

# Annual General Meeting

29 April 2010



▶ **MOL GROUP**

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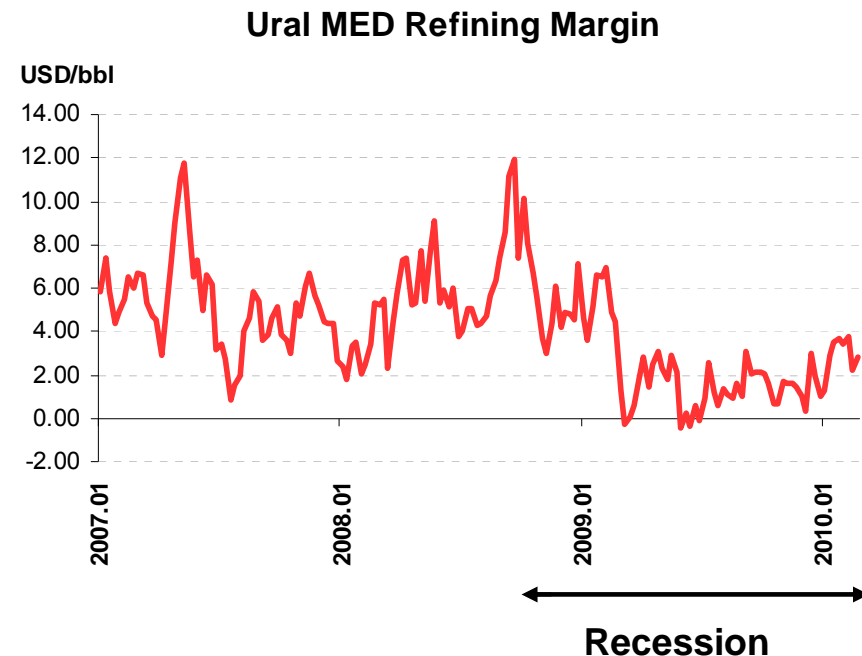
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## Agenda

- ▶ Challenging environment with prolonged recession period
- ▶ 2009's achievements
  - ▶ Financial results, strong financial position
  - ▶ Sustainable development's achievements
  - ▶ Strategic steps
- ▶ Strong basis for further growth
  - ▶ US actions – to maximise the value of existing portfolio
  - ▶ DS actions – to become Premium refinery group
- ▶ Financial targets
  - ▶ Premises
  - ▶ CAPEX for 2010-12
  - ▶ EBITDA ambition for 2012
- ▶ Summary

## Despite the challenges of the business environment...

- ▶ The recession weakened global energy demand in 2009
  - ▶ Diesel demand was hit harder than gasoline
  - ▶ CEE region motor fuel demand held up relatively well (-1%)
- ▶ Oil price: about doubling from USD/bbl 40 USD at the beginning of the year to around USD 80/bbl
  - ▶ OPEC discipline
  - ▶ Asian demand remained strong
- ▶ Weak refinery margins due to declining OECD demand
  - ▶ Capacity overhang leading to closures of weak refineries...
  - ▶ ...but still significant new capacity coming online in Asia



## ...MOL provided strong EBITDA in 2009...

(IFRS), in HUF billion	FY 2008	FY 2009	Ch %
<b>CONTINUING OPERATIONS</b>			
Net sales revenues	3,535	3,226	(9)
EBITDA	351	468	33
<b>EBITDA excl. special items</b>	346	385	11
Profit from operation	199	249	25
<b>Profit from operation excl. special items</b>	194	171	(12)
Net financial expenses/(gain)	16	59	266
Net profit for the period	141	117	(17)
<b>Net profit for the period excl. special items</b>	137	47	(66)
<b>DISCONTINUED OPERATIONS - Net profit for the period</b>	-	(2)	n.a.
<b>TOTAL OPERATIONS - Net profit for the period</b>	141	116	(18)
<b>Operating cash flow</b>	<b>347</b>	<b>411</b>	<b>18</b>

