

# BASE PROSPECTUS



## MOL GROUP FINANCE SA

*(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 102, rue des Maraîchers, L-2124 Luxembourg and registered with the Luxembourg trade and companies register under number B 170 861)*

**U.S.\$1,000,000,000**

### **Guaranteed Euro Medium Term Note Programme**

**unconditionally and irrevocably guaranteed by**

### **MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY**

*(incorporated with limited liability in Hungary)*

Under this U.S.\$1,000,000,000 Guaranteed Euro Medium Term Note Programme (the **Programme**), MOL Group Finance SA (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by MOL Hungarian Oil and Gas Public Limited Company (the **Guarantor** or **MOL**). The Issuer is a wholly owned subsidiary of the Guarantor. The Guarantor and its subsidiaries are collectively the **Group**.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes (as defined in the "*Terms and Conditions*") will not be exchangeable for Bearer Notes (as defined in the "*Terms and Conditions*") and vice versa.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, as amended (the **Prospectus Act 2005**), for the approval of this Base Prospectus as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the Luxembourg Stock Exchange will be filed with the CSSF.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Guarantor has been rated BBB- by Fitch Ratings Ltd. (**Fitch**) and BB+ by Standard & Poor's Rating Services, a division of the McGraw Hill Companies Inc. (**Standard & Poor's**) respectively. The Programme has been rated BBB- and BB+ by Fitch and Standard & Poor's respectively. Each of Fitch and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

### **Arrangers**

**Citigroup**

**HSBC**

### **Dealers**

**Citigroup**

**HSBC**

The date of this Base Prospectus is 12 September 2012

## **IMPORTANT INFORMATION**

**This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the Prospectus Directive).**

**The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and any Final Terms produced pursuant to this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.**

**Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.**

**No person is or has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee.**

**Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.**

**Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.**

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY**

**This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Hungary, France and Japan, see "*Subscription and Sale*".**

**Any offer of unlisted Notes and/or Notes not admitted to trading on any market in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.**

**The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:**

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;**
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;**
- (iv) understands thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and**

- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

## **PRESENTATION OF INFORMATION**

In this Base Prospectus, all references to:

- **U.S. dollars and U.S.\$** refer to United States dollars;
- **HUF and Forint** refer to Hungarian Forint;
- **Sterling and £** refer to pounds sterling;
- **EUR, euro and €** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; and;
- **HRK** refer to Croatian Kuna.

**As at 11 September 2012:**

- (a) the exchange rate for HUF to EUR was HUF 284.57 to EUR 1;
- (b) the exchange rate for HRK to EUR was HRK 7.425341 to EUR 1; and
- (c) the exchange rate for U.S.\$ to EUR was U.S.\$ 1.2787 to EUR 1.

**As at 30 June 2012:**

- (a) the exchange rate for HUF to EUR was HUF 288.22 to EUR 1;
- (b) the exchange rate for HRK to EUR was HRK 7.5101 to EUR 1; and
- (c) the exchange rate for U.S.\$ to EUR was U.S.\$1.2590 to EUR 1.

**As at 31 December 2011:**

- (a) the exchange rate for HUF to EUR was HUF 311.13 to EUR 1;
- (b) the exchange rate for HRK to EUR was HRK 7.5304 to EUR 1; and
- (c) the exchange rate for U.S.\$ to EUR was U.S.\$1.2939 to EUR 1.

**As at 31 December 2010:**

- (a) the exchange rate for HUF to EUR was HUF 278.75 to EUR 1;**
- (b) the exchange rate for HRK to EUR was HRK 7.3851 to EUR 1; and**
- (c) the exchange rate for U.S.\$ to EUR was U.S.\$1.3372 to EUR 1.**

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## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a supplement to the Base Prospectus will be published.*

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, as amended.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	MOL Group Finance SA
Guarantor:	MOL Hungarian Oil and Gas Public Limited Company
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee. These are also set out under " <i>Risk Factors</i> " below and include certain risks related to the Group and the Oil and Gas Industry. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors – Factors which are material for the purposes of assessing the market risks associated with Notes issued under the Programme</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Guaranteed Euro Medium Term Note Programme
Arrangers:	Citigroup Global Markets Limited  HSBC Bank plc
Dealers:	Citigroup Global Markets Limited  HSBC Bank plc  and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.

### **Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in other currencies, see "*Subscription and Sale*".

Under Part II of the Prospectus Act 2005, which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such Act.

Issuing and Principal Paying Agent:	Citibank N.A., London Branch
Trustee:	Citicorp Trustee Company Limited
Registrar:	Citigroup Global Markets Deutschland A.G.
Programme Size:	Up to U.S.\$1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.



Form of Notes:	The Notes will be issued in either bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes (as defined in the " <i>Terms and Conditions</i> ") will not be exchangeable for Bearer Notes (as defined in the " <i>Terms and Conditions</i> ") and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(c) on such other basis as may be agreed between the Issuer and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Status of the Notes:

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Guarantee:

The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

Rating:

The Programme has been rated BBB- and BB+ by Fitch and Standard & Poor's Rating Services respectively. Series of Notes issued under the Programme may be rated or unrated. Where a

Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Guarantor and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Clearing Systems:

Euroclear and Clearstream, Luxembourg (each as defined in "*Form of the Notes*").

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Hungary and France), and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes and investors may lose the value of their entire investment or part of it. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES ISSUED UNDER THE PROGRAMME**

*The insolvency laws of Luxembourg may not be as favourable to you as insolvency laws of jurisdictions with which you may be familiar and may preclude holders of the Notes from recovering payments due on the Notes*

The Issuer is incorporated and has its centre of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The insolvency laws of Luxembourg may not be as favourable to investors' interests as those of other jurisdictions with which investors may be familiar and may limit the ability of noteholders to enforce the terms of the Notes. Insolvency proceedings may have a material adverse effect on the Issuer's business and assets and its obligations under the Notes as Issuer.

### **FACTORS THAT MAY AFFECT THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE**

#### ***Risks related to the Group***

*The Group is subject to general political, socioeconomic and legal risks*

The Group is an international oil and gas business with a diversified European portfolio and several investments in oil and gas businesses outside Europe. The Group's main headquarters are in Hungary. In 2011, the Group generated 27.0% of its sales in Hungary, a further 47.6% of sales were generated in other markets within the European Union (EU), namely the Slovak Republic, Italy, Austria, the Czech Republic, Romania, Poland, Slovenia, Germany and the United Kingdom, and an additional 12.3% of sales were generated in Croatia, with the rest of the world (mainly Serbia, Bosnia-Herzegovina, Russia, Switzerland, Syria, Pakistan, Egypt and Angola) accounting for 13.1% of sales.

The EU (in aggregate accounting for 74.6% of Group sales in 2011) provides a political and legal framework that represents a lower level of general investment risk than other less developed parts of the world. This includes guarantees of property rights, rule of law and protection against arbitrary state action, enforcement of contracts and, in the absence of explicit price regulation, free market pricing. Nevertheless, in addition to market, operational and technical risks, the Group is exposed to legal and regulatory risk at all three levels of

legislation: the effects of EU directives and regulations on Group businesses with special regard to EU law in the fields of energy, environment and climate change; the implementation of individual EU directives and policies into national law over which individual Member States of the EU retain a considerable degree of autonomy; and national and local legislation and regulation. The legal and policy decisions over which the Group does not have control potentially include:

- taxation legislation and policies, both general corporate taxes and taxation levels as well as targeted sector-specific fiscal terms such as mining royalties;
- labour law and employment regulations;
- competition policy (foreign participation restriction laws) and energy regulatory decisions that might constrain the Group's pricing power in certain markets, especially in markets where the Group currently holds a dominant position;
- product quality regulations and fuel standards which might affect the Group's market position and production costs and require it to incur further capital expenditure to upgrade plants;
- transportation and energy policies that might constrain demand for Group products;
- environmental and health and safety regulations;
- climate change legislation / carbon pricing; and
- decommissioning of assets, including upstream, refining and distribution systems.

In relation to taxation legislation, the Group is subject to a substantial taxation burden and any change in taxation policy may increase this burden. In relation to environmental and health and safety regulations, any changes in such regulations which affect Group facilities may involve further investment obligations, higher operating costs and decommissioning liabilities. In relation to climate change legislation, any requirement for the Group to comply with changes in such laws or regulations could result in additional unbudgeted capital expenditure and/or incremental operating costs, which could impact upon profitability and revenue generation.

