

# Results of the Second Quarter of 2010

17 August 2010



► **MOL GROUP**

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# Continuously improving operating results

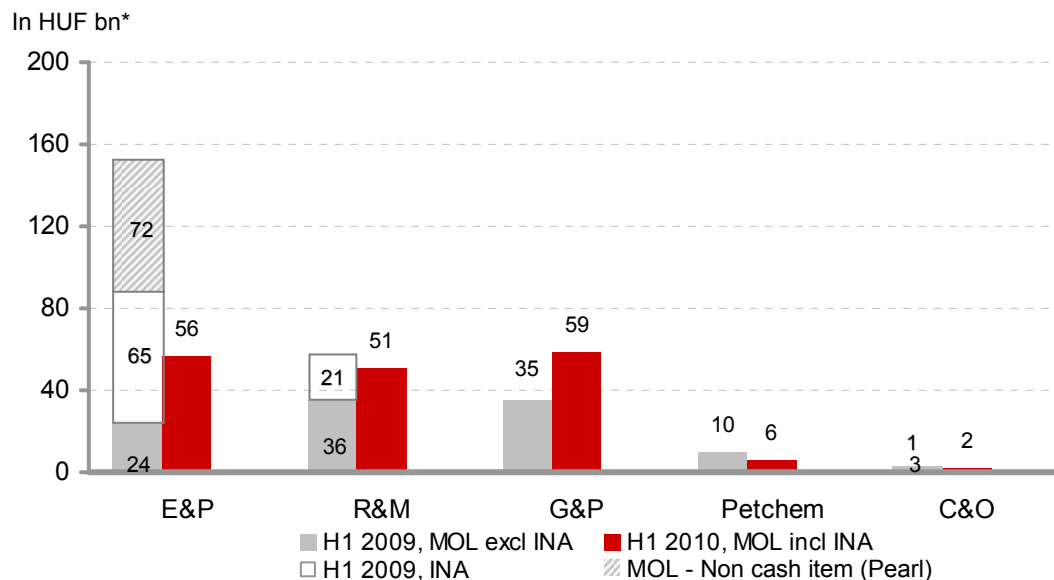
Q1 2010	Q2 2010	Q2 2009	Ch. %	(IFRS), in HUF billion	H1 2009	H1 2010	Ch. %
<b>CONTINUING OPERATIONS</b>							
866.2	1,048.4	698.6	50	Net sales revenues	1,331.1	1,914.6	44
130.2	123.9	124.0	-	EBITDA	231.7	254.1	10
<b>130.4</b>	<b>159.8</b>	<b>92.9</b>	<b>72</b>	<b>EBITDA excl. special items<sup>(1)</sup></b>	<b>186.5</b>	<b>290.1</b>	<b>56</b>
59.5	59.5	78.8	(24)	Profit from operation	146.3	119.0	(19)
<b>59.7</b>	<b>95.4</b>	<b>47.7</b>	<b>100</b>	<b>Profit from operation excl. special items<sup>(1)</sup></b>	<b>101.1</b>	<b>155.0</b>	<b>53</b>
23.5	77.2	(103.6)	n.a.	Net financial expenses/(gain)	43.6	100.7	131
24.1	(37.6)	178.5	n.a.	Net profit for the period <sup>(2)</sup>	63.7	(13.5)	n.a.
<b>24.3</b>	<b>(9.4)</b>	<b>151.3</b>	<b>n.a.</b>	<b>Net profit for the period excl. special items<sup>(1) (2)</sup></b>	<b>26.4</b>	<b>14.9</b>	<b>(44)</b>
<b>DISCONTINUED OPERATIONS</b>							
(5.1)	(5.6)	-	n.a.	Net profit for the period <sup>(2)</sup>	-	(10.7)	n.a.
<b>TOTAL OPERATIONS</b>							
19.0	(43.2)	178.5	n.a.	Net profit for the period <sup>(2)</sup>	63.7	(24.2)	n.a.
(99.2)	276.1	189.2	46	Operating cash flow	211.3	176.9	(16)