- ▶ MOL Group's EBITDA, excluding special items, increased by 11% to HUF 385 bn in 2009 year-on-year despite the deteriorating environment
- ▶ The bottom line was decreased by a HUF 59 bn financial expense and a significant tax expense, therefore net profit for the period, excluding special items, was at HUF 47 bn in FY 2009
- ▶ Operating cash flow increased by 18% to HUF 411 bn

## ... and kept its strong financial position

### Gearing (31 Dec 2009)

- ▶ **33.1% gearing ratio**
- ▶ **Net debt amounted to HUF 926.6 bn**
- ▶ **Net debt, excluding INA's full consolidation impact was HUF 672.9 bn**

### New credit facility

- ▶ **EUR 525 million forward start revolving facility agreement (12 November 2009, 29 December 2009), available from 1 October 2010**
- ▶ **Maturity: 18 months that can be extended by 6 months**
- ▶ **EUR 600 mn will be cancelled from the original EUR 2.1 bn credit line**
- ▶ **EUR 1.5 bn undrawn facility at the end of 2009**

### New Eurobond issuance

- ▶ **EUR 750 mn, annual coupon: 5.875%**
- ▶ **Maturity: 7 years, Pricing: 315 bp above mid swap rates**
- ▶ **Demonstrating the investor confidence in the company's financial strength**

# Positively viewed Sustainable Development performance

- ▶ **Taking responsibility on the highest level (Sustainable Development Committee of the Board of Directors)**
- ▶ **Each business and functional unit involved**

## Highlights of MOL Group's SD results in 2009

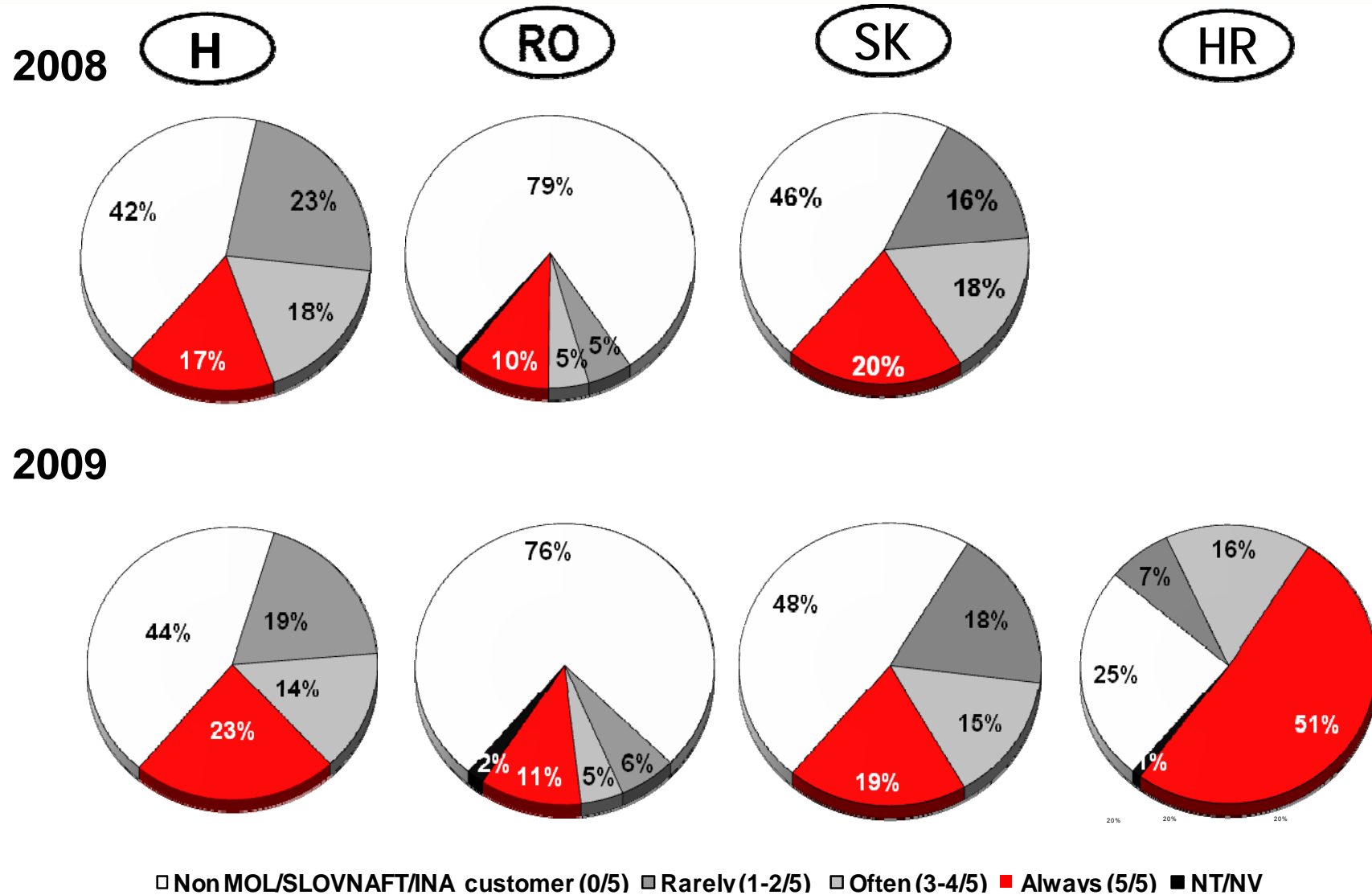
- ▶ Introduction of a comprehensive group-level **Code of Ethics**
- ▶ A **comprehensive and progressive HSE Management System** has been implemented
- ▶ An important benchmark level was attained in **work safety**
- ▶ Significant improvements in workplace health promotion program – “Take a STEP for your health”
- ▶ Research and development on a **new generation of biofuels**
- ▶ A joint venture company with the aim of producing electricity and heat from **geothermal resources**
- ▶ **Recruitment program attracting top talent**, while the new graduate program providing **professional development** and supporting integration into the Group's corporate culture