In addition to geological and operational risks, exploration and production activities are subject to extensive regulation by the host governments of EU and non-EU countries, including, but not limited to:

- petroleum law;
- energy policies;
- regulatory systems; and
- government contracts (e.g. concession agreements, production sharing agreements, risk sharing contracts, joint venture agreements, service contracts and hybrid contracts). Any unexpected changes in regulatory requirements, licence terms, size and structure of royalties, tariffs, export duties, dedicated sales contracts with government dedicated entities at regulated prices, other trade barriers and price exchange controls in any countries where the Group has expectations could limit operations, make the distribution of products difficult and could have a negative effect on the Group's financial position. In addition, uncertainty concerning the legal environment in any of the countries where the Group currently operates (or will operate in the future) could limit the Group's ability to effectively enforce its rights.

Exploration and production companies such as the Group also face the potential risk of government intervention via nationalisation, expropriation or cancellation of contract rights.

INA's operations in Croatia are subject to agreements between the Croatian Government and the Group and as such are subject to political and counterparty risk. Should the Croatian Government fail to honour or seek to modify the terms of these agreements, this may have a material adverse effect on the Group's business, results of operations or financial condition.

The Hungarian State holds a significant minority stake in MOL and may, therefore, be able to influence the Group as a strategic investor with interests potentially not aligned to non-political investors. However, there is a limitation on voting rights, no shareholder or shareholder group may exercise more than 10% of the voting rights in MOL. In the event any shareholder or shareholder group holds more than 10% of the voting rights, the total voting rights of that shareholder or shareholder group is limited to 10%. MOL has a limited free float, with strategic investors holding the majority of issued shares, who can potentially exert a significant influence over the operations of the Group.

Currently some of the Group's oil and gas assets and supply sources are located in countries outside Europe with developing economies or unstable political environments. In particular the Group has assets in Kazakhstan, the Kurdistan region of Iraq, Syria, Pakistan, Egypt, Angola and Cameroon. Consequently, a portion of the Group's revenue (HUF 116 billion which was 2.2% of the total Group's revenue in 2011) and SPE 2P reserves (91.9 MMboe which was 13.5% of the total SPE 2P reserves in 2011), are derived from, or are dependent on, countries in which the Group's operations are exposed to economic and political risks, including uncertain legislative framework, political interference in business, nationalisation, civil strife and acts of war or terrorism. In addition, in certain countries in which the Group is active, it may be difficult to repatriate investment and profits. Furthermore, the Group has or has had business dealings with, and conducts or has conducted operations in, countries such as Iran and Syria which have formerly been, or currently are, subject to international sanctions (most particularly sanctions imposed by the United Nations (UN), the United States (U.S.) and the EU). Sanctions may be imposed or extended on these and other countries in the future.

Significant disruptions as a result of economic or political instability in the future could adversely affect the Group's business, prospects, financial condition or results of operations. Furthermore, as the Group's strategy is to grow its share of revenue and EBITDA outside Europe, these risks may become more material to the Group as a whole in the future. (Please see "*Description of the Guarantor – Strategy*").

The social or political perceptions that the Group is not contributing to the advancement of economic and/or social progress in the communities where it operates may have a negative impact upon the Group's reputation and ability to perform activities or win new business in these markets. As a consequence, the Group is committed to consistently operating in accordance with lawful behaviour and fundamental ethical norms, and has established an Ethics Council and issued a Code of Ethics, which is a compendium of norms and rules that every employee across every business division must follow at work. Incidents of non-compliance with applicable laws and regulations, or ethical misconduct could be damaging to the Group's reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of the Group's operations.

*The Group is subject to the general risks of the economic situation in Hungary*

The current negative macroeconomic situation in Hungary may result in the Hungarian government amending the national regulatory or taxation provisions. The changes may also affect other cash flows within MOL Group due to the international movement of capital within MOL (such as loans to subsidiaries). Changes to the regulatory or taxation provisions in Hungary as well as a general worsening of the Hungarian economy could have a material adverse effect on the Group's business.

*The Group is subject to general operational risks*

The Group's business operations, like those of other oil and gas companies, refineries and petrochemical units, may be adversely affected by many factors, including fires, explosions, blowouts, reservoir damage, loss of well control, discharges of gases and toxic chemicals, the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency, labour disputes, natural disasters, weather conditions, terrorist attacks, sabotage, interruption or closure. This can result in personal injuries, loss of life, property and environmental damage and delays to or loss in production. Although the Group maintains comprehensive property and liability insurance policies and business interruption insurance in respect of the main sites, its property insurance does not cover the following:

- a significant proportion of its natural gas and oil pipelines;
- approximately 2,500 of the Group's wells that produce hydrocarbons;
- all of the Group's exploited and unexploited underground hydrocarbon reserves; and
- all of the Group's 1,634 filling stations as at 30 June 2012.

In addition, as a general policy, the Group's assets are insured. However, these insurances only cover losses or damages that exceed U.S.\$20 million (U.S.\$10 million in the case of INA and its subsidiaries). To the extent that the Group incurs losses which are not covered by insurance or are below the relevant threshold amount, such losses would generally need to be met by the Group, consequently increasing the Group's cost base.

*The inability to attract, train or retain qualified personnel could have a material adverse effect on the Group's business, results of operations and prospects*

The Group's ability to implement its strategy depends on the capabilities and performance of its personnel. Significant loss of key personnel or an inability to attract, train or retain appropriately qualified personnel (in particular for technical positions where availability of appropriately qualified personnel may be limited) could have a material adverse effect on the Group's business, results of operations and prospects.

*The Group is dependent on licences and permits to conduct its business*

The industry in which the Group operates is regulated and its operations require the obtaining and maintaining of licences and/or permits.

Each of the Group's licences could be suspended, terminated or not renewed by the relevant licensing authorities if the Group is deemed to have violated its terms or repeatedly violated the applicable requirements of law. Licences are re-tendered before expiry and no assurance can be given that the Group will win the retendering process. The termination or modification of, or failure, for any reason, to renew, these licences in a timely manner could have a material adverse effect on the Group's business, results of operations or financial condition as the Group will not be able to carry on some or all of its current activities.

*Estimates of the Group's crude oil and natural gas reserves are subject to uncertainties*

The Group's reserves of crude oil and natural gas are of key importance to its business. In 2011, approximately 7% of the crude oil that the Group purchased in its refineries came from its own production. The oil and gas that the Group extracts is generally significantly less expensive than the supplies purchased and imported from third parties. Accordingly, the Group's production and, indirectly, its profitability are dependent upon the levels of its oil and natural gas reserves. There are a number of uncertainties inherent in estimating quantities of proven reserves, projecting future rates of production and the timing of development expenditures, including many factors which are beyond a producer's control. This Prospectus includes data

on the Group's proved, and proved plus probable reserves as at 31 December 2011. This data contains estimates and the figures provided should not be considered as exact. Reserve estimation is a subjective process and estimates of different experts often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may require revision of any such estimate. Accordingly, reserve estimates may be materially different from the quantities of crude oil and natural gas that are ultimately recovered and, if recovered, the revenue from and the costs related thereto could be more or less than the estimated amounts. Reserve estimates are also highly dependent upon the accuracy of the assumptions upon which they were based, the quality of the information available and the ability to verify such information against industry standards. For example, the assumed production rates, prices received for production and costs incurred in recovering reserves may vary from actual results due to government policies, particularly relating to natural gas purchase prices, and the uncertainties of supply and demand.

Drillable objects in the current exploration portfolio will be utilised according to the Group's exploration strategy and the Group seeks to add new potential reserves to its exploration portfolio.

Any upward error in the estimate of reserves or a failure to acquire new potential reserves might have a material adverse effect on the Group's profits in the long term.