- ▶ **MOL Group's EBITDA, excluding special items, increased by 23% to HUF 159.8 bn in Q2 2010 compared to Q1 2010.**
- ▶ **The operating profit, excluding special items improved by 60% as a result of the profitability of the two key businesses improved significantly.**
- ▶ **Upstream improved by 42% on increasing production from international activity and higher hydrocarbon prices, while Downstream gained HUF 20.8 bn profit by exploiting slight improvement of margins with higher sales.**
- ▶ **Despite the strong operational performance, the mainly unrealized HUF 75.8 bn net FX loss and higher tax expense (HUF 24.7 bn) turned the net profit for the period to negative.**
- ▶ **Net debt position decreased to HUF 992.5 bn, resulting in an improved, 34.2% gearing ratio at the end of June 2010.**

(1) Profit from operations excludes the turnover of inventories of INA recognized at fair market values upon consolidation as opposed to the carrying amounts reflected in INA Group's separate financial statements (HUF 4.2 bn from which HUF 4.0 bn attributable to discontinued operation in Q1 2010), the provision made for the recovery of mining royalty rendered by the EU Commission (HUF 35.8 bn at Exploration and Production division) in Q2 2010, the one-off gain on the subsequent settlement from E.ON and the Q2 2009 termination of the risk-sharing mechanism in connection with the sale of MOL's gas business for Q1 and Q2 2009 (HUF 14.0 bn and HUF 14.2 bn) and the gain on the fair valuation of the previous investment in INA upon full consolidation as of 30 June 2009 (HUF 17.0 bn).

(2) Profit for the period attributable to equity holders of the parent.

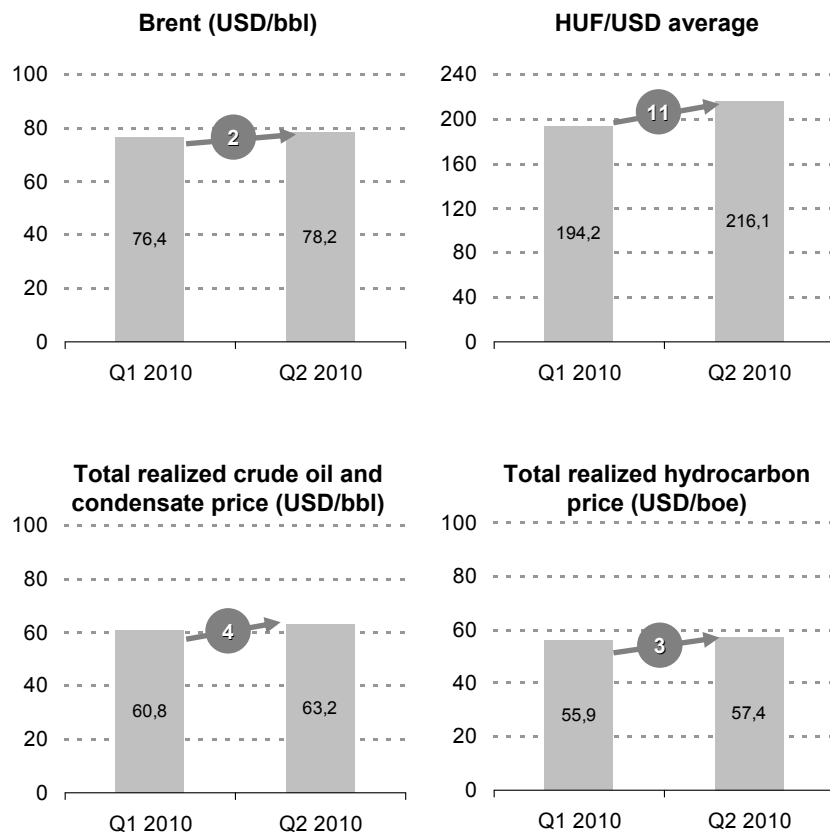
# CAPEX spending was in line with our plan



- ▶ CAPEX spending was HUF 174 bn (3% lower than previous year) in H1 2010, including the HUF 55.4 bn spending of INA.
- ▶ The investments focused on future growth type projects, like
  - ▶ the Syrian and Adriatic off-shore developments in Upstream,
  - ▶ modernization of Rijeka refinery in Downstream and
  - ▶ Croatian cross boarder pipeline development in Gas and Power.