## Perception from the Capital Market

- ▶ MOL – exclusively from Central-Eastern-Europe – has become eligible for inclusion in Sustainability Yearbook 2010 published by Dow Jones Sustainability Index's analyst, SAM
- ▶ MOL was also awarded as “the company with the biggest proportional improvement” in its sustainability performance compared with last year. MOL is in the top 15% of the sector.



# Share of users committed to MOL Group brands also increased



Source: Gallup

## Strategic achievements in 2009 providing strong basis for further growth

Taking over operational control in INA enables value creation

- ▶ Strong basis for future growth created by taking over management control and starting the consolidation process (as of 30 June 2009)
- ▶ Upstream portfolio became better diversified and extended and downstream capacity significantly increased

Gas Master Agreement

- ▶ Amendment to the Gas Master Agreement signed on 16 Dec 2009
- ▶ Balanced regulatory framework
- ▶ INA exists from gas storage and trading activity

Gas infrastructure development

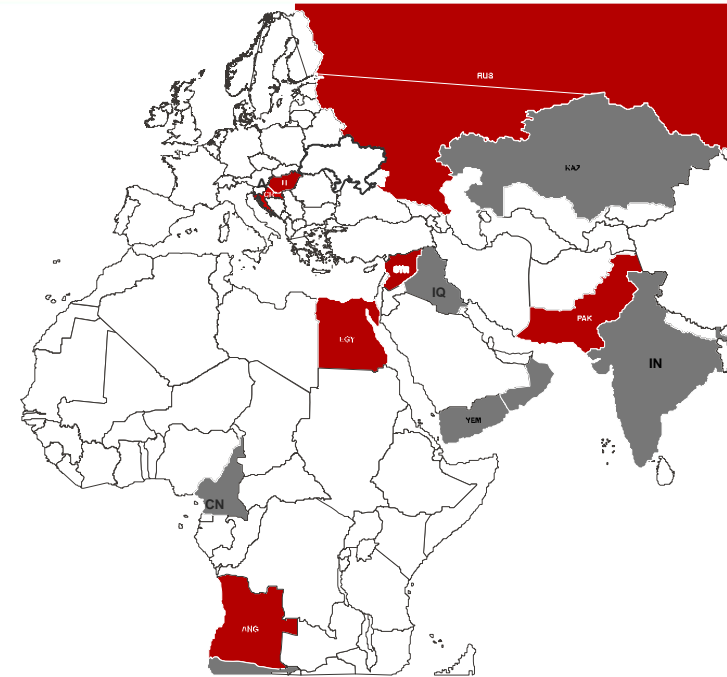
- ▶ Improving regional gas supply by implementing interconnections (Romania, Croatia)
- ▶ Gas storage project completion with 1.2 bcm strategic and 0.7 bcm commercial storage capacity

