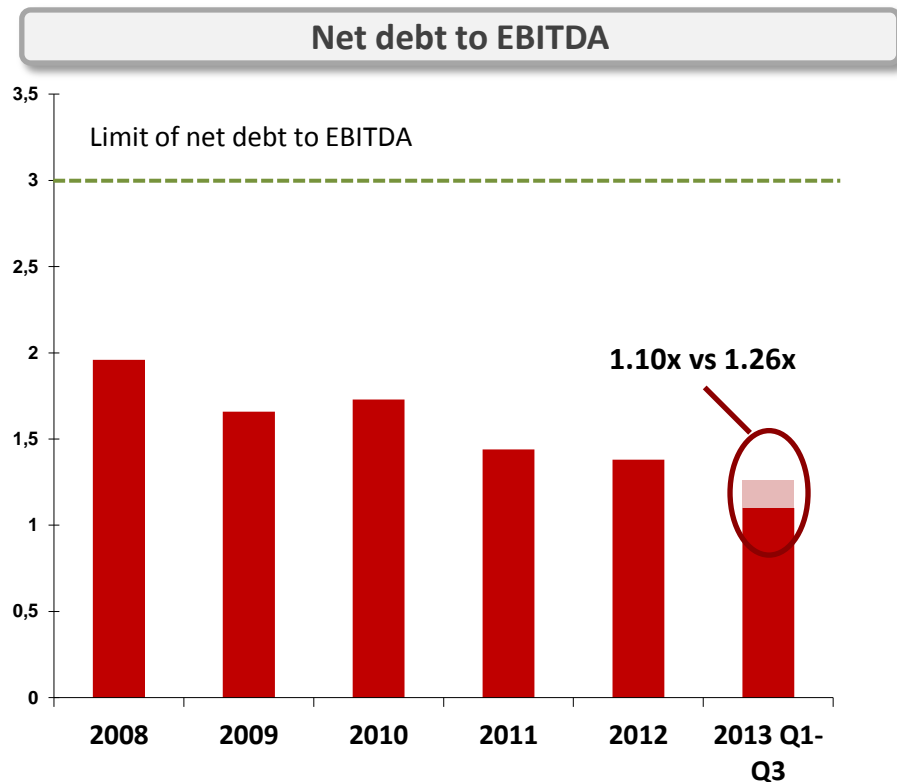
*Including cash in from disinvestments*

Group operating cash-flow vs. invested CAPEX



# LEVERAGE REMAINS WELL WITHIN THE COMFORT ZONE

With Net debt to EBITDA at 1.26 post acquisition



**Higher net debt to EBITDA (post-acquisition: 1.26x vs. pre-acquisition: 1.10x) and gearing (post-acquisition: 23% vs. pre-acquisition: 21%) will remain below targeted levels of <2.0x and <30%, respectively**

# ANNEX – DETAILED LIST OF ACQUIRED ASSETS

Asset	Licence	Status	Equity gain of MOL	Operator/Partners post transaction
<b>Broom</b>	P242/ P902	producing	29%	<b>Enquest (63%)</b> Ithaca Energy (UK) Limited (8%)
<b>Broom area</b>	P1967	exploration	50%	<b>Enquest (50%)</b>
<b>Cladhan</b>	P1064	development	33.5%	<b>TAQA (52.70%)</b> Sterling Resource (13.8%)
<b>Cladhan South</b>	P1680	exploration	25%	<b>Taqa (45%)</b> Ithaca (30%)
<b>Catcher</b>	P1430	development	20%	<b>Premier Oil (50%)</b> Cairn Energy (30%)
<b>Catcher area</b>	P2086/ P2040	exploration	20%	<b>Premier (35%)</b> Cairn Energy (35%) Statoil (10%)
<b>Scolty/ Crathes</b>	P1107/ P1617	development	50%	<b>EnQuest (40%)</b> Ithaca Energy (UK) Limited (10%)
<b>Scolty/Crathes area</b>	P2084	exploration	50%	<b>EnQuest (50%)</b>
<b>Blakeney</b>	P1972	exploration	57%	<b>MOL (57%)</b> Tullow (43%)
<b>Blakeney</b>	P1619	exploration	75%	<b>MOL (75%)</b> Sterling (25%)
<b>Lucius prospect</b>	P1633	exploration	17%	<b>MPX (16.67%)</b> Cairn Energy (27.78%) TAQA (20%) Dyas (16.67%)

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