\*pro-forma figures

# Upstream - Favorable macro environment

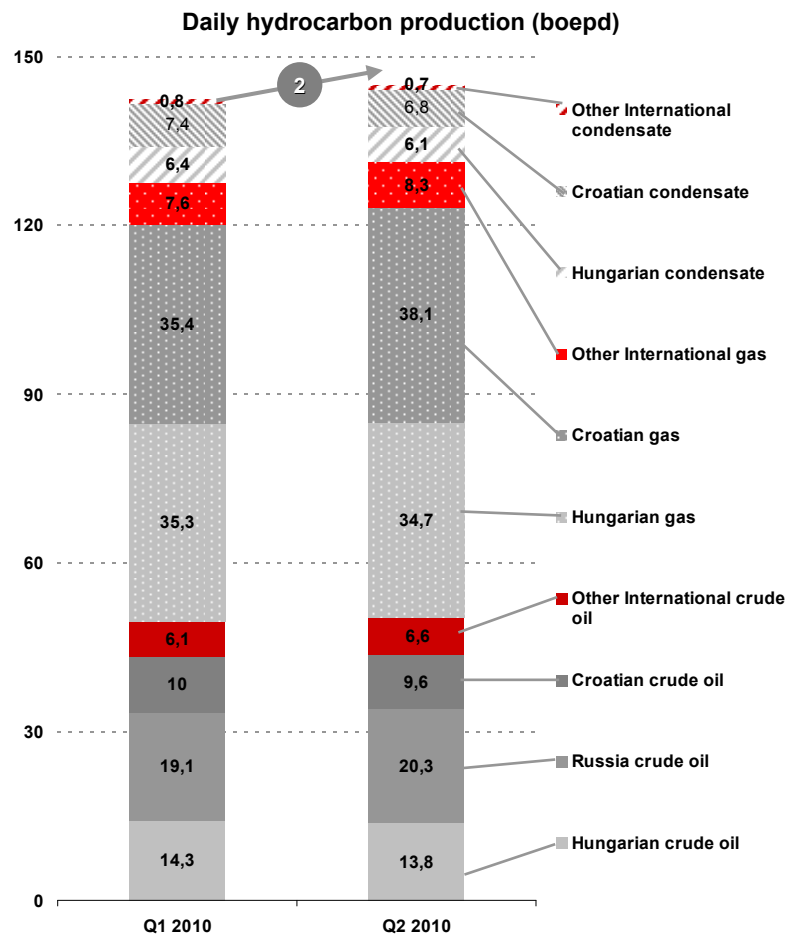


► Oil prices remained mostly within the 70-85 USD/bbl range during Q2 2010, the Brent averaged at 78.2 USD/bbl in Q2 2010, 2% higher than in the previous quarter

► The weaker HUF and HRK against the USD had a positive impact on the segment results.

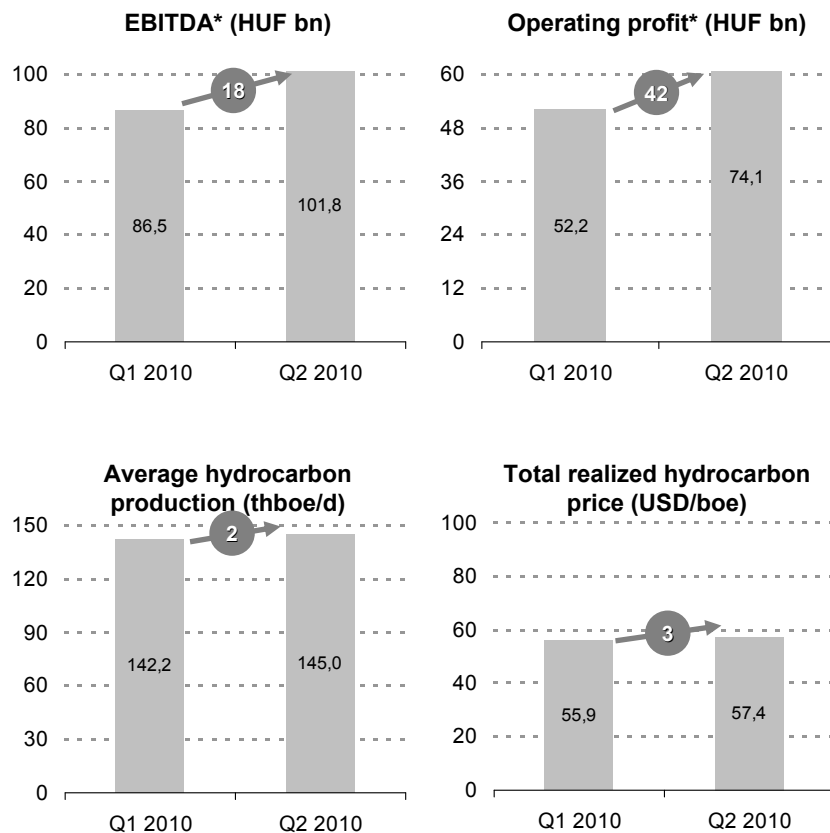
► The total realized hydrocarbon prices increased by 3% to 57.4 USD/boe.