*Sales prices of hydrocarbon and refined products are regulated in certain countries, which exposes the Group to risks*

In Croatia, Slovenia and Pakistan gas prices are regulated, while in Hungary the gas price for eligible residential customers has been regulated since December 2010. As a result, 38% of the Group's total gas sales in 2011 were sold under regulated conditions. This exposes the Group to regulatory risk and price risk if the regulated prices are lowered. The wholesale and retail markets for refined products in which the Group operates are liberalised and free markets. However, a moving price cap is applied in Croatia and Slovenia, in which countries the sales volume of products affected by the regulations amounted to 8.7% of total Group sales in 2011. An amendment to the regulations relating to these price caps could restrict the Group's ability to fully adjust its wholesale and retail prices in accordance with market prices, in which case fluctuations in the prices of commodities and currency exchange rates could reduce the Group's ability to pass on supply costs to customers in time to prevent short term losses.

In Croatia household gas prices, which make up 26.6% of the Croatian gas market, and gas prices for certain eligible customers<sup>1</sup>, who make up 11.2% of the Croatian gas market, are regulated by the Croatian Government. This has a significant effect on Prirodni Plin d.o.o. (**Prirodni**), a 100% owned natural gas wholesale and trading subsidiary of INA. Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and MOL on 30 January 2009 and amended on 16 December 2009 by the First Amendment to the Gas Master Agreement (the **FAGMA**), the Croatian Government should have taken over Prirodni before 1 December 2010; however, this has not yet happened. The FAGMA also obliges the Croatian Government to maintain regulated prices at a level sufficient to ensure that Prirodni does not incur losses on the gas that it sells. On 1 January 2010 the household gas tariff was regulated at 1.7 HRK per cubic metre, while the maximum level of the natural gas price for certain eligible customers has been 2.13 HRK per cubic metre since 1 September 2011. However, the household gas tariff was increased by the Croatian Government to 2.2 HRK per cubic metre from 1 May 2012. The regulation regarding eligible customers with the 2.13 HRK/m<sup>3</sup> tariff was initially valid until 31 December 2011 but it has been extended on two occasions and ultimately applied until 30 June 2012. From 1 July 2012 the tariff has been increased to 2.75 HRK/m<sup>3</sup>. The Croatian Government's intentions on the pace of price deregulation and market liberalisation are currently uncertain.

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<sup>1</sup> Pursuant to provisions of the Act NN 42/05, 20/10 on production, distribution and supply of heating energy ("Zakon o proizvodnji, distribuciji i opskrbi toplinskom energijom") this regulated price applies to eligible customers, with the exception of households, those persons conducting production activities with an annual consumption of less than 100 million cm of gas, and for customers that are purchasing gas for production of thermal energy for tariff customers.



In Croatia the retail prices of selected refined oil products and LPG (including gasoline, diesel, heating oil, blue diesel, propane, butane, propane-butane mixture and LPG for cars) are regulated by the ordinance of establishment of the maximum retail prices of petroleum products, issued by the Minister of Economy, Labour and Entrepreneurship and published in Official Gazette No. 37/2011 according to a stipulated pricing formula which provides for a maximum margin that can be charged by market participants. The price formula sets a maximum retail margin over and above the international market price of such products in regular retail stations, except for motorway retail stations and seafront filling stations at marinas for filling small and medium size boats. In the past there has been a time lag between changes in the international market price and changes in the regulated price in Croatia and this has caused INA to incur a loss. Similar time lags in the future may result in INA incurring further losses.

*Compliance with UN, U.S. and EU sanctions could threaten the Group's economic interests*

The UN, the U.S., the EU and the Member States of the EU impose regulations that restrict the ability of entities or persons to invest in, or otherwise engage in business with, certain countries and specially designated persons (together, the **Sanction Targets**). The Group has economic interests in Syria which is currently a Sanction Target under UN, U.S. and EU sanctions regulations.

In Syria, INA signed a production sharing agreement for the Hayan Block in 1998 and a production sharing agreement for the Aphia Block in 2004 (the **Production Sharing Agreements**). The Syrian operation represented more than 10% of production in MOL's upstream portfolio in 2011. Due to (a) EU Council Decisions and Regulations imposing restrictive measures against Syria, (b) the Croatian Government Decision dated 23 February 2012 imposing similar restrictive measures, as well as (c) the overall security situation in Syria, INA is currently not able to continue performing its regular business operations and activities in Syria. Therefore, INA delivered a force majeure notice to its Syrian partners, including the General Petroleum Corporation, a designated company, relating to the Production Sharing Agreements on 26 February 2012 and has temporarily suspended all business activities in Syria until the force majeure circumstances cease to exist. Neither INA nor the Group expect to receive any revenues nor realise its production share from Syria until the termination of the force majeure. Moreover, the delivery of the force majeure notice and the prohibition under applicable restrictive measures of payment for bills outstanding before delivery of the force majeure notice, entail the risk of court cases or arbitration brought against INA by its Syrian partners or by independent contractors. In the first half of 2012, MOL generated an EBITDA which was 24% lower, excluding special items, than the previous year. One of the main reasons behind this lower EBITDA, other than the significant Downstream losses on inventories and foreign exchange items, was the lack of revenue from Syria in 2012 (which revenue amounted to HUF 43 bn in H1 2011 representing approximately 7% of annual EBITDA in 2011). The book value of total assets in Syria amounted to HRK 4,918 million on 31 December 2011 (HUF 203.2 billion).

Any loss of reserve from Syrian operations as a result of these measures could have a material adverse effect on the financial performance of the Group.

In 2008, INA signed a service contract for the exploration and development of the Moghan 2 Block (the **Service Contract**) with the National Iranian Oil Company (**NIOC**) which requires INA to carry out exploration, appraisal and development of oil and gas resources. The exploration phase of the Service Contract expired on 31 May 2012 without INA fulfilling all its contractual obligations and investing only U.S.\$5.1 million between 2008 and 2012. INA has not applied to continue the project. INA is fully aware of and seeks to comply with all the applicable international sanctions (U.S., EU and UN) against Iran. In addition INA made a decision to wind up its branch office in Iran. Accordingly INA has ceased all of its operations in Iran and currently does not have any intention to resume them.

*The Group may be subject to significant environmental liabilities*

The Group's operations, which are often potentially hazardous, are subject to the risk of liabilities arising from environmental pollution and the cost of any associated remedial work. The Group has insurance to

cover the risk of sudden and accidental environmental pollution. While the Group is of the view that this insurance is of sufficient size and that it is in accordance with industry standards, there is a risk that the Group could incur environmental liabilities which exceed the amount that it is insured for and if any such excess were to be material, this may have a material adverse effect on the financial position of the Group.

It is important that the Group strikes an appropriate balance between the need to access and develop energy resources, and the need to protect the natural environments in each of its operating geographies. An inability to balance this perceived trade-off could damage the image and reputation of the Group with the public and governments, which could impact upon the Group's future business prospects.

The Group undertakes transportation of oil and gas to its Upstream Division, as well as petrochemicals and other products through its Downstream Division. All modes of transporting and storing hydrocarbons bring inherent risks, with containment failures potentially occurring during transportation by road, rail, sea or pipeline. The release of hazardous materials could pose serious environmental and social risks given the high volumes of materials involved.

The Group is currently responsible for significant remedial work for past environmental damage relating to its operations (primarily soil and groundwater contamination and disposal of hazardous wastes). In 2011, the Group expenditure on environmental remedial work was HUF 3.253 million. In addition, the Group may incur significant expenses in order to comply with increasingly strict environmental legislation in the countries in which it operates. Accordingly, the Group has established a provision of HUF 41.4 billion (U.S.\$172 million) and HUF 42.0 billion (U.S.\$183.3 million) for (i) the estimated cost as at 31 December 2011 and as at 30 June 2012, respectively of rectifying past environmental problems and (ii) future measures required to enable it to comply with existing environmental protection legislation and known future changes to such legislation. This amount excludes any contingent liabilities relating to the acquisitions of IES and INA that are recognised on the Group's balance sheet, as required by International Financial Reporting Standards (IFRS 3 on Business Combinations). The provision for environmental liabilities at Group level (excluding recognised contingent liabilities as per IFRS 3) was HUF 39.3 billion (U.S.\$188.5 million) at the end of 2010. As at 31 December 2011 and as at 30 June 2012, a provision of HUF 210.3 billion (U.S.\$873.8 million) and of HUF 203.1 billion (U.S.\$886.4 million), respectively were made for the estimated total costs of plugging and abandoning wells upon termination of production by the Group. As at 31 December 2010, the provision for field operation suspension liabilities amounted to HUF 184.8 billion (U.S.\$885.7 million).

