RESULTS OF THE THIRD QUARTER AND FIRST NINE MONTHS 2014

6th November 2014

MOLGROUP

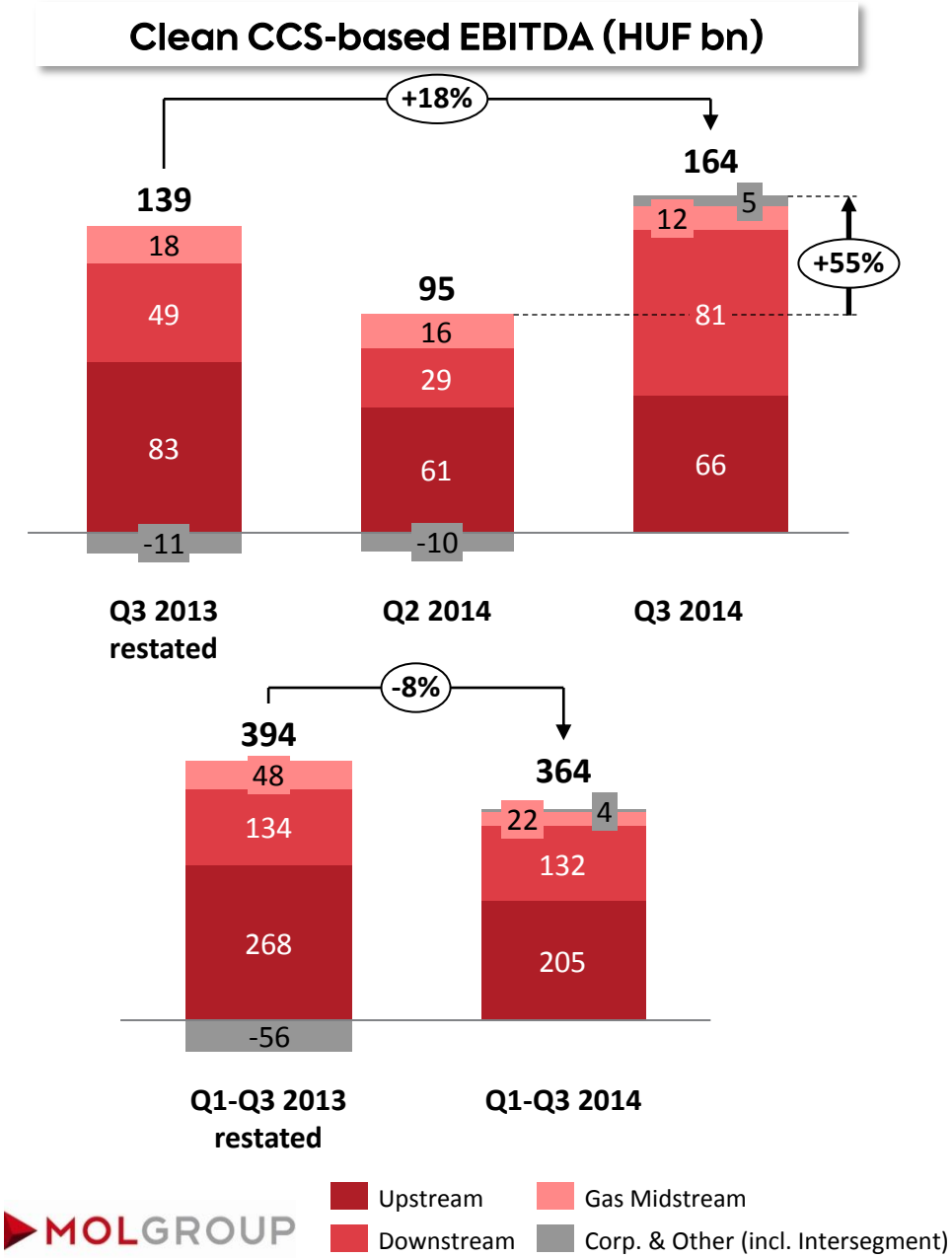
DISCLAIMER

"This presentation and the associated slides and discussion contain forward-looking statements. These statements are naturally subject to uncertainty and changes in circumstances. Those forward-looking statements may include, but are not limited to, those regarding capital employed, capital expenditure, cash flows, costs, savings, debt, demand, depreciation, disposals, dividends, earnings, efficiency, gearing, growth, improvements, investments, margins, performance, prices, production, productivity, profits, reserves, returns, sales, share buy backs, special and exceptional items, strategy, synergies, tax rates, trends, value, volumes, and the effects of MOL merger and acquisition activities. These forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to developments in government regulations, foreign exchange rates, crude oil and gas prices, crack spreads, political stability, economic growth and the completion of on-going transactions. Many of these factors are beyond the Company's ability to control or predict. Given these and other uncertainties, you are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements (which speak only as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as maybe required under applicable securities laws.

Statements and data contained in this presentation and the associated slides and discussions, which relate to the performance of MOL in this and future years, represent plans, targets or projections."

Q3 EXCEPTIONAL DOWNSTREAM PERFORMANCE, AS WELL AS INCREASED UPSTREAM

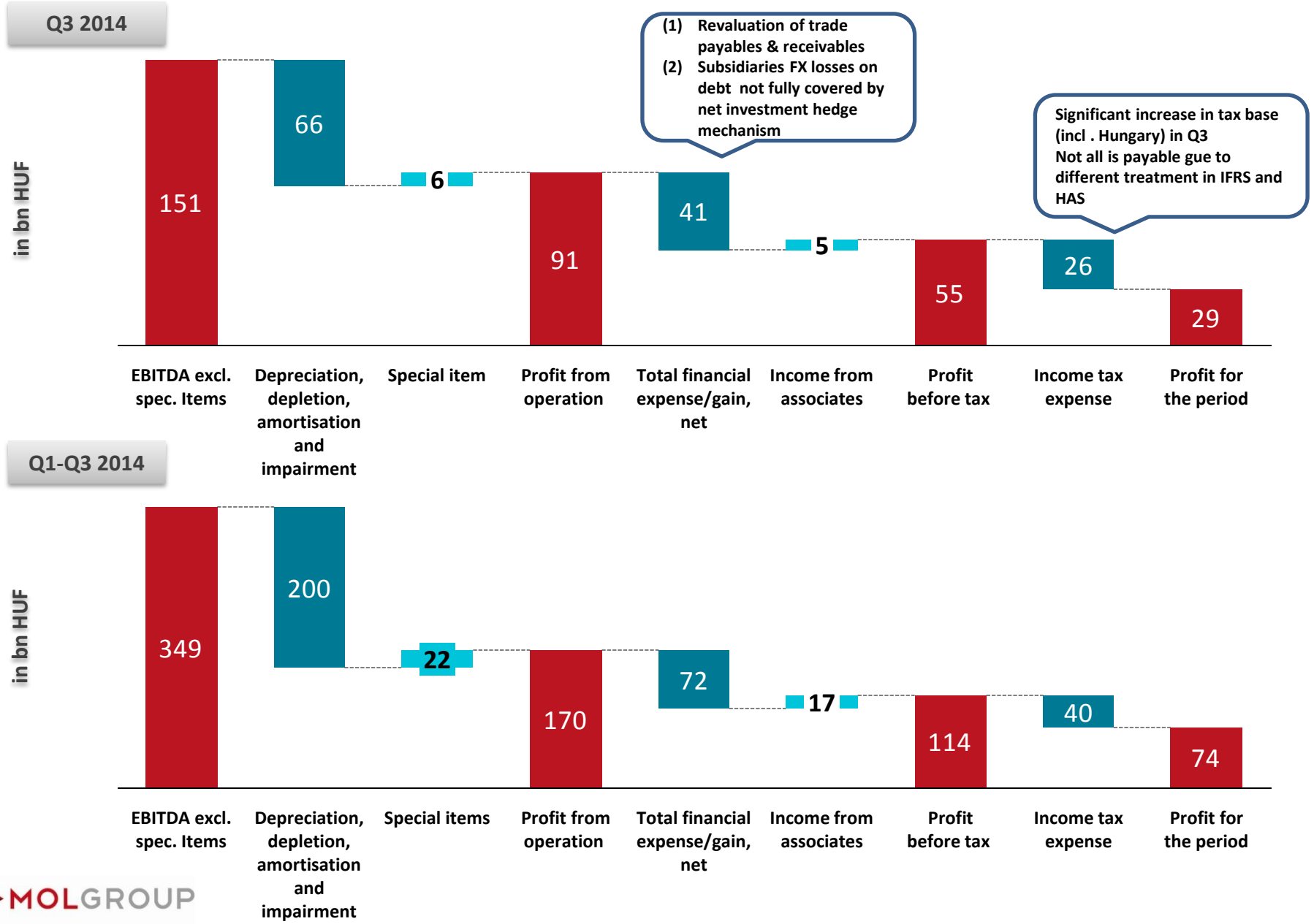
Q1-Q3 is 8% behind 2013 performance partly due to portfolio restructuring