# Upstream – Strong production in Q2 2010



- ▶ In the second quarter, total hydrocarbon production was 145,018 boe/day, 2% higher than the Q1 average daily production.
- ▶ Crude oil production increased by 2% as
  - ▶ the higher Syrian and Russian production more than offset
  - ▶ the decrease of mature Hungarian and Croatian fields.
- ▶ Gas production increased by 5% mainly as a result of
  - ▶ higher Croatian off-shore and Syrian production.

# Upstream – Strong results due to international operation



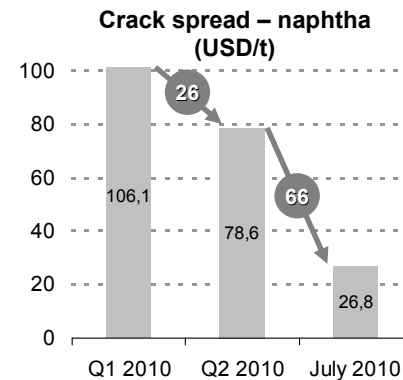
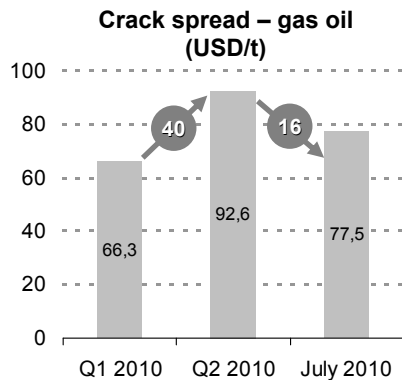
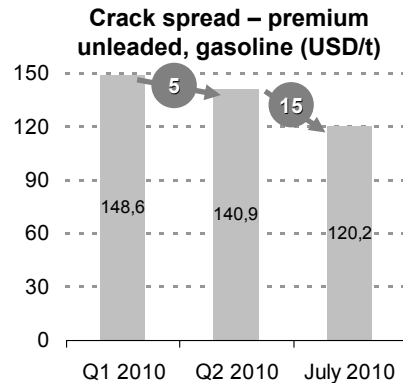
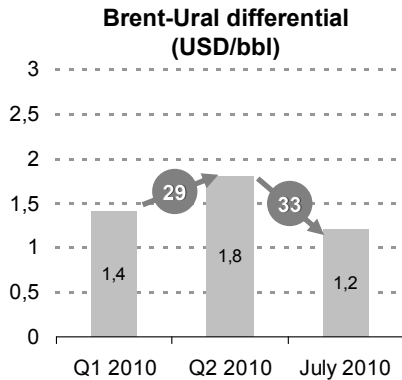
\* Excluding special items

► **Operating profit\* increased to HUF 74.1 bn, up 42% vs. Q1 2010**

## Key drivers

- Higher international upstream contribution
- Increasing Adriatic gas and Syrian gas and oil production practically compensated lower Hungarian and ZMB volumes.
- Average realized hydrocarbon price increased by 3% to USD 57.4 per boe
- Lower OPEX
- Weaker HUF and HRK against USD

# Downstream - Mixed macro environment



► The **external conditions** in Q2 2010 showed mixed, but **slightly improving** picture, compared to Q1 2010

► **Diesel crack spread** which affected the result mostly increased by USD 26.3/t to 92.6/t, however remained below the 5 year average.