Shift towards upstream

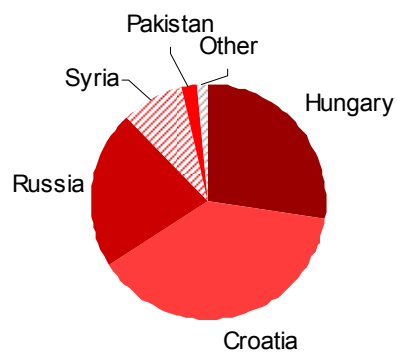
- ▶ Significant increase in reserve base to ensure short term production growth
- ▶ Development projects on the pipe (Syria, Croatian off-shore)
- ▶ Exploration portfolio with significant resource potential

# E&P: significant reserve and production base with further exploration potential

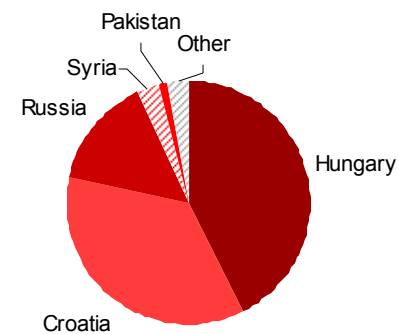
- ▶ E&P activities in 15 countries with production in 7 countries
- ▶ Exploration drilling success rate between 65%-75% in recent years and increasing exploration spending in the forthcoming years
- ▶ One of the most cost efficient operators amongst European players



**Reserves breakdown – 2009\***



**Production breakdown – 2009\*\***

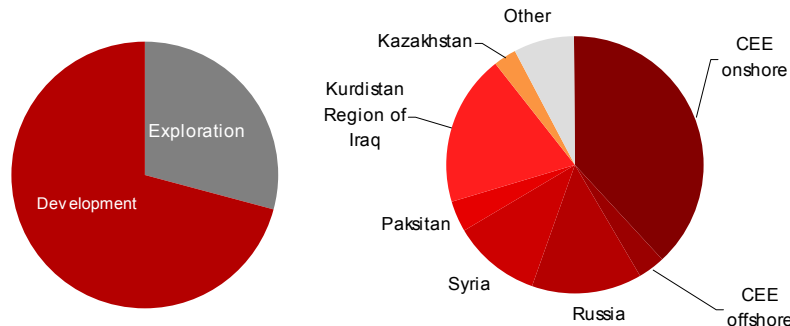


\*: SPE 2P reserves

\*\* : pro-forma joint production of MOL and INA in 2009 (excluding non-consolidated projects)