- **Upstream reached better result q-o-q despite lower quotations**
  - **Reversed trend of declining production**
- **Downstream delivered one of its best ever quarterly result**
  - **improving macro environment**
  - **implemented efficiency measures**
  - **improved margin capture**
- **Gas Midstream result remained weighted by regulatory changes**

HIGHER Q3 FINANCIAL EXPENSE DRIVEN BY SIGNIFICANTLY WEAKENING OF HUF AGAINST USD

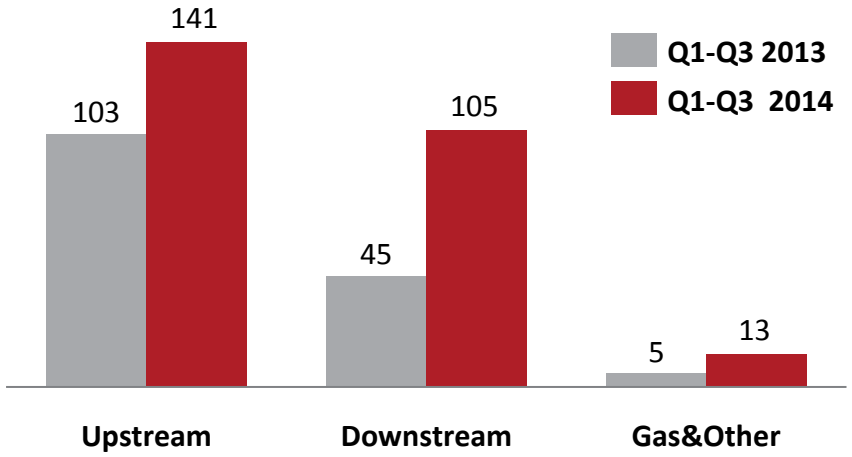
Repoerted income tax also rose, however not all of that is payable



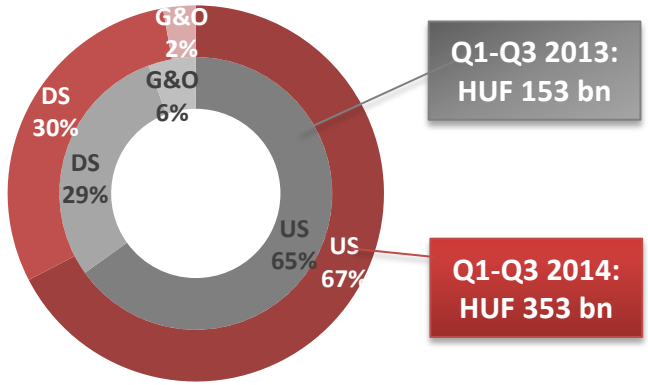
CONTINUATION OF ORGANIC GROWTH INVESTMENTS AND FURTHER INORGANIC STEPS

In parallel we kept our strong financial position: indebtedness ratios are at lowest levels

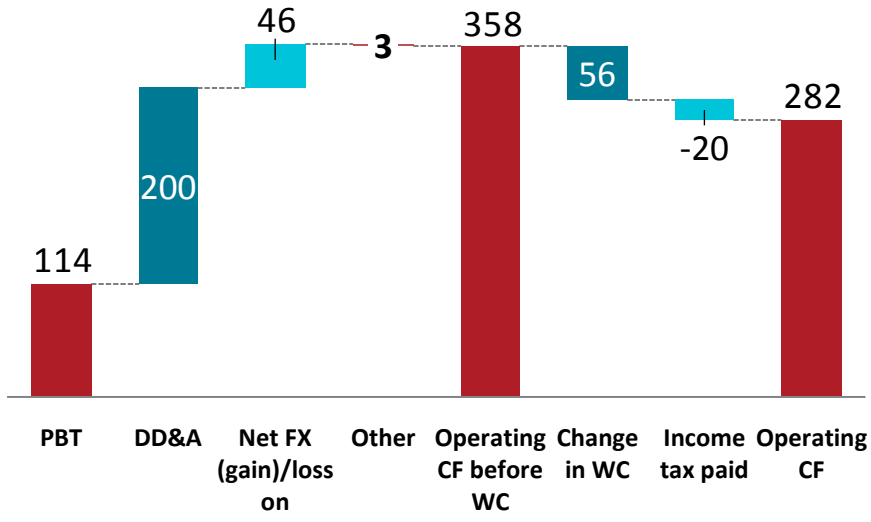
Organic CAPEX spending Q1-Q3 2014 (HUF bn)



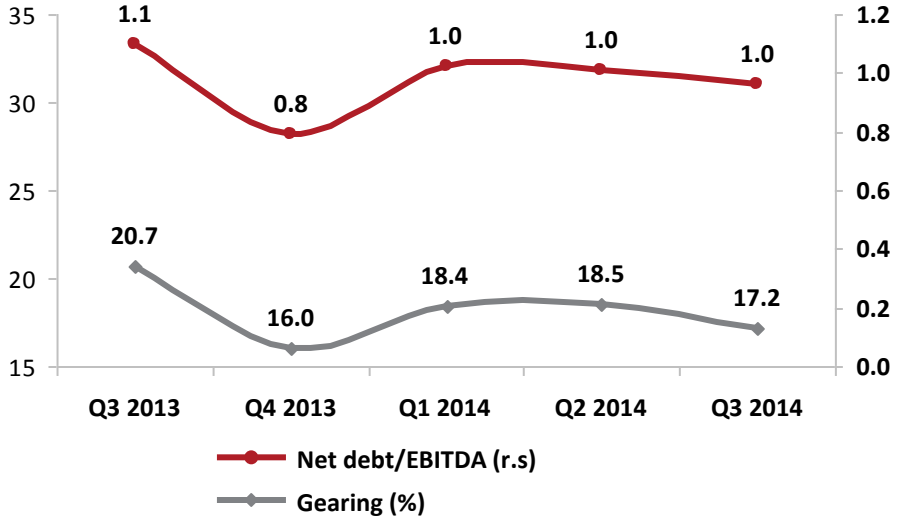
Total CAPEX Q1-Q3 2014 – including acquisitions



Operating CF in Q1-Q3 2014 (HUF bn)