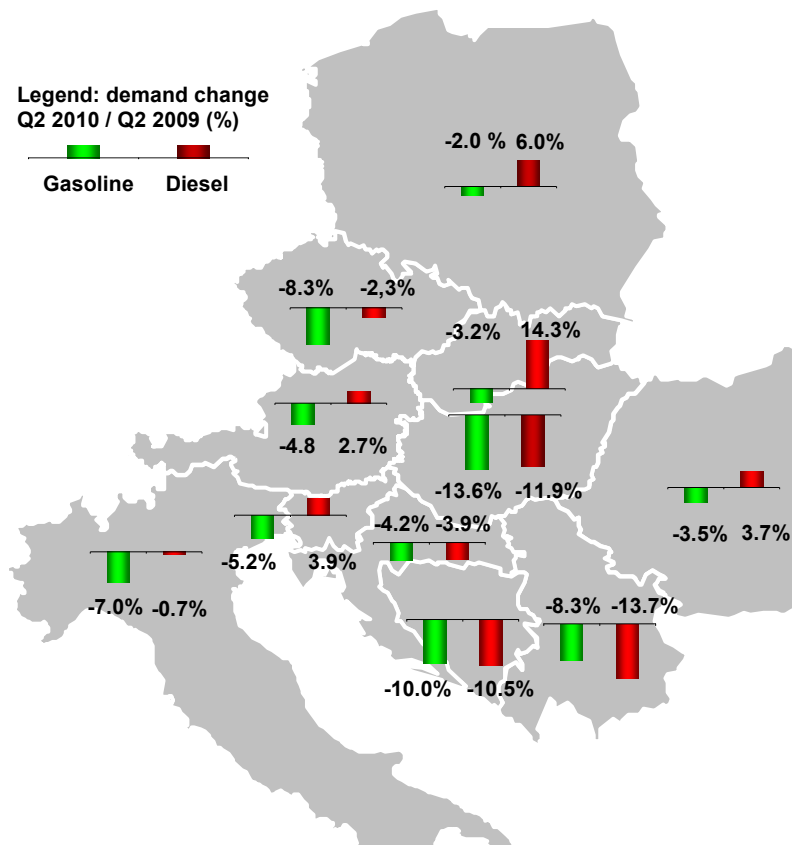
► **Gasoline crack spread** declined slightly

► **Brent-Ural differential** fluctuated in Q2 2010, but widened further by USD 0.4/bbl on quarterly average to USD 1.8/bbl.

# Slightly improving demand in Q2 in the region

Legend: demand change  
Q2 2010 / Q2 2009 (%)

Gasoline Diesel



% change y-o-y	Real GDP for 2010	Gasoline Demand Apr-June	Diesel Demand Apr-June	Motor Fuel Demand Apr-June
Hungary	< 1.0%	(13.6%)	(11.9%)	(12.5%)
Slovakia	1.9%	(3.2%)	14.3%	8.2%
CEE	~ 1%	(5.3%)	1.3%	(0.7%)