# E&P: CAPEX focusing on early cash generation

## CAPEX\* (2010-12 plan): USD 2.6 bn

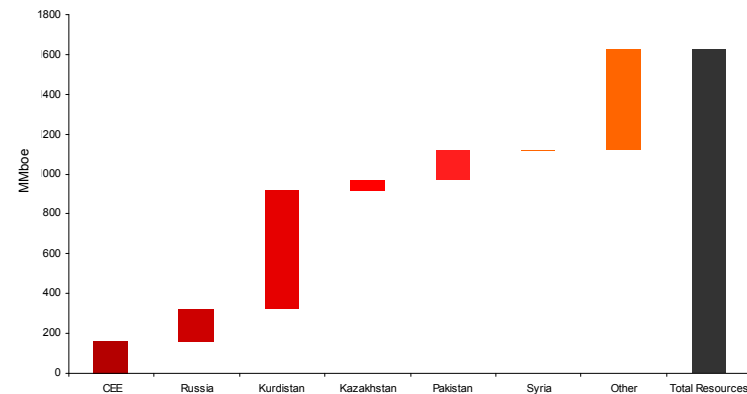


- ▶ Focus on field developments aiming early cash generation with key projects in Syria, Pakistan, Russia, Hungary and Croatia
- ▶ Increased conventional exploration activities compared to previous years targeting significant resource potential, aiming at 3-4% annual production growth between 2012-15
- ▶ Focusing on multiple basins with unconventional potential in the CEE region
- ▶ Increased EOR/EGR/IOR\*\*\* activities in order to exploit full potential of existing proved resource base

## Production\*\* (2010-12 plan)



## Resources\*\* (to be drilled in 2010-12)



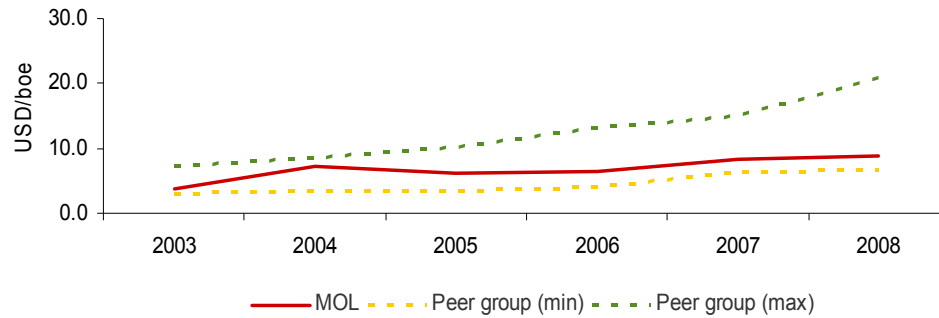
\*: not assuming any divestments and acquisitions

\*\* : working interest production and recoverable resources from existing portfolio not assuming any divestments and acquisitions (further potential from non-consolidated projects, service contracts and unconventional projects)

\*\*\*: EOR/EGR/IOR Enhanced Oil Recovery/Enhanced Gas Recovery/Improved Oil Recovery

# E&P: Significant synergy and efficiency improvement potential

**Lifting cost\*/boe in Europe (2003-2008)\*\***



**One of the lowest lifting cost among European players**

\*: Includes Shipping/Transportation/Handling Expenses, Taxes other than Income, and Production Related G&A

\*\* : Certain companies with more than 20\$ lifting cost/boe were excluded from peer group

Sources: Global E&P Performance Review (2004-2009)

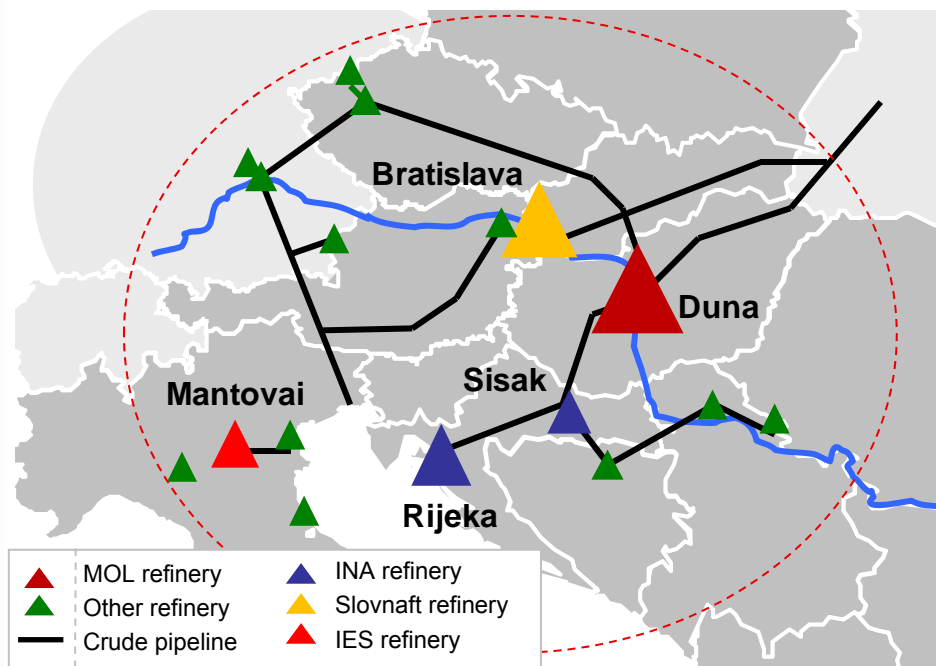
**Annual efficiency improvement target in 2012 vs. 2009: USD 50 mn EBITDA**