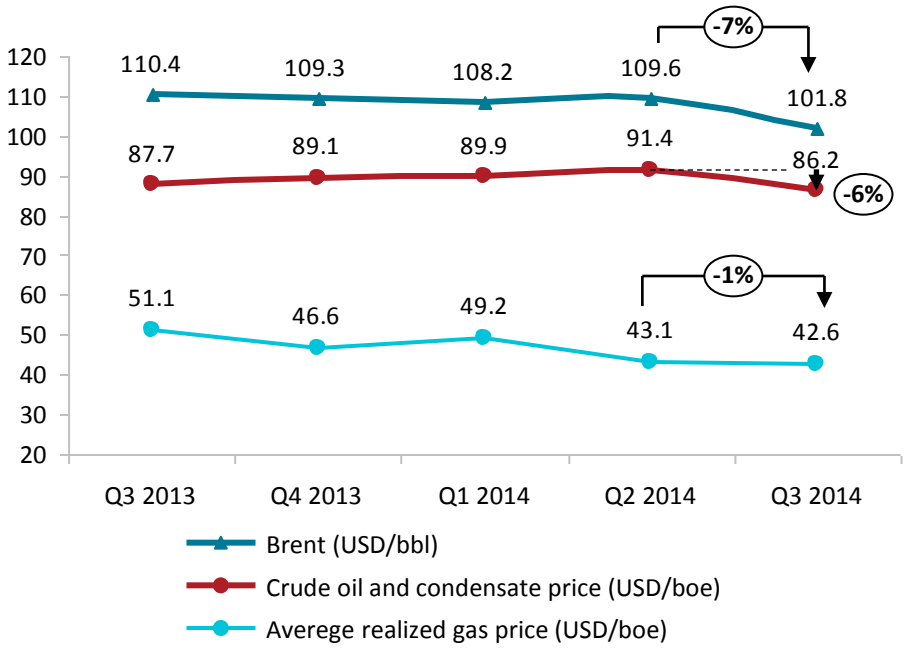
Net gearing - net debt/EBITDA



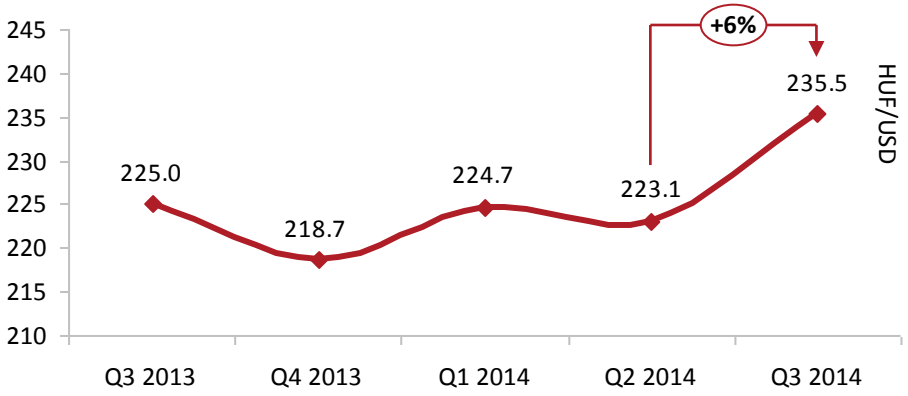
UPSTREAM PRODUCTION „VISIBLE SIGNS OF IMPROVEMENT"

Intensive work program shows progress and flat production in CEE

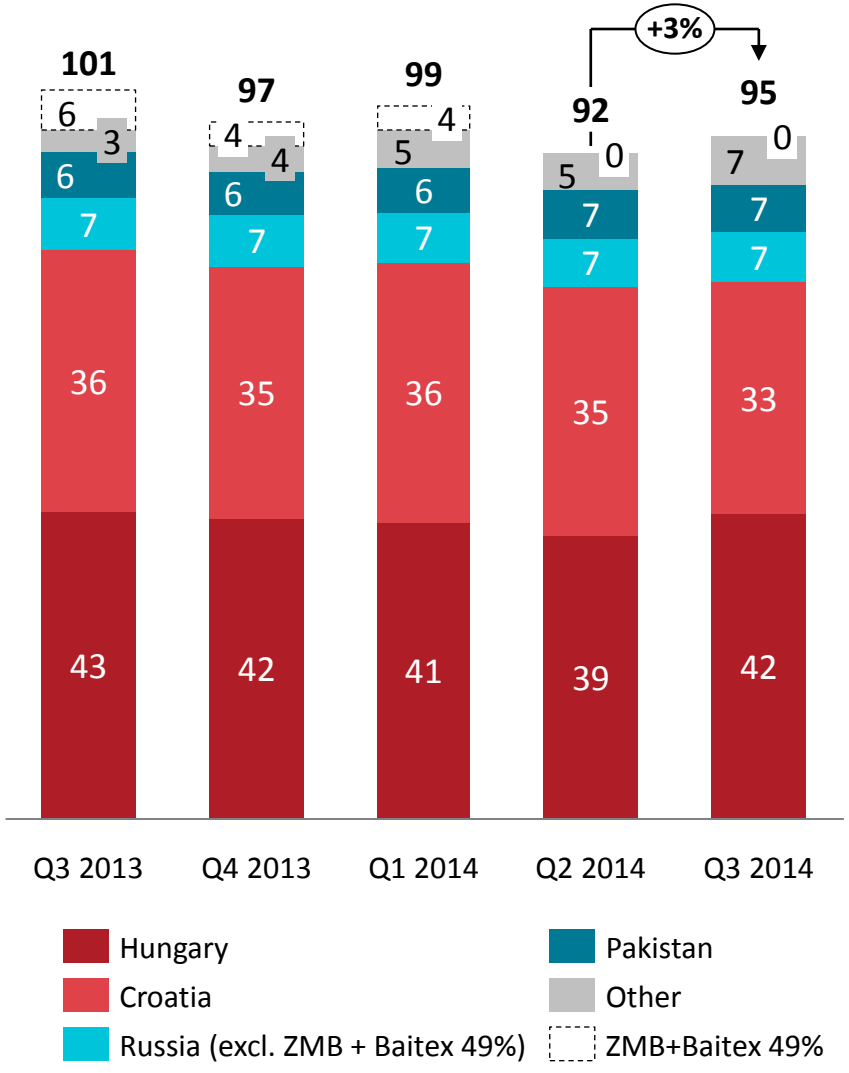
Hydrocarbon prices



FX change (HUF/USD average)



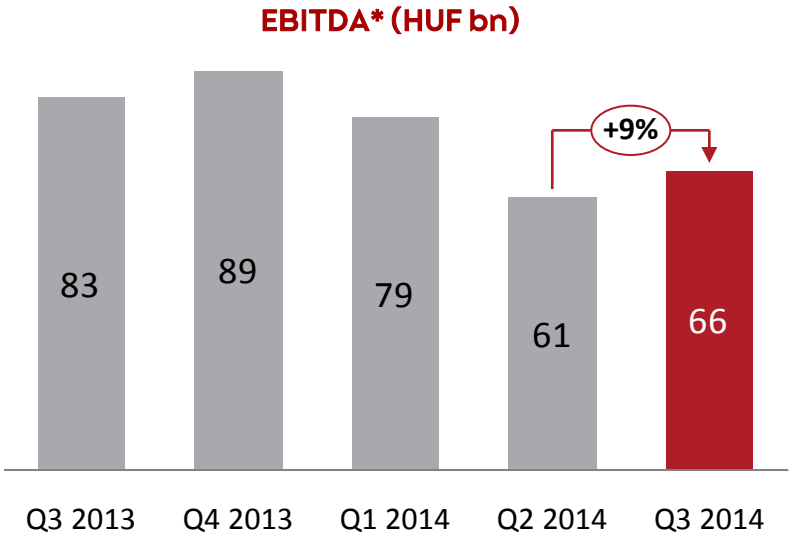
Daily hydrocarbon production (mboepd)