There are certain Group premises which may be affected by contamination but the cost of remedial work is currently not quantifiable, nor has the legal requirement to carry out such work been established. As the amount of these potential liabilities is uncertain and the timing of the incurrence of the relevant costs is unknown, it is not possible to predict the impact on the Group's business, results of operations or financial condition. The main areas where such contingent liabilities may exist are the Tiszaújváros industrial site (including both the facilities of TVK and the Group's Tisza refinery), certain drilling mud locations in Hungary, the refineries of INA in Sisak and Rijeka and the Croatian retail network, as well as damage at certain exploration and production sites, and the industrial park of IES around the Mantova refinery.

As at 31 December 2011, at Group level the aggregate amount of contingent liabilities for environmental damage was not expected to exceed HUF 41.7-43.7 billion (or U.S.\$173.3-181.6 million) (HUF 37.7-39.7 billion at 31 December 2010). This amount includes HUF 34.7 billion (U.S.\$144.2 million) of contingent liabilities relating to the acquisitions of IES and INA which are recognised on the balance sheet of the Group, as required by the International Financial Reporting Standards (IFRS 3 on Business Combinations). If liabilities for environmental damage were to significantly exceed the amount provided for, there could be a material adverse effect on the financial condition of the Group.

If the Hungarian unconventional exploration and appraisal programme in the Derecske area is successful, the intensive unconventional field development activity may significantly increase the environmental liabilities of the Group.

### *Ongoing tax, customs, excise and other financial audits*

There are a number of tax, customs, excise and other financial audits, investigations and challenges ongoing in relation to various Group entities (including INA and its subsidiaries). MOL considers these audits, investigations and challenges to be in the ordinary course of its business. However, at this stage MOL is unable to accurately predict the outcome of these procedures. No assurance can be given that they will not have a material adverse effect on the Group's business, results of operations or financial condition.

### *Litigation and Regulatory proceedings*

The Group is subject to numerous risks relating to legal and regulatory proceedings in which a Group company is currently a party or that could develop in the future.

Edison International S.p.a initiated arbitration proceedings against INA-Industrija Nafte d.d before the Vienna International Arbitral Centre. According to the Statement of Claim delivered to INA on 20 February 2012, Edison is claiming that INA has failed substantially to comply with a material obligation under its production sharing agreement and is claiming EUR 102.3 million together with default interest as from 20 February 2012 until full payment is made. A hearing has been scheduled for the period between 10 and 19 December 2012. The outcome of this dispute is currently uncertain. An unsuccessful outcome to these proceedings may have a negative impact on the Group's financial condition or results of operations.

Although the Group does not currently expect litigation or regulatory proceedings to which it is a party to have a material adverse effect on its financial condition and results of operations, no assurance can be given that the ultimate outcome of such legal proceedings or regulatory proceedings and any consequential legal proceedings or regulatory proceedings thereafter will not have a material adverse effect on its results of operations or financial condition. For further information on the legal and regulatory proceedings facing the Group (Please see "*Description of the Guarantor – Authority Procedures and Litigation*").

### *The Group's Structure exposes it to risk*

MOL conducts a number of its operating activities through its subsidiaries. MOL has in place agreements with its subsidiaries for the entry into of intra-group indebtedness. Should such a subsidiary cease its business operations and then be unable to comply with its obligations to repay such intra-group indebtedness, there may be a material adverse effect on the financial condition of the Group.

The Group currently conducts a number of exploration projects through joint ventures with other companies and may in the future enter into further joint ventures as a means of conducting its business. The Group cannot fully control the operations and the assets of its joint ventures, nor can it make major decisions with respect to its joint ventures unless its joint venture partners agree. Accordingly, although the Group has the ability to influence or veto decisions with respect to some of its joint ventures, it is generally not in a position to make unilateral decisions. This may constrain the ability of the Group's joint ventures to take action. Furthermore, one or more of the Group's joint venture partners may unilaterally decide to withdraw from a joint venture, which may result in the Group making a loss or being unable to realise the expected gains.

### *The Group's organic growth strategy involves many uncertainties and operating risks*

The Group's future projects, including field development, exploration, the modernisation of refinery petrochemical assets and the logistics network and the construction of power plants may be delayed or unsuccessful for many reasons, including cost overruns, lower oil and gas prices, equipment shortages and mechanical difficulties. These projects will also often require the use of new and advanced technologies which are expensive to develop, purchase and implement and may not function as expected. In addition, the implementation may take more time than reasonably expected and severe weather conditions could impede the Group's development or exploration operations and plans for its fields and facilities and otherwise materially adversely affect its business, prospects, financial condition or results of operations.

*The Group's expansion strategy exposes the Group to risks*

The Group is an international oil and gas business with a diversified European portfolio as well as several investments in oil and gas businesses outside Europe. As part of its strategy, the Group may in the future seek additional opportunities to further expand its operations where appropriate. The Group is continuing to negotiate with oil and gas companies regarding investment possibilities and assesses each investment it makes on the basis of extensive financial, operational and market analysis, which may include certain assumptions.

The Group cannot assure investors in the Notes that these assumptions will prove to be correct.

Among the risks associated with this strategy, which could materially adversely affect the Group's business, results of operations or financial condition, are the following:

- the Group may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses, production sites and distribution networks;
- the Group may not be able to identify, acquire or profitably manage such additional businesses;
- such acquisitions may adversely affect the Group's operating results;
- such acquisitions may divert management's attention from the operation of existing businesses;
- the Group may not be able to fully or effectively enforce its ownership rights in the entities in which it invests;
- the Group may not be able to retain key personnel of acquired businesses;
- the Group may encounter unanticipated events, circumstances or legal liabilities; and
- the Group may encounter significant post-acquisition integration or issues relating to political or governmental interference and investigation, trade union interference or employment issues.

The Group's ability to continue to grow and to penetrate new markets will depend on a number of factors. These include, among others, the availability of internal and external financing, the availability of suitable third party business partners able to share risk and costs as well as existing and future competition. The Group might not be able to implement its growth strategy or successfully manage previous acquisitions and further its growth and this may have a material adverse effect on the Group's business, results of operations or financial condition.

The overall profitability of the regional electricity market is mainly driven by (i) regional supply and demand; (ii) infrastructure developments; and (iii) global commodity prices. On the infrastructure side the major influencing factors are (i) the new power plant developments; (ii) the decommissioning of existing plants; and (iii) the availability of cross-border interconnections facilitating flow between different countries. A recent major change in the electricity market is the increasing market share of renewable sources. These marginal cost renewables have been pushing out conventional plants. However they may also increase the volatility of prices and consequently the need for flexible technologies. The variation in the cost of conventional power generation is subject to global and regional commodity price developments and the future outcome of the European decarbonisation policy, which may result in significant political risk to the prices of European Union Allowances. On the demand side, the general economic slowdown has resulted in lower power consumption in the region and also in the EU. If the Group enters into the power generation sector, it will be exposed to the abovementioned market fluctuations. Therefore, any significant adverse change in the price of electricity, natural gas or carbon, may result in the power sector making a loss or being unable to realise the expected gains.

*A failure to implement planned efficiency programmes may adversely affect the Group's business, prospects, financial condition or results of operations*

Both the European and worldwide oil industry is experiencing a depressed downstream environment. In response to these external factors the Group's Downstream Division launched a comprehensive efficiency improvement programme covering all elements of the integrated Downstream Division's value chain to regain its top quartile position in Europe by increasing its profitability and efficiency. The programme is targeting a U.S.\$500 – U.S.\$550 million EBITDA improvement by 2014 on the basis of:

- value chain optimisation;
- market management;
- asset management; and
- resource and process efficiency.

Approximately 40% of the targeted EBITDA improvement is to be generated by actions aimed at increasing margin revenue on overall product sales activity. In doing this the Group will focus on increasing sales margin and/or sales volume in selected markets, but success is highly dependent on business specific external factors such as market trends, prices and margins of oil products and regional supply-demand.

The risk in relation to cost saving initiatives is more moderate but in some cases the Downstream Division's major operating cost elements may be affected by certain market driven prices, such as volatile energy costs, material type service costs and maintenance expenses. These targets can only be achieved by progressive upgrades, which means that temporary postponement of major investments will not have any long-term EBITDA effect.