**UNIT OPEX\*\*\***



\*\*\*: excluding DD&A

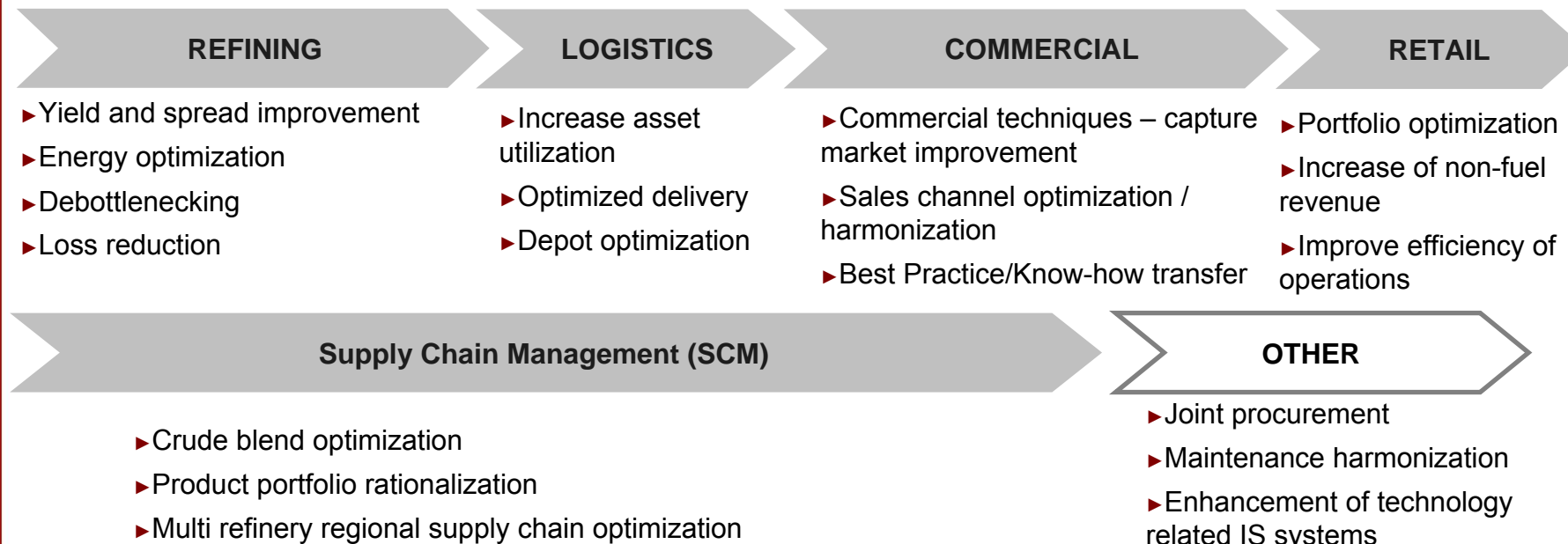
## R&M: Solid base to become the Premium Refinery Group by 2012...