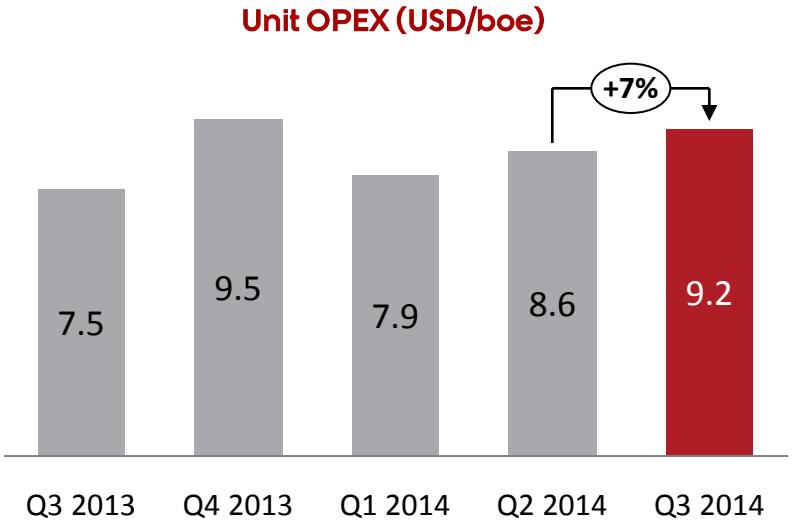


** Excl. portfolio changes*

UPSTREAM - INCREASED Q3 EBITDA*

Mostly attributable to weaker HUF, lower exploration spending and lower receivables impairment in Egypt





UPSTREAM EBITDA* INCREASEDBY 9% QoQ

\+

- Weaker Hungarian Forint against USD
- Lower impairment on Egyptian receivables
- Lower exploration spending

\-

- Offset by lower realized hydrocarbon price driven by lower Brent price

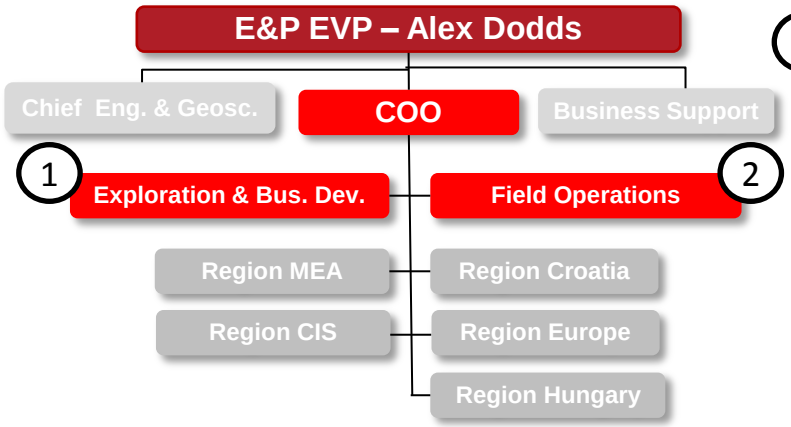
Upstream

* Excluding special items

KEY UPSTREAM MESSAGES FOR 2015

- NEW SENIOR MANAGERS AT MOL GROUP UPSTREAM, EACH WITH OVER 25 YRS OF INTERNATIONAL EXPERIENCE
- RESERVE BOOKINGS FROM KEY INTERNATIONAL PROJECTS (KRI, NORTH SEA, KAZ)
- OVER USD 1BN ORGANIC CAPEX PLANNED FOR 2015, WITH FOCUS ON KRI AND UK
- OVER 10% PRODUCTION GROWTH TARGETED IN 2015, TO REACH 105-110 MBOEPD
- WE AIM TO BALANCE RISK AND SEEK NEW ACCRETIVE EXPLORATION & DEVELOPMENT OPPORTUNITIES VIA ACTIVE PORTFOLIO MANAGEMENT

NEW SENIOR MANAGERS AT MOL GROUP UPSTREAM, EACH WITH OVER 25 YEARS OF INTERNATIONAL EXPERIENCE



- **E&P COO organization** focuses on **operations** and **active portfolio management** on the full life cycle
- **All critical senior leadership positions filled**
- **Mindset and cultural change**

1

Dr. Brian William Glover - SVP of Exploration & BD

- **25+ years of industry experience**
- **Worked across all sectors of North Sea as well as West and East African operations**
- Worked 6 yrs at **Tullow;** 11 years at **Shell** in a number of **management and technical** positions
- **Geologist, PhD in Sedimentology and Basin Evolution**

2

Mike Pausche - SVP of Field Operations

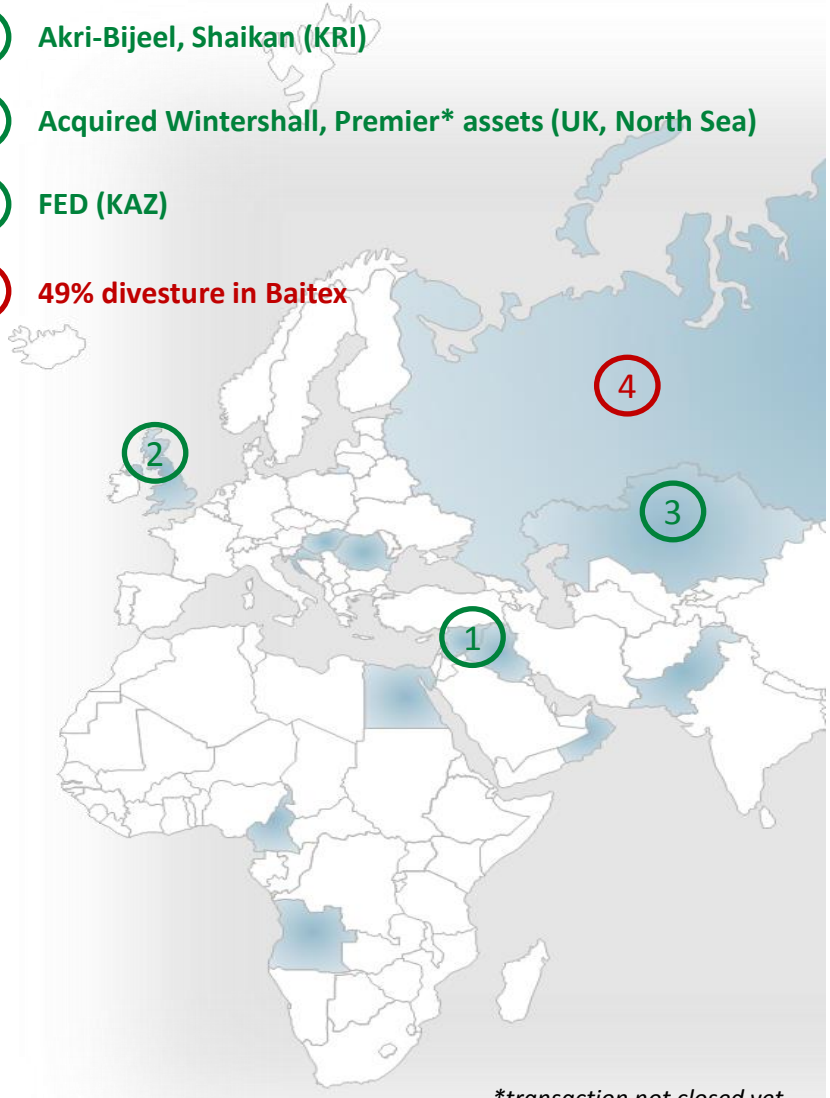
- **25+ years of industry experience**
- 4 years at **Hess** in various **project management** positions, both in producing assets and new developments
- 13 years at **BHP Billiton,** leading **major capital projects**
- **BA in Mechanical Engineering**