A failure to implement these efficiency programmes may have an adverse affect on the Group's business, prospects, financial condition or results of operations.

#### *Risks related to the Crude Oil Supply*

The Group's refineries processed 18.2 million tonnes of crude oil in 2011 and 7.9 million tonnes of crude oil in H1 2012, of which 6% in 2011 and 7% in H1 2012 was supplied by the operations of the Group and the remaining 94% in 2011 and 93% in H1 2012 was purchased from external sources. Russia is the major import source, accounting for 82% of the Group's 2011 crude oil supply and 80% of the Group's H1 2012 crude oil supply. The Group purchases crude oil on the basis of long-term and annual agreements from the resources of different Russian producers. Disputes between Russia and transit countries may induce temporary supply uncertainty. MOL has no control over this crude oil supply route or its costs. Although the Adria pipeline is currently available as an alternative means of supply and the Group's operational structure and the location of its five refineries help to mitigate supply risk, a sustained interruption in Russian crude oil supply could have a material adverse effect on the Group's business, results of operations or financial condition.

INA obtains its crude oil from its domestic production, via the Mediterranean Sea and from Russia through the Friendship and Adria pipeline networks using the Group's supply system in Hungary. Italiana Energia e Servizi (IES) obtains its crude oil via the Mediterranean Sea, with its wholly-owned pipeline from Marghera port providing sufficient capacity. As the Mantova refinery structure and market positions move toward gasoil with substantial bitumen production and sales, it is essential for the refinery to purchase adequate quality of heavy crude from the market. This infrastructure is subject to certain operational risks. Pipelines are subject to operational disruptions and significant investments are needed to enable the system to expand capacity to accommodate growth in oil production. The Hungarian pipeline system and the pipeline between Marghera port and the Mantova refinery are owned by the Group and their development and expansion could

require the Group to incur significant capital expenditure. The Group also uses pipelines which are owned and operated by third parties and a failure to maintain or sufficiently increase the capacity of the pipelines, breakdowns and leakages, or specific court or other actions to limit the Group's access to the system, could require the Group to utilise more expensive alternative export routes that could result in a decline in profit margins. Extra repairs and maintenance of the pipelines could be required where a pipeline passes through areas with a harsh climate, such as Russia. Any sustained disruption in supply, uncertainty of availability or the physical condition of the pipeline system and changes in governmental policy on access to the pipelines could affect the Group's ability to sell oil from exploration or to acquire oil at the cheapest rates for the Group's refineries, which could have a material adverse effect on the Group's business, results of operations or financial condition.

*The Group may be limited in terms of capital expenditures in case of refinancing problems*

The Group's business requires significant capital expenditure, including in exploration and development, production, transport, refining and marketing and to meet its obligations under environmental laws and regulations. The Group intends to finance these capital expenditures in line with its operational cash-flow. However, if expiring debt cannot be fully refinanced in the future, the Group may lose its flexibility in relation to financing arrangements, created by its currently strong liquidity position and may need to adjust its capital expenditure plans.

The Group depends on regular access to bank finance and occasional access to the debt capital markets to meet a significant portion of its financing requirements. However, the global banking sector and capital markets have experienced significant disruptions since August 2008 that have been characterised by reductions in liquidity, greater volatility, general widening of spreads, and, in some cases, lack of price transparency in money and capital markets interest rates. As a result, many lenders have reduced or ceased providing funding to borrowers, and there has been a general increase in the cost of borrowing for private-sector borrowers. The continuation or worsening of this market disruption may adversely impact the Group's ability to borrow in the credit or debt capital markets and may further increase the cost of such borrowing. If the Group is unable to refinance its maturing loan facilities or bonds, it may have to reduce planned capital expenditure, which could materially and adversely affect its business, results of operations, financial condition and prospects.

*Fluctuations in currency exchange rates could increase the Group's costs and reduce its margins*

The Group is exposed to foreign exchange risk. The Group buys raw materials predominantly in U.S.\$ and sells products based on formulae which are linked to U.S.\$- and EUR-quoted market prices. The Group's income in EUR and U.S.\$ exceeds its costs in those currencies, while as a result of the currency composition of its operational cost structure, the Group's costs in HUF, HRK and RUB exceed its income in those currencies. The Group is also exposed to foreign exchange risk arising from loans denominated in foreign currencies. As at 31 December 2011 the currency composition of the Group's total debt was 70.1% in EUR, 26.9% in U.S.\$, 3.0% in other currencies namely HUF, HRK and PLN and as at 30 June 2012 the currency composition of the Group's total debt was 68.9% in EUR, 27.6% in U.S.\$, 3.5% in other currencies namely HUF, HRK and PLN. The Group's reporting currency is HUF. Changes in foreign currency rates against HUF bear FX risk and that might affect the reported results. As a policy, the Group targets a natural hedge position of its cash inflows and cash outflows in order to limit the FX exposure.

The Group has a number of financing arrangements in place with lenders which provide for a covenant linked to the Group's Net Debt/EBITDA ratio. There is a risk that a sudden extreme devaluation of HUF or HRK would immediately increase the Net Debt of the Group or INA, whereas the EBITDA improvement would be delayed as it is calculated on an annual basis. Since 2008, the HUF and HRK have fluctuated against EUR and U.S.\$ significantly; however, this has not endangered the financial stability of the Group. This eventuality may expose the Group to financial stress and potential breach of financial covenants under the financing agreements of Group companies. Accordingly, sudden adverse changes in the currency

exchange rates to which the Group is materially exposed could materially adversely affect the Group's financial condition, business or results of operations.

### ***Risks related to the oil and gas industry***

#### *A slowdown in the world's economic growth and associated risks*

The global economy lost its momentum in 2011 which has caused a slowdown in growth. Its growth is mainly supported by emerging markets but their economies are also slowing down due to the worsening external environment and a weakening of internal demand. The potential negative effects of the macroeconomic climate, which are entirely beyond the control of the Group, and general concerns regarding the future of the Eurozone may have an adverse effect on the overall stability of the Central-Eastern and South-Eastern European region. Consequently the assets, financial position and earnings of the Group may be adversely affected. The Group cannot exclude the possibility that the ongoing global economic downturn may have a further negative effect on the Group's financial position.

#### *Fluctuations in crude oil and natural gas prices may adversely affect the Group's business*

The Group is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from its long positions in crude oil refinery margin and petrochemical margin. In 2011 and in H1 2012, the Group imported over 90% of the crude oil it refined. Therefore, the Group's business is significantly affected by changes in market prices.

In line with other international oil and gas companies, all purchases by the Group of crude oil and natural gas and all sales of refined products and petrochemical products are undertaken pursuant to agreements priced in or by reference to spot or contract world market prices. Such prices may fluctuate widely in response to changes in many factors over which the Group has no control, including but not limited to:

- economic and political developments in oil and gas producing regions, particularly the Middle East, Russia and Africa;
- global and regional supply and demand and expectations regarding future supply and demand;
- demand for gasoline and diesel;
- spread fluctuations;
- actions taken by oil and gas producing or consuming countries and by major suppliers of oil and natural gas;
- actions taken by governments;
- prices and availability of alternative fuels;
- global economic and political conditions; and
- weather conditions.

A prolonged period of low prices may necessitate a review for impairment of the Group's oil and natural gas properties. Such a review would reflect management's view of long-term depressed oil and natural gas prices, and any impairment charges incurred as a result could have a significant effect on the Group's results of operations, for the period in which it occurs.

*A decline in refining margins may adversely affect the Group's business, prospects, financial condition or results of operations*

The operating results of the Group's refining business depend largely on the margin between the market prices of its refined petroleum products and the prices of crude oil and other feedstocks which the Group pays for, (the **refinery margin**). The movements in the price of crude oil and refinery margins may not correlate at any given time. The cost to acquire feedstocks and the prices at which the Group can ultimately sell refined products depends on a variety of factors beyond its control. Therefore the Group's refining margins have fluctuated, and will continue to fluctuate, due to numerous factors, including:

- changes in the supply/demand of refined products in the world, especially in Europe;
- evolution of worldwide refinery capacity in light of world demand for fuels;
- government influence on the Group's affairs which could mean that the rationalisation of the less efficient refineries may depend on political decisions which are characterised by non-financial aspects as well;
- the appearance of new industry entrants (traders, conglomerates and financial investors) which affects the worldwide balance of refining capacities;
- changes in the operational cost of refining such as energy, utilities and maintenance;
- changes in the differentials between sour and sweet crude oil prices on international markets; and
- changes in environmental or other regulations, which could require the Group to make substantial expenditures without necessarily increasing the capacity or operating efficiency of its refineries.