- ▶ Duna and Bratislava refineries in top performer position since 2003
- ▶ Commitment to elevate newly consolidated assets to MOL standards
- ▶ Supply chain optimization along the whole value chain (7 plants refinery model incl. petchem, retail)
- ▶ Operational excellence in managing refineries with high complexity

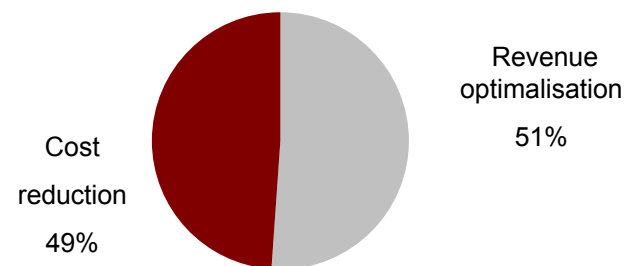


# R&M: Extending outstanding operational excellence to Group level



**Annual efficiency improvement target in 2012 vs 2009: USD 160 mn EBITDA**

**Structure of targeted EBITDA improvement**



## R&M: CAPEX optimisation on Group level

### Rijeka & Sisak modernization program, Phase I.

Compliance with EURO-5 (10 ppm) motor fuels quality

- ▶ Rijeka: Clean fuel program to be completed. Full 10 ppm diesel and gasoline production expected in 2H 2010
- ▶ Sisak: Clean gasoline and partial transition to 10 ppm diesel

### Bratislava

- ▶ TPP revamp to secure market outlet for HFO products

### Mantova

- ▶ Modernization program to finish in 2010

### Rijeka & Sisak modernization program, Phase II.

Motor fuel yield improvement

- ▶ Residue upgrading and full transition to 10 ppm fuels production at Sisak

### Duna

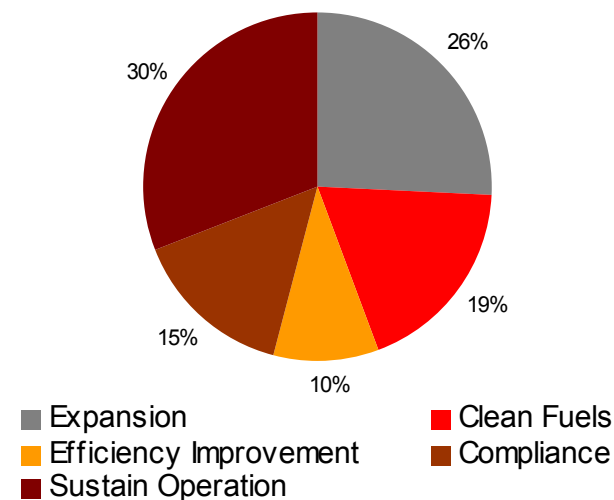
**Hydrocrack package to capture gasoil demand growth**

- ▶ Scope review to reflect emerging synergies on group level
- ▶ Adjust to current contractor market prices