RESERVE BOOKINGS EXPECTED FROM KEY INTERNATIONAL PROJECTS

Over USD 1bn organic CAPEX planned for 2015 with major focus on KRI and UK

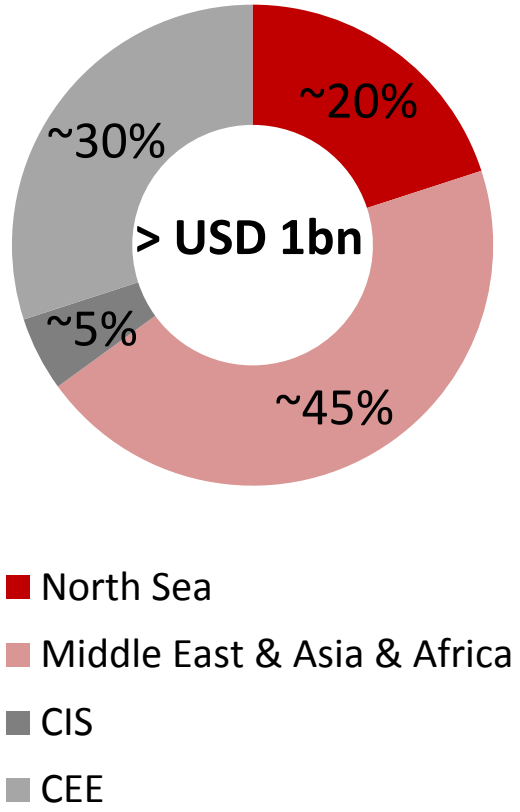
Expected main reserve movements

1. Akri-Bijeel, Shaikan (KRI)
2. Acquired Wintershall, Premier* assets (UK, North Sea)
3. FED (KAZ)
4. 49% divesture in Baitex



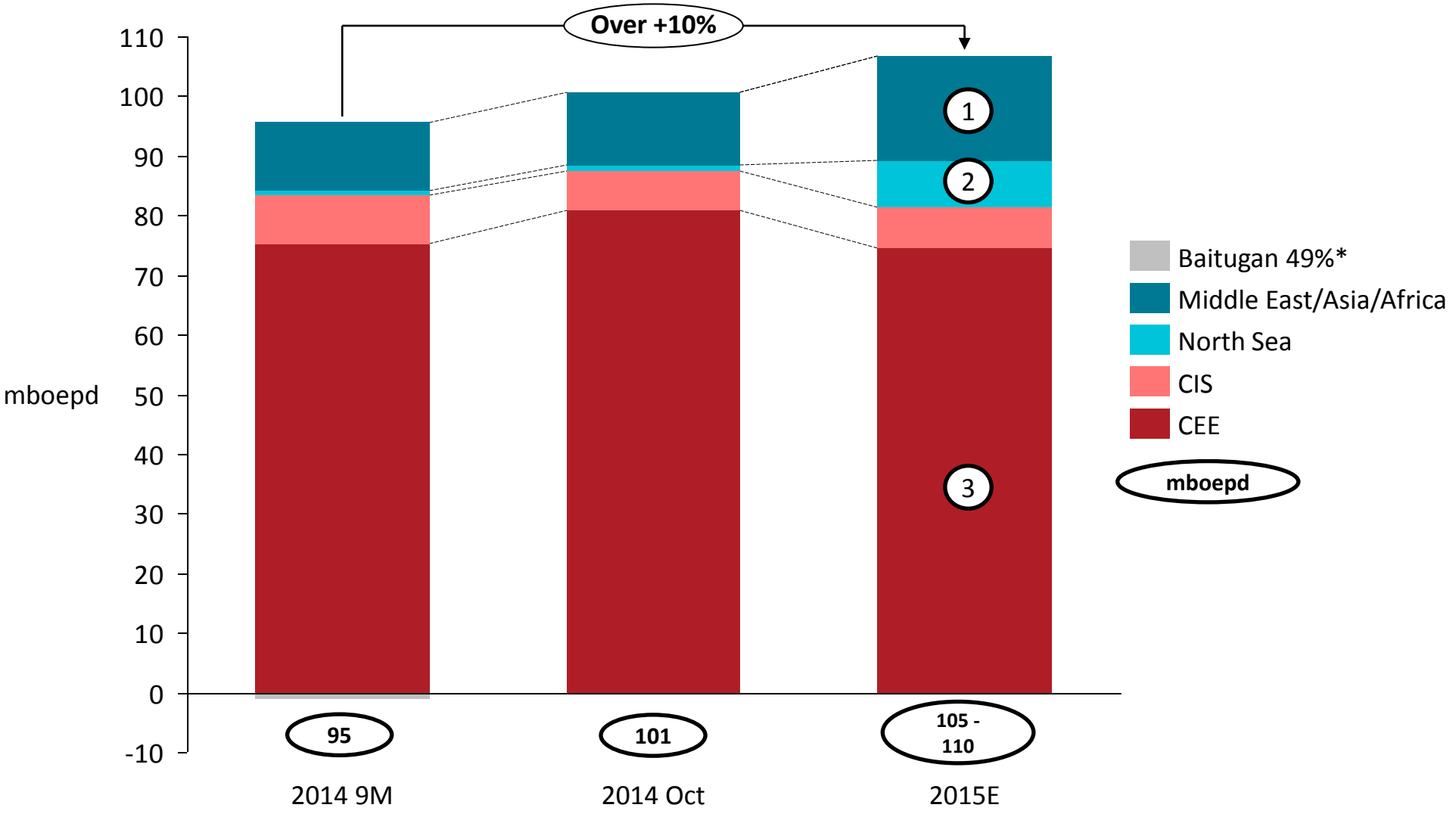
*transaction not closed yet

CAPEX breakdown by region, 2015E



OVER 10% PRODUCTION GROWTH TARGETED IN 2015

…105-110 mboepd level targeted for next year



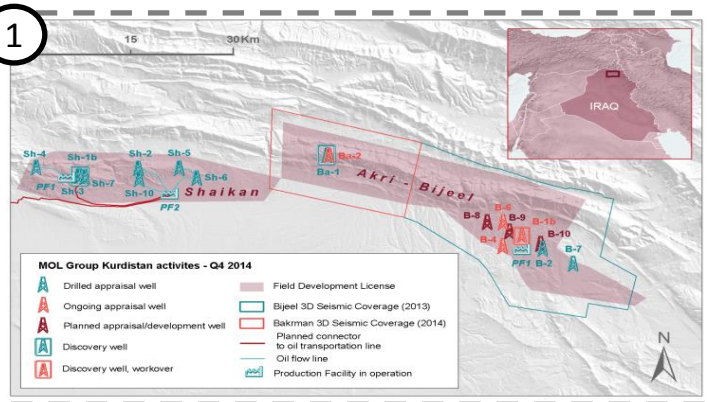
Upstream

*49% of Russian Baitugan field divested in of Q1 2014

INCREMENTAL PRODUCTION FROM KRI AND UK IN 2015

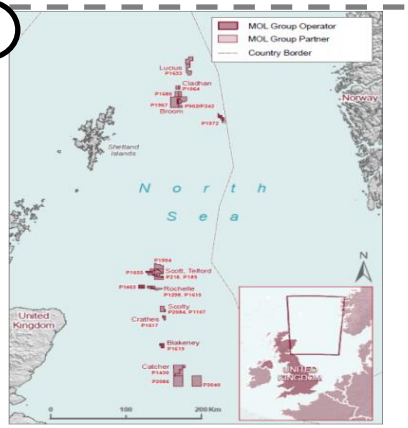
While a more muted decline in CEE

1



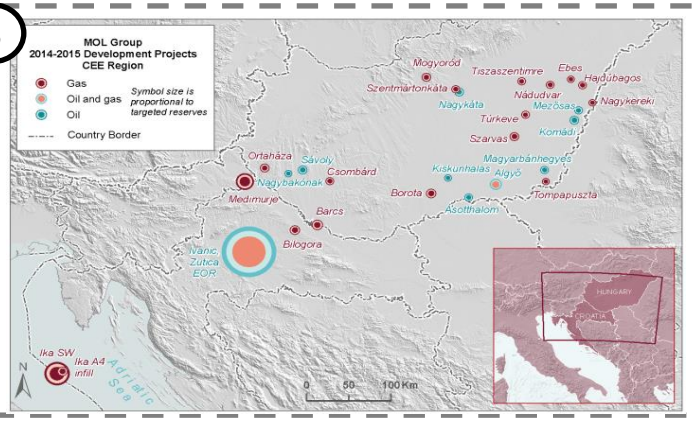
- **FDP signed on Akri-Bijeel**, commercial production starting in 2014
- We are **targeting 10 mboepd block production** in the short term and further increase of the production in line with the FDP during 2015.
- **Shaikan**: To ramp up **block production to 40 mboepd by end 2014**