A prolonged reduction in the refinery margin could have a material adverse effect on the Group's business, results of operations or financial condition.

*Changes in the motor fuel market carry certain risks*

Middle distillate sales made up 57% in 2011 and 58% in H1 2012 of the Group's total external oil product sales, whereas motor gasoline sales made up 22% in 2011 and 23% in H1 2012 of the Group's total external sales of fuel. The motor fuel market was affected by the recent economic crisis, with reduced demand. Motor gasoline consumption was affected as private consumption was reduced by higher unemployment, low levels of consumer confidence and high retail prices. Diesel demand recovered slightly in 2011 from the low levels seen in 2010 and, overall, demand has been shifting towards diesel, for which the Group is well positioned. Recently, crack spreads on diesel have been higher than on gasoline on a dollar-per-barrel basis and the Group expects the trend to continue. The Group expects that there will be a further increase in the demand for European diesel and that diesel crack spreads will remain healthy but, should that fail to happen, a fall in diesel margins would have a negative impact on the Group's profitability and on the Group's business, prospects and financial condition.

*The Group is exposed to the cyclicity of the petrochemical industry*

The Group produces and markets petrochemical products such as ethylene, propylene and olefin co-products and polyolefins. Prices of petrochemical products have been cyclical as a result of shifts in European and worldwide production capacity and demand patterns. The petrochemical industry has historically experienced alternating periods of tight supply, causing prices and margins to increase, followed by periods of substantial additions to capacity, resulting in excess supply and declining prices and margins. Demand for petrochemical products is fluctuating in line with expectations of economic growth. There can be no assurance that future growth in demand for polyolefins and its co-products will be sufficient to fully utilise



the Group's current and anticipated capacity. Excess capacity, to the extent it occurs, may depress prices and margins. Unanticipated additions to industry capacity may adversely affect market conditions. Future changes in petrochemical product prices are unpredictable and may negatively affect the Group's business, prospects, financial condition or results of operations.

*The Group is exposed to cost inflation*

The Group is exposed to cost inflation in respect of personnel, materials, supplies and materials used in building plant and machinery as well as spare parts. This may cause cost overruns and equipment required for the Group's business may become temporarily unavailable. This might negatively impact the Group's business, prospects, financial condition or results of operations.

*The Group faces significant competition, which may increase in the future*

The Group faces increasing competitive pressure in all areas of its business from local and global oil and gas companies. There is increasing world competition for reserves of crude oil and natural gas and exploration and production licences. A significant part of the crude and condensate production is sold within the Group to its local refineries, while the remaining crude production is sold locally at international spot prices. This exposes the Group to the risk of fluctuating sale prices, which may have a material adverse effect on the Group's business, results of operations or financial condition.

Automotive fuel is subject to stringent quality requirements (Euro V) and liberalised products within the EU, while in Croatia the introduction and enforcement of such regulations are still ongoing. The Group's market position in Hungary, the Slovak Republic, Croatia, Austria, the Czech Republic, Bosnia-Herzegovina and Romania is subject to competition from other regional refiners and wholesale distributors. The Group's retail competitors include multinational and regional oil companies as well as hypermarkets, many of which have significantly greater financial resources than the Group. If these companies are able to increase their market share at the Group's expense then there could be a material adverse effect on the Group's business, results of operations or financial condition.

Other oil derivatives (chemical, petrochemical and lubricant products) have wider and thus more competitive markets when compared to automotive fuels, as they are easily transportable over greater distances. If the Group is unable to effectively compete in any of the markets in which it operates, this may have a material adverse effect on the Group's business, results of operations or financial condition.

The petrochemical business faces fierce competition from the Middle East, where the newly-built petrochemical units have significant cost advantages due to lower feedstock prices. In respect of natural gas infrastructure services, i.e. gas transmission and storage, competition is limited because such services are subject to either regulated prices or long-term contracts with state-owned entities.

**FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

***Risks applicable to all Notes***

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

***The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.***

#### *Withholding under the EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State, or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

***The value of the Notes could be adversely affected by a change in English law or administrative practice.***

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

***Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued.***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.***

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

***Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.***

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified

rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, this Base Prospectus:

- (a) The 2010 Annual Report of the Guarantor which includes the auditors report and audited consolidated annual financial statements for the financial year ended 31 December 2010 of the Guarantor including the information set out at the following pages in particular:

Audit Report .....	Pages 83 to 85
Consolidated Balance Sheet .....	Page 86
Consolidated Income Statement .....	Page 87
Consolidated Statement of Comprehensive Income .....	Page 87
Consolidated Statement of Changes in Equity .....	Pages 88 to 89
Consolidated Cash Flow Statement .....	Pages 90 to 91
Notes to the consolidated financial statements prepared in accordance with International Financial Reporting Standards .....	Pages 92 to 163

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

- (b) The 2011 Annual Report of the Guarantor which includes the auditors report and audited consolidated annual financial statements for the financial year ended 31 December 2011 of the Guarantor including the information set out at the following pages in particular:

Audit Report .....	Pages 72 to 73
Consolidated Balance Sheet .....	Page 75
Consolidated Income Statement .....	Page 76
Consolidated Statement of Comprehensive Income .....	Page 77
Consolidated Statement of Changes in Equity.....	Pages 78 to 79
Consolidated Cash Flow Statement .....	Pages 80 to 81
Notes to the consolidated financial statements prepared in accordance with International Financial Reporting Standards .....	Pages 82 to 159

Any other information not listed above but contained in such document is incorporated by reference for information purposes only; and

- (c) The 2012 First Half-Year Report of the Guarantor which includes the unaudited interim condensed consolidated financial statements of the Guarantor for the period ended 30 June 2012 including the information set out at the following pages in particular:

Consolidated Income Statement .....	Page 16
Consolidated Statement of Comprehensive Income .....	Page 17
Consolidated Balance Sheet .....	Page 18
Consolidated Statement of Changes in Equity .....	Page 19
Consolidated Cash Flow Statement .....	Pages 20 to 21

Any other information not listed above but contained in such document is incorporated by reference for information purposes only.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer, from the specified office of the Paying Agent and from the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form or registered form.

### **Bearer Notes**

Notes issued in bearer form will be initially issued in the form of a temporary bearer global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent bearer global note (a **Permanent Bearer Global Note**, and together with the Temporary Bearer Global Note, the **Bearer Global Notes**) which, in either case, will:

- (i) if the Bearer Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg as applicable, and Euroclear and/or Clearstream Luxembourg (as applicable) has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) in whole or in part upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive bearer notes (**Definitive Bearer Notes**) of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may



be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of a Bearer Exchange Event. For these purposes, **Bearer Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if a Bearer Exchange Event occurs. In the event of the occurrence of a Bearer Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The registered Notes will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of a Registered Global Note or Registered Notes in definitive form (**Definitive Registered Notes**) will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of a Registered Global Note or Definitive Registered Note on the relevant Record Date. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in a Registered Global Note or Definitive Registered Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without interest coupons or talons attached only upon the occurrence of a Registered Exchange Event. For these purposes, **Registered Exchange Event** means the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if a Registered Exchange Event occurs. In the event of the occurrence of a Registered Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of a Registered Exchange Event as described above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

## **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **Belgium**

Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

## FORM OF FINAL TERMS

[Date]

### MOL Group Finance SA

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Guaranteed by MOL Hungarian Oil and Gas Public Limited Company  
under the U.S.\$1,000,000,000  
Guaranteed Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 September 2012 [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu).]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be at least £100,000 or its equivalent in any other currency.]*

- |    |       |  |   |
|----|-------|--|---|
| 1. | (i)   | Series Number:   | [     ]   |
|    | (ii)  | Tranche Number:  | [     ]   |
|    | (iii) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ <i>identify earlier Tranches</i> ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about [date]][Not Applicable] |
| 2. |       | Specified Currency or Currencies:                                      | [     ]   |
| 3. |       | Aggregate Nominal Amount:  |   |
|    | (i)   | Series:  | [     ]   |
|    | (ii)  | Tranche:   | [     ]   |
| 4. |       | Issue Price:   | [     ]% of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ] ( <i>if applicable.</i> )]  |