## Drivers behind the negative performance in Q2 2010

### Higher price levels

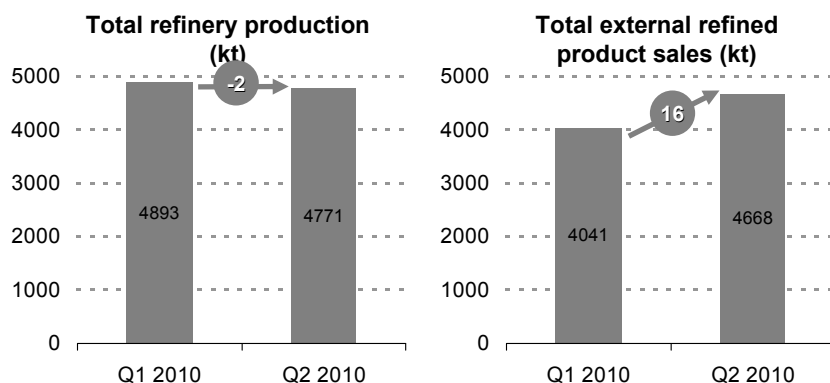
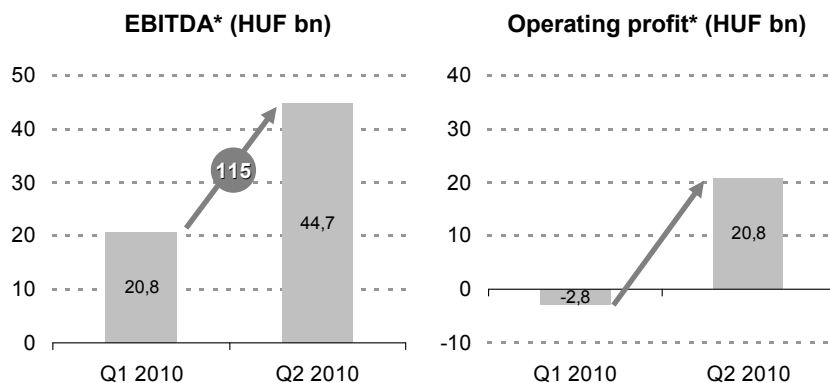
- ▶ Increased gasoline and diesel quotations
- ▶ Excise tax increase: in HU, CZ, RO; VAT increase in CZ; Diesel's road fee increased in PL; (BUT in SK excise tax of diesel declined)

### One-off effects

- ▶ Preliminary stockpiling of customers in June 2009 before the taxes increased in Hungary
- ▶ Lower agricultural consumption due to floods

- ▶ After a fall of 6.3% in the regional demand in Q1, the demand was almost flat in Q2 y-o-y
- ▶ On core domestic markets MOL's sales over performed the market average
- ▶ We expect lower decline in demand in H2 2010

# Strong operating profit improvement



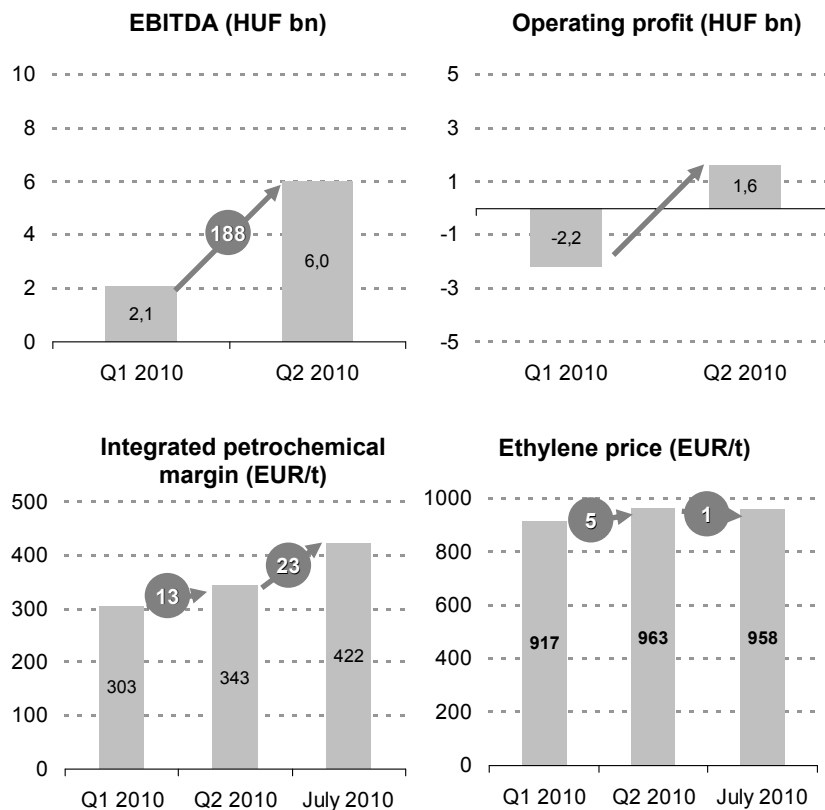
\* Excluding special items

► **Operating profit\* improved by HUF 23.6 bn to HUF 20.8 bn in Q2 y-o-y**

## Key drivers

- The change was influenced positively by
  - increase of average crack spread of middle distillates,
  - seasonal increase of sales volume
  - improving contribution of INA
  - continuation of internal efficiency improvements
- **Negative impact:**
  - Black products crack spreads decreased further