2



- We are continuing to complement **critical offshore / North Sea** expertise in our Aberdeen office
- **Proactive approach vis-a-vis our partners** to enhance production of non-operated assets
- Contribution of North Sea estimated **around 8-9 mboepd for 2015**

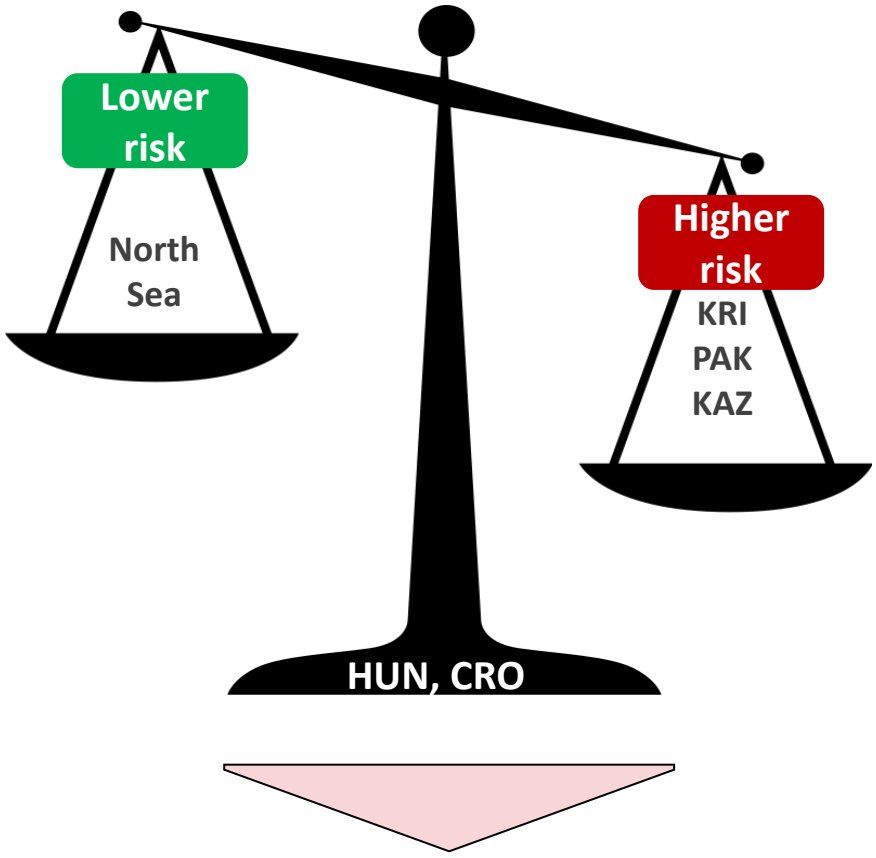
3



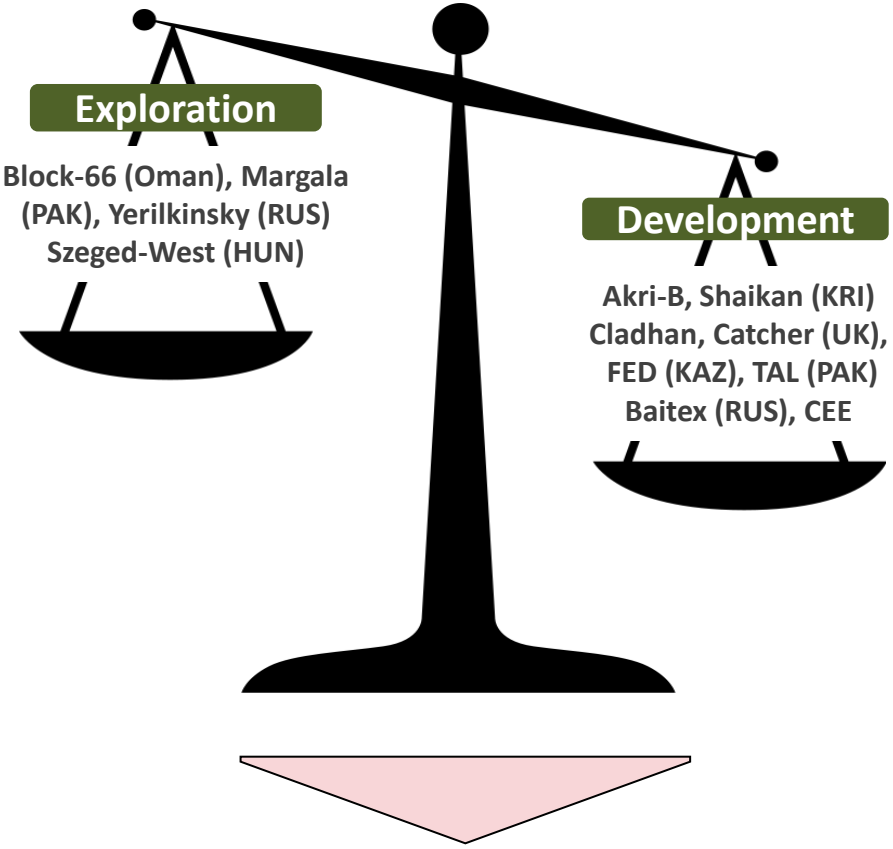
- **We expect production to stabilize in Croatia** after turning our development projects into production
- **Bids submitted** to new license acreages in Hungary and Croatia, representing upside exploration potential
- Production enhancement and cost efficiency programs under way

WE AIM TO BALANCE RISK AND SEEK NEW ACCRETIVE EXPLORATION & DEVELOPMENT OPPORTUNITIES VIA ACTIVE PORTFOLIO MANAGEMENT

We are actively pursuing opportunities to further balance our country risk profile



We are seeking additional exploration opportunities – e.g., 28th UK bid round

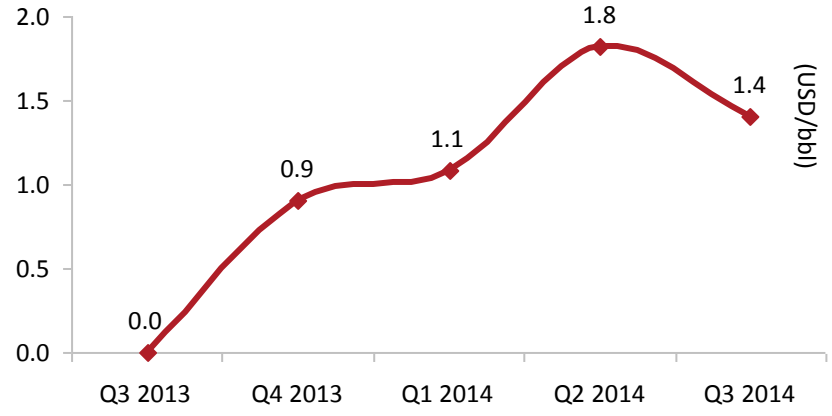


Further inorganic moves targeting a more balanced portfolio in terms of country risk, with more focus on exploration