5. (i) Specified Denominations: [[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]]
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent))*
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (ii) Calculation Amount: [     ]
6. (i) Issue Date: [         ]
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
7. Maturity Date: [Fixed rate – specify date/  
Floating rate – Interest Payment Date falling in or nearest to [specify month and year].]
8. Interest Basis: [[     ]% Fixed Rate]  
[[specify Reference Rate] +/- [     ]% Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100%]/[●%] of their nominal amount.
10. Change of Interest Basis: *[Specify details of any provision for change of Notes into another Interest Basis or cross refer paragraphs 13 and 14 below if details are included there][Not Applicable].*
11. Put/Call Options: [Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[(further particulars specified below)]
12. [Date [Board] approval for issuance of Notes and Guarantee obtained: [             ] [and [             ], respectively]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph 13.)
- (i) Rate(s) of Interest: [ ]% per annum
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date.  
(Amend appropriately in the case of irregular coupons.)
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount [Not Applicable]
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ][ ][Not Applicable]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (vi) Determination Date(s): [ ] in each year][Not Applicable]
14. Floating Rate Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph 14.)
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention.]
- (iii) Additional Business Centre(s): [ ]/[Not Applicable]
- (iv) Manner in which the Rate of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount: [ ]/[Not Applicable]
- (vi) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/specify other Reference Rate].  
Relevant Financial Centre: [London/Brussels/specify other Relevant Financial Centre]

- Interest Determination [     ]  
Date(s): *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)*
- Relevant Screen Page: [     ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(vii) ISDA Determination:

- Floating Rate Option: [     ]
- Designated Maturity: [     ]
- Reset Date: [     ]  
*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

(viii) Margin(s): [ +/- ] [     ]% per annum

(ix) Minimum Rate of Interest: [     ]% per annum

(x) Maximum Rate of Interest: [     ]% per annum

(xi) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)  
*(See Condition 5 for alternatives)*

15. Zero Coupon Note Provisions

[Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph 15.)*

(i) Accrual Yield: [     ]% per annum

(ii) Reference Price: [     ]

(iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition [*Redemption and Purchase – Redemption for taxation reasons*]: Minimum period: [ ] days  
Maximum period: [ ] days
17. Issuer Call: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph 17.)
- (i) Optional Redemption Date(s): [ ]  
[[ ] per Calculation Amount]
- (ii) Optional Redemption Amount:
- (iii) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (iv) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)
18. Redemption at the option of the Noteholders (Investor Put): [Applicable/Not Applicable]
19. Final Redemption Amount: [ ] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:
- (i) Form:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon a Bearer Exchange Event].
- [Temporary Bearer Global Note exchangeable for

Definitive Bearer Notes on and after the Exchange Date.]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes on not less than 60 days' notice given at any time/only upon a Bearer Exchange Event].

[Registered Global Notes exchangeable for Definitive Registered Notes only upon a Registered Exchange Event.]

(ii) [New Global Note:

[Yes][No]]

22. Additional Financial Centre(s):

[Not Applicable/give details]

*(Note that this paragraph 22 relates to the place of payment and not Interest Period end dates to which subparagraph 15(c) relates)*

23. Talons for future Coupons to be attached to Definitive Notes:

[ ]/ [Not Applicable]

Signed on behalf of MOL Group Finance SA:

Signed on behalf of MOL Hungarian Oil and Gas Public Limited Company:

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued [[have not been rated]/[have been]/[are expected to be]] rated *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]*. Each of *[defined terms]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business] – *[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [ ]
- (ii) Estimated net proceeds: [ ]

(iii) Estimated total expenses: [ ]

**5. YIELD** (*Fixed Rate Notes only*)

Indication of yield: [ ]

**6. HISTORIC INTEREST RATES** (*Floating Rate Notes Only*)

Details of historic [LIBOR/EURIBOR/specify other Reference Rate] rates can be obtained from [Reuters].

**7. OPERATIONAL INFORMATION**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): [ ]/ [Not Applicable]

(vi) Deemed delivery of clearing system notices for the purposes of Condition [Notices]: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

[(vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper or registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then

be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common Safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of [Subscription] Agreement: [ ]
- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by MOL Group Finance SA (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 12 September 2012 made between the Issuer, MOL Hungarian Oil and Gas Public Limited Company (MOL *Magyar Olaj – és Gázipari Nyilvánosan Működő Részvénytársaság*) (as guarantor (the **Guarantor**)) and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Definitive Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Definitive Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 12 September 2012 and made between the Issuer, the Guarantor, the Trustee, Citibank N.A., London Branch as issuing and principal paying agent (the **Principal Paying Agent** and the **Agent** which expression shall include any successor agent), Citigroup Global Markets Deutschland A.G. as registrar (the **Registrar**, which expression shall include any successor registrar) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which completes these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Notes in registered form (the **Registered Notes**) and Global Notes in bearer form do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Notes in bearer form) the bearers for the time being of the Notes and (in the case of Notes in registered form) the persons in whose name the Notes for the time being are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents and the Registrar. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or registered form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. Notes in bearer form (the **Bearer Notes**) may not be exchanged for Registered Notes and *vice versa*.

A Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant **Bearer Global Note** or the registered holder of the relevant **Registered Global Note** shall be treated by the Issuer, the Guarantor, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form (**Definitive Registered Notes**) or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement and the Trust Deed.

### **2.2 Transfers of Definitive Registered Notes**

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Agency Agreement and the Trust Deed, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Principal Paying Agent, the Trustee and the

Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor. For the avoidance of doubt, the Registrar shall make sure that each time the Register is amended or updated, the Registrar, or as the case may be the relevant Transfer Agent, shall send a copy of the Register to the Issuer which will update the register of Definitive Registered Notes kept at the Issuer's registered office (hereinafter the Issuer Register). In the event of any differences in information contained in the Register and the Issuer Register, the Issuer Register shall prevail for Luxembourg law purposes.

### **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### **2.4 Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

### **2.5 Exchanges and transfers of Registered Notes generally**

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

## **3. STATUS OF THE NOTES AND THE GUARANTEE**

### **3.1 Status of the Notes**

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### **3.2 Status of the Guarantee**

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the **Guarantee**). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by

law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

## **4. NEGATIVE PLEDGE**

### **4.1 Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer and the Guarantor will not, and will ensure that none of their respective Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (including, without limitation, anything analogous to the foregoing under the laws of any relevant jurisdiction) (each a **Security Interest**) upon, or with respect to, any of their present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness (each as defined below), unless the Issuer or, as the case may be, the Guarantor in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest(s) equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other security or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (i) as the Trustee in its absolute discretion considers not materially less beneficial to the interests of the Noteholders or (ii) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three quarters of the votes cast thereon) of the Noteholders.

### **4.2 Interpretation**

For the purposes of these Conditions:

- (a) **guarantee** means, in relation to any Relevant Indebtedness of any Person, any obligation of another Person to pay such Relevant Indebtedness including (without limitation):
  - (i) any obligation to purchase such Relevant Indebtedness;
  - (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Relevant Indebtedness;
  - (iii) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and
  - (iv) any other agreement to be responsible for such Relevant Indebtedness;
- (b) **Relevant Indebtedness** means any borrowings of any Person having an original maturity of more than one year in the form of or represented by bonds, notes, debentures, debenture stock, loan stock, certificates or other debt securities (not comprising, for the avoidance of doubt, preference shares or other equity securities):
  - (A) where more than 50% in aggregate principal amount of such bonds, notes, debentures or other debt securities are initially offered outside Hungary by or with the authorisation of the Issuer and the Guarantor; and



- (B) which are or are intended to be or are capable of being listed, quoted or traded on any stock exchange, over-the-counter or other organised market for securities (whether or not initially distributed by way of private placing);
- (c) **Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and
- (d) **Subsidiary** means, in relation to the Issuer or the Guarantor, any company (i) in which the Issuer or, as the case may be, the Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, the Guarantor is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer or, as the case may be, the Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or, as the case may be, the Guarantor.