# Petrochemicals - Operating profit turned to positive in Q2 2010

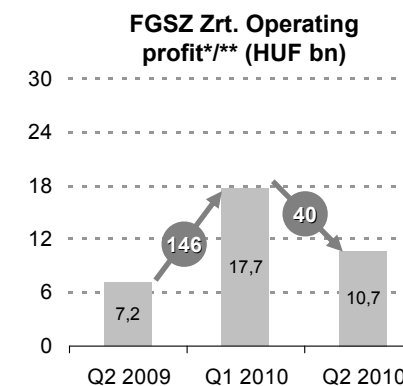
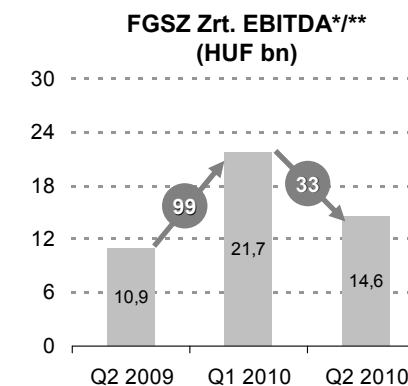
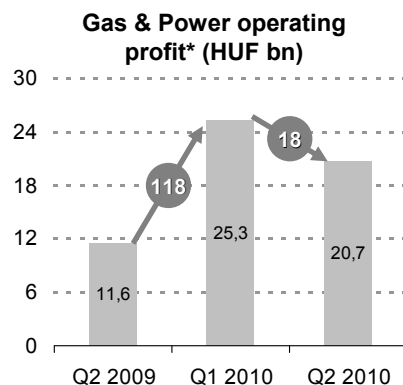
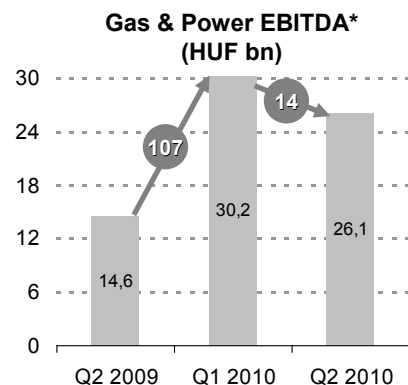


► **Operating profit turned positive to HUF 1.6 bn compared to Q1**

## Key drivers

- **more favorable petrochemical margin,**
  - **efficiency improvement and strict cost control**
- **The integrated petrochemical margin** increased by 13% to 343 EUR/t q-o-q:
- the naphtha quotation in USD-term was lower by 2%.
  - the average polymer quotations in EUR-terms increased between 3 and 20%.
  - US dollar strengthened by 8% against EUR compared to the average exchange rate in the pervious quarter.

# Gas & Power – Strong, but lower results due to seasonal impact



► Operating profit was HUF 20.7 bn in Q2 2010, which decreased from a seasonally stronger Q1 level

## FGSZ Zrt.

► Lower domestic and international transmission related revenue q-o-q due to seasonally lower volume.

## MMBF Zrt.

► Operating profit of MMBF Plc. was HUF 9.4 bn in Q2 2010.

► MMBF has sold the oil, condensate and gas production of Szőreg-1 field and the sales of the produced gas contributed to the operating profit with HUF 6.4 bn.

\* Excluding special items

\*\* Excluding segment level consolidation effects

# Outlook

## ▶ Upstream

- ▶ Daily hydrocarbon production for H2 2010 is expected to be sustainable or slightly higher than in H1 2010

## ▶ Downstream

- ▶ Finalization of Phase-1 in Rijeka and Sisak till the end of 2010
- ▶ The whole motor fuel production will be in line with EURO-5 quality standards in Rijeka
- ▶ Slight improvement in crack spread environment expected for the Group, including higher diesel crack spread

## ▶ Gas and Power

- ▶ The temporary freeze of gas tariffs from 1 July will affect negatively the results of FGSZ
- ▶ Full operation of MMBF (strategic and commercial storage activity)
- ▶ Committed for continuous efficiency improvement of the newly consolidated assets to bring them in line with MOL standard

**Thank you for your attention!**

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