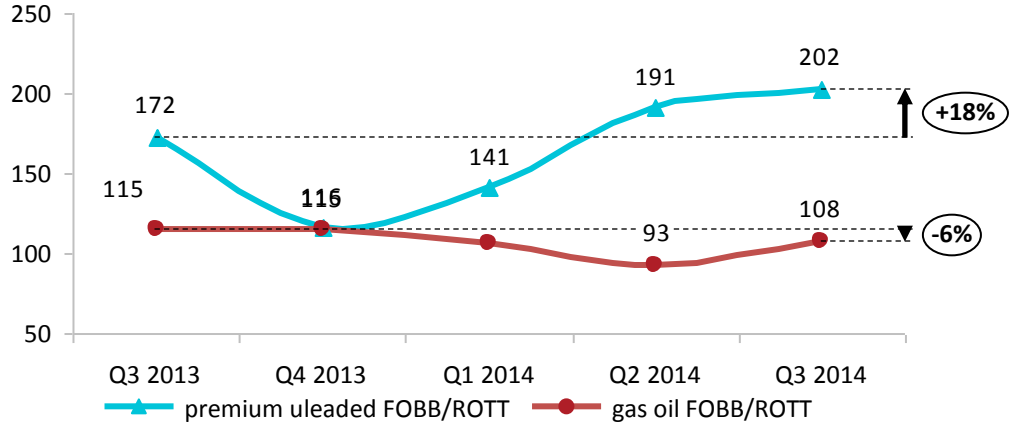
DOWNSTREAM : SIGNIFICANTLY IMPROVED EXTERNAL ENVIROMENT

Q3 brought higher crack spreads, as well as highest Petchem margin over the last years

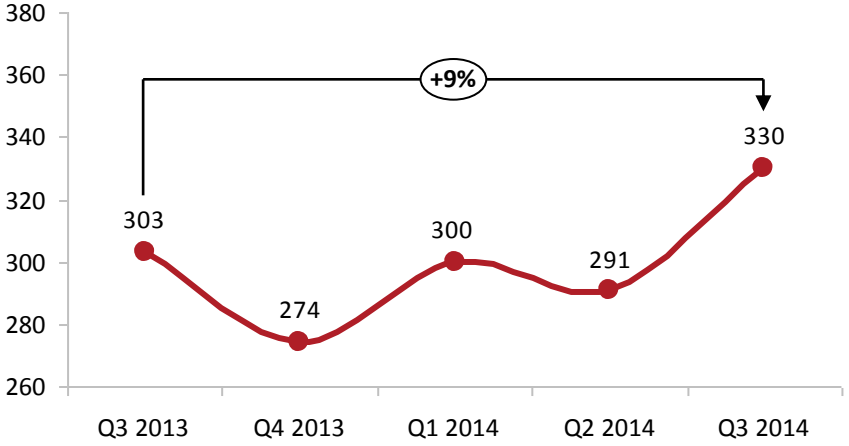
Brent - Ural spread (USD/bbl)



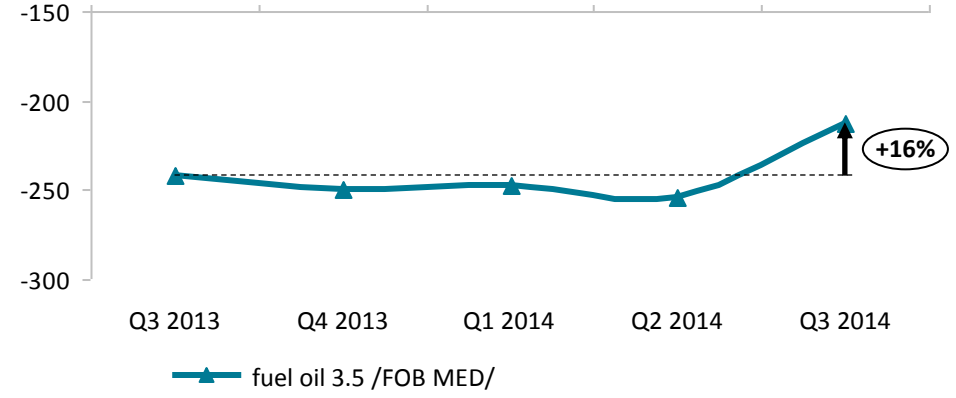
Gasoline, gasoil spread (USD/t)



Integrated petrochemical margin (EUR/t)

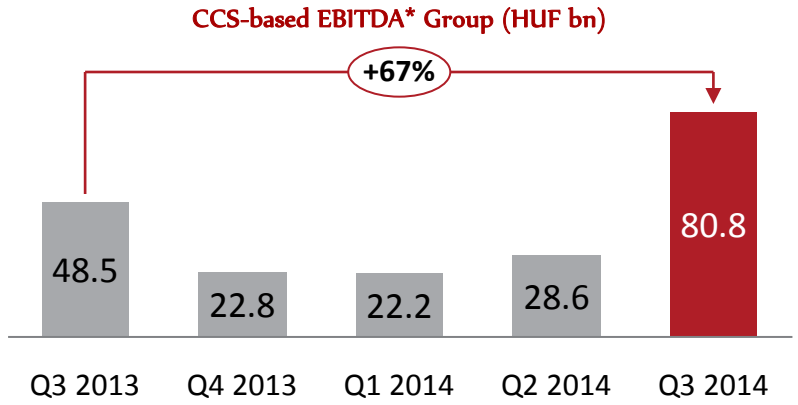


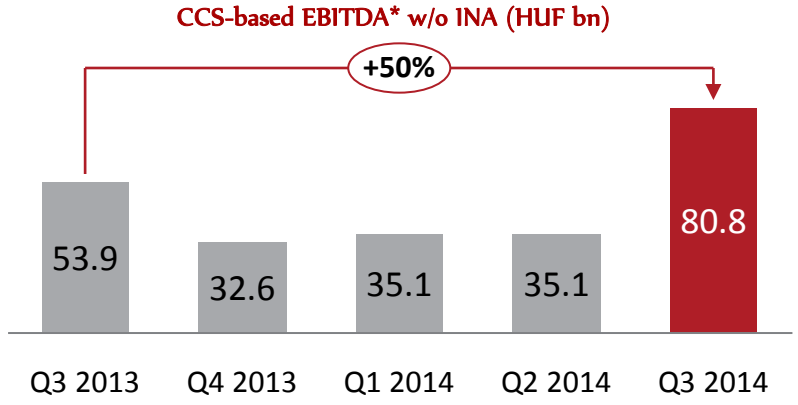
Fuel oil bitumen spread (USD/t)

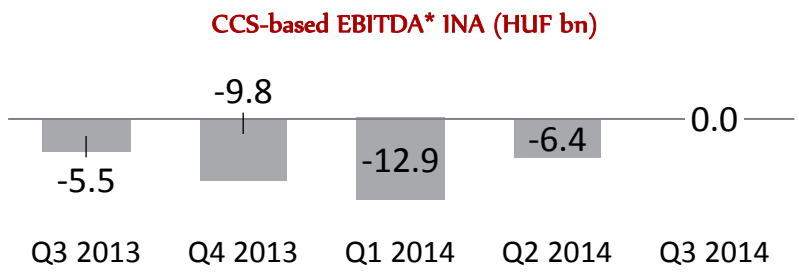


Q3 2014 CLEAN-CCS EBITDA AMONG TOP QUARTERLY PERFORMACES EVER

Improvement exceeds uplift in external environment







\+

- ▶ **Wider Brent-Ural spread**
- ▶ **Marginally recovered Gasoil and Fuel oil crack spreads**
- ▶ **Increased wholesale margin**
- ▶ **New Downstream program in full swing**