Ongoing Investments

Development Prospects

### 2010-2012 CAPEX: USD 2.0 bn

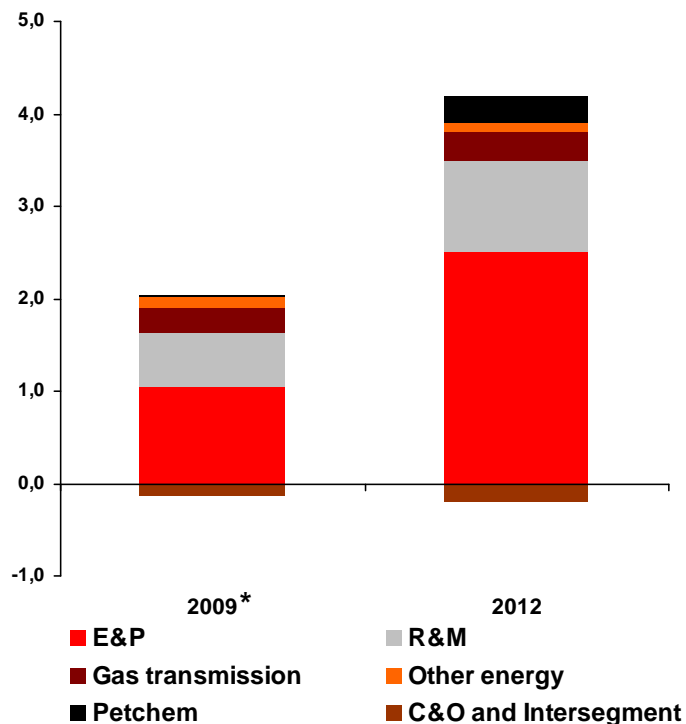


## Overall refinery environment improves slowly after the recession

Main external parameters	Average 2005-09	2009	2010E	2011E	2012E
Brent dated (USD/bbl)	70.2	61.7	70	80	90
(Brent-Ural) spread	2.7	0.77	1.5	1.75	2
Crack spread – premium unleaded/gasoline (USD/t) FOB ROTT	122.1	112.5	90	75	60
Crack spread – gas oil/diesel (USD/t) FOB ROTT	129.8	68.3	95	120	140
Crack spread – naphtha (USD/t) FOB MED	50.4	48.6	30	25	20
Integrated petrochemical margin (EUR/t)	419.6	304	402	480	541
HUF/USD average	193.6	202.3	188	186	179

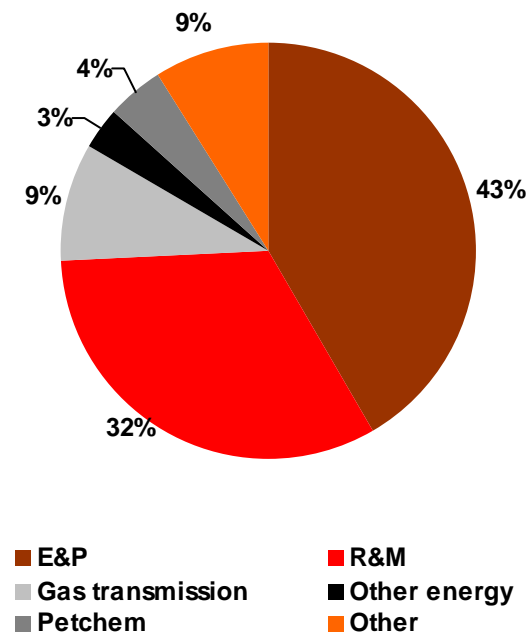
# Significant EBITDA generation potential – disciplined CAPEX

## EBITDA



**Projected EBITDA generation capacity  
2012: USD 4.1 bn**

## 2010-12 CAPEX plan by segments



**USD 6.2 bn CAPEX plan for 2010-12  
dedicated to normal operation  
Potential to grab further growth projects  
depending on cash flow generation**

\* Excluding special items

## Summary

### INTEGRATED BUSINESS MODEL

- ▶ Integrated business model made MOL more recession resilient
- ▶ Increasing integration by taking over operational control in INA
- ▶ Integrated supply chain optimization

### FAVOURABLE MARKET POSITION

- ▶ MOL's core region is balanced in gasoline and short in diesel
- ▶ Efficient refineries optimised for diesel production
- ▶ Strong position in a landlocked market
- ▶ Extended logistic system – diversified crude supply

### LEADERSHIP IN EFFICIENCY AND PROFITABILITY

- ▶ Upstream has one of the lowest lifting cost among the European E&P players
- ▶ Duna and Bratislava refineries in top performer position since 2003
- ▶ Upside potential from bringing up newly acquired assets to the same level

### PRUDENT FINANCIAL RISK PROFILE

- ▶ On long-term natural hedged FX exposure
- ▶ Prudent Net Debt / EBITDA below 2x
- ▶ Strong liquidity position

### EXPERIENCED MANAGEMENT WITH TRACK RECORD IN INTEGRATION

- ▶ Stable management
- ▶ Proven track record in integration
- ▶ Experience in cost efficiency decisions