\-

- ▶ **Lower sales sales by 6%**

Downstream

* Excluding special items, replacement modification, forex gains and loss on debtors and creditors and impairment on inventories

KEY MESSAGES OF DOWNSTREAM FOR 2015

- NO MAJOR CHANGE IN THE EXTERNAL ENVIRONMENT, SOME IMPROVEMENT ON THE DIESEL SIDE
- FURTHER INTERNAL IMPROVEMENTS TARGETING GROWING FREE CASH FLOW GENERATION
- KEY PERTOCHEMICAL GROWTH PROJECTS WILL BE COMMISSIONED IN 2015 AND INCREASE PROFITABILITY
- FINALIZED PIPELINE PROJECT IMPROVES SECURITY OF SUPPLY AND INCREASES CRUDE DIVERSITY

EXTERNALS: NO MAJOR CHANGE IS EXPECTED IN THE ENVIRONMENT, SOME IMPROVEMENT ON THE DIESEL SIDE

Downstream macro

- PREPARED FOR A PERSISTENTLY CHALLENGING REFINING MACRO
- HOWEVER EXPECTS **SOME IMPROVEMENT IN DIESEL CRACK** AND **PETROCHEMICAL MARGINS**

Regional demand

- SLOW, BUT GRADUAL INCREASE OF CEE REGIONAL MOTOR FUEL DEMAND IS EXPECTED
  - **>2% CAGR OF DIESEL DEMAND**
  - STAGNATING GASOLINE CONSUMPTION

		Q1-Q3 2014	2015E
Gasoline (FOB ROTT)	USD/t	179	130-140
Diesel (FOB ROTT)	USD/t	102	110-120
HFO 3.5 (FOB MED)	USD/t	(238)	(200)-(210)
Brent/Ural	USD/bbl	1.43	1.0-1.5
Int. Petrochemical margin	EUR/t	307	320-330

INTERNALS: FURTHER IMPROVEMENTS TARGETING GROWING FREE CASH FLOW GENERATION

DS

- **CONTINUE EFFICIENCY IMPROVEMENT AND LEAN IMPLEMENTATION - NEXT DOWNSTREAM PROGRAM** WILL BE LAUNCHED

Refining & Marketing

- TARGETING **~10% INCREASE IN MOTOR FUEL SALES** WITH HIGHER FOCUS ON TRADING
- 1ST YEAR OF **NEW OPERATION MODEL AT IES WITH** POSITIVE EBITDA
- **INCREASE THE DIVERSITY OF CRUDE SUPPLY** OF COMPLEX REFINERIES
- MAKE AND START TO IMPLEMENT **DECISION ON CROATIAN REFINERIES**

Retail

- **INTEGRATION OF 250+ ACQUIRED** ENI AND LUKOIL **STATIONS** INTO THE NETWORK
- CONTINUE RETAIL MODERNIZATION AND **LOOKING FOR NEW REGIONAL INORGANIC OPPORTUNITIES**

Petchem

- **FINALIZING KEY PETROCHEMICAL GROWTH PROJECTS** (BUTADIENE / LDPE4); FINAL INVESTMENT DECISION ON S-SBR PROJECT

EXTENDING THE PETROCHEMICALS VALUE CHAIN – INCREASE PROFITABILITY

LDPE4

- New 220 ktpa capacity LDPE unit replaces 3 old ones at SN; revamp existing Steam Cracker
- CAPEX: USD ~350mn
- Construction is on track (overall above 70%)
- Planned start date: **end of 2015**
- **Higher naphtha off-take; Reduced production cost; better quality new products**

Butadiene

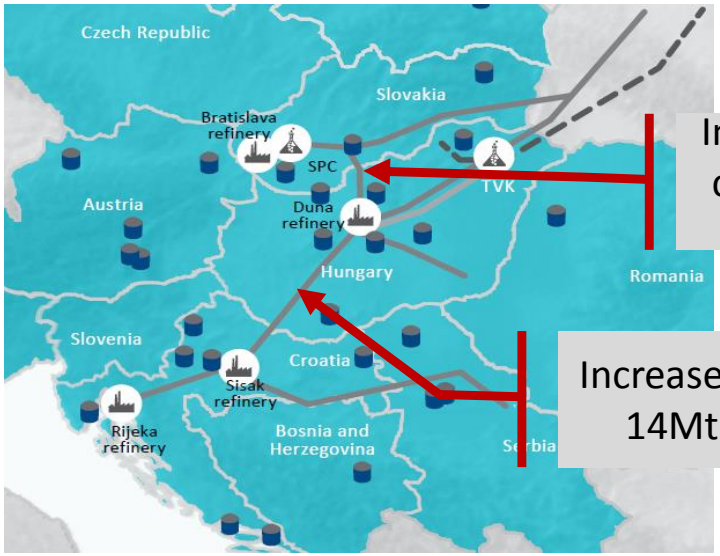
- New 130 ktpa capacity Butadiene Extraction Unit (BDEU) at the site of TVK.
- CAPEX: USD ~130mn
- Construction is on track
- Commissioning phase in Q1 2015
- Start of Commercial production: **Q2 2015**
- **Sizable contribution to Petrochemicals profitability**

S-SBR

- **Entering into the synthetic rubber business** with a joint venture partner, Japanese JSR
- New 60 ktpa SSBR plant - lucrative option of butadiene utilization.
- CAPEX: EUR ~95mn
- Planned start date: **end of 2017**
- FID and start of construction in 2015

IMPROVE SECURITY OF SUPPLY AND INCREASE CRUDE DIVERSITY

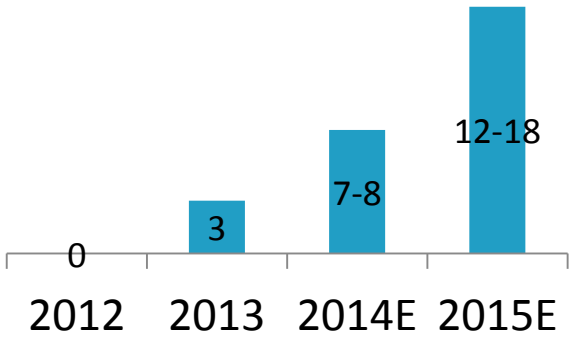
Friendship 1



- **Restore the reliable operation of Friendship 1 pipeline**
- **Potentially able to fully cover Danube and Bratislava refineries** crude supply via Adriatic and Friendship I pipelines
- CAPEX: USD ~80mn
- Expected Mechanical Completion: 2014 year end
- Test run starts in Q1 2015 and **commissioning in Q2 2015**

Crude diversity

Number of purchased cargos* through Adria pipeline for landlocked refineries



- Majority of the crude intake will remain Ural, however number of tested crudes in the complex refineries is increasing
- Technical and economical evaluations in order to **expand crude basket** – from 2013 in Danube, from 2015 in Bratislava refineries
- **Opportunistic approach** based on monthly optimization - capturing benefits of fluctuating crude spreads
- **Successful test of Kurdish crude** in Q3 2014 - considering regular supplies from Kurdistan R.I.

*1 cargo is equivalent with 80kt crude

THANK YOU FOR YOUR ATTENTION!

Financial reports, announcements, other information

and download possibilities can be found on our homepage:

ir.mol.hu | molgroup.info

MOL Investor Relations:

Tel: +361-464-1395

E-mail: investorrelations@mol.hu