## 5. INTEREST

### 5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.
- (c) In the Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 5.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified

Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above the Floating Rate Convention, such Interest Payment Date (a), in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b), in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, only one of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

**(e) Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph (e), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) Determination or Calculation by Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee or an agent on its behalf shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5.2, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent. The Trustee shall have no liability to any person in respect of such determination or calculation.

**(g) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, by the

Agent shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of negligence, wilful default or bad faith) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **5.3 Accrual of interest**

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

## **6. PAYMENTS**

### **6.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

### **6.2 Presentation of Definitive Bearer Notes and Coupons**

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so



deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### 6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### 6.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than EUR 1,000,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a

Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest and principal due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Paying Agents or the Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **6.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 6.5, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S.

dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

## **6.6 Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## **6.7 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **7.2 Redemption for tax reasons**

Subject to Condition 7.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### 7.3 Redemption at the option of the Issuer (Issuer Call)

If the Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will, subject to mandatory provisions of Luxembourg law, be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

### 7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms then if at any time while any Notes remain outstanding there occurs a Change of Control (as defined below), a **Put Event** will be deemed to occur.

For the purposes of this Condition:

A **Change of Control** shall be deemed to have occurred if any person or group of persons (**Relevant Person(s)**) Acting in Concert gains Control of the Guarantor.

**Acting in Concert** means acting together pursuant to an agreement or understanding (whether formal or informal).

**Control** means at any time directly or indirectly (i) having the ownership of more than 50% of the aggregate number of voting rights exercisable at a general meeting of an entity in accordance with such entity's articles of association or (ii) having the capability to appoint the majority of the members of the board of directors of an entity whether through the ownership of share capital, by contract or otherwise.

If a Put Event occurs, the holder of each Note will have the option (a **Put Option**) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 7.2) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Put Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the

holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a **Put Event Notice**) to the Noteholders (with a copy to the Trustee (if applicable)) in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, the holder of a Note must, if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note to the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the period (the **Put Period**) of 30 days after a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the Balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2 accompanied by this Note or evidence satisfactory to the Paying Agent or, as the case may be the Registrar concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be immediately due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4.

If 85% or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.4, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (with a copy to the Trustee) (such notice being given within 45 days after the Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.

## **7.5 Early Redemption Amounts**

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

<sup>y</sup> is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable (and the denominator will be 360) or (ii) Actual/360 in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable (and the denominator will be 360) or (iii) Actual/365 in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable (and the denominator will be 365).

## 7.6 Purchases

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Any Notes and unmatured Coupons and Talons so purchased by the Issuer or the Guarantor or any of their respective Subsidiaries may be held, redeemed, reissued or resold.

## 7.7 Cancellation

All Notes which are redeemed pursuant to this Condition or purchased by the Issuer or the Guarantor or any of their respective Subsidiaries pursuant to Condition 7.6 above and thereupon redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Bearer Notes so cancelled (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and all Registered Notes so cancelled shall be forwarded to the Registrar and cannot be reissued or resold.

The Issuer shall forthwith inform the Luxembourg Stock Exchange of any such cancellation (in case the Notes are listed on the Luxembourg Stock Exchange).

## **7.8 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## **8. TAXATION**

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected or assessed in any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in Luxembourg or Hungary; or
- (b) the holder of which is liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.5); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, or is required to be made pursuant to the Luxembourg law of 23 December 2005, as amended, by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg;
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or



- (f) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

As used herein:

- (i) **Tax Jurisdiction** means Luxembourg and Hungary or any political subdivision or any authority thereof or therein having power to tax;
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and
- (iii) any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

## 9. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

The Luxembourg Act dated 3 September 1996 on the involuntary dispossession of bearer securities, as amended (the **Involuntary Dispossession Act 1996**) requires that any amount that is payable under the Bearer Notes (but has not yet been paid to the holders of the Bearer Notes), in the event that (i) an opposition has been filed in relation to the Bearer Notes and (ii) the Bearer Notes mature prior to becoming forfeited (as provided for in the Involuntary Dispossession Act 1996), is paid to the *Caisse des consignations* in Luxembourg until the opposition has been withdrawn or the forfeiture of the Bearer Notes occurs.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## 10. EVENTS OF DEFAULT AND ENFORCEMENT

### 10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) (but, in the case of the happening of any of the events described in paragraphs (b) and (d) to (f) (other than the winding-up or dissolution of the Issuer or the Guarantor), and (g) to (n) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default** and each an **Event of Default**):

- (a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of three Business Days in the case of principal or five Business Days in the case of interest, provided that such

default will not be an Event of Default if (i) it occurs by reason only of administrative or technical difficulties affecting the transfer of the funds due from the Issuer (ii) the Issuer issued the appropriate transfer and payment instructions in sufficient time to permit the transfer and payment of the amount due to be made on its due date and (iii) the holders of the Notes receive from the Issuer that amount within seven Business Days after the due date for payment; or

- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 Business Days following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if any Indebtedness of the Issuer, the Guarantor or a Material Subsidiary is not paid when due after the expiration of any applicable grace period, or any Indebtedness of the Issuer, the Guarantor or a Material Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity, provided, however, that no Event of Default shall have occurred if the aggregate amount of such Indebtedness (or its equivalent) which is not paid when due (after the expiration of any applicable grace period) or is due and payable prior to its specified maturity date is equal to or less than EUR 50 million (or its equivalent in another currency); or
- (d) if one or more final and binding judgment(s) or order(s) for the payment of any amount in excess of EUR 50 million is rendered against the Issuer, the Guarantor or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) it is or will become unlawful for the Issuer, the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or
- (f) if any order is made by any competent court or a resolution is passed for the winding-up, liquidation or dissolution of the Issuer, the Guarantor or a Material Subsidiary save for the purposes of reorganisation whilst solvent on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (g) if the Issuer, the Guarantor or a Material Subsidiary ceases or threatens to cease to carry on the whole or substantially (in the opinion of the Trustee) the whole of its business, save for the purposes of reorganisation whilst solvent on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or the Issuer, the Guarantor or a Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits its inability to, pay its debts (or any class of its debts) as they fall due or is adjudicated or found bankrupt or insolvent; or
- (h) if (i) proceedings are initiated against the Issuer, the Guarantor or a Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or a Material Subsidiary or, as the case may be, in relation to the whole or substantially (in the opinion of the Trustee) the whole of the undertaking or assets of the Issuer, the Guarantor or a Material Subsidiary or an encumbrancer takes possession of the whole or substantially (in the opinion of the Trustee) the whole of the undertaking or assets of the Issuer, the Guarantor or a Material Subsidiary,

or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially (in the opinion of the Trustee) the whole of the undertaking or assets of the Issuer, the Guarantor or a Material Subsidiary, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 90 days (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or unless, and for so long as, the Trustee is satisfied that it is being contested in good faith and diligently (including with respect to the Issuer, without limitation, the opening of any bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors or reorganisation proceedings or similar proceedings affecting the rights of creditors generally and/or the appointment of any receiver (*curateur*), liquidator (*liquidateur*), auditor (*commissaire*), verifier (*expert-vérificateur*), *juge délégué* or *juge commissaire*); or

- (i) if the Issuer, the Guarantor or a Material Subsidiary (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (j) if the Issuer ceases to be a subsidiary controlled, directly or indirectly, by the Guarantor; or
- (k) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or
- (l) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have an analogous effect to any of the events referred to in paragraphs (f) to (k) above; or
- (m) if a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary where the value of the undertaking, assets and revenues in question exceeds EUR 50 million; or
- (n) if any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of, the Notes or the Trust Deed as applicable, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of Hungary and Luxembourg, is not taken, fulfilled or done.

## 10.2 Interpretation

For the purposes of this Condition 10:

- (a) **Indebtedness** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other debt securities or any borrowed money or any liability (including but not limited to any amount payable under any guarantee for, or indemnity in respect of, any moneys borrowed or raised) under or in respect of any acceptance or acceptance credit; and

- (b) **Material Subsidiary** means, at any time, a Subsidiary of the Guarantor whose consolidated tangible net worth or EBITDA (excluding intra-Group items) then equals 10% of the Consolidated Tangible Net Worth or EBITDA of the Guarantor (on a consolidated basis).

For this purpose:

- (i) the consolidated tangible net worth or EBITDA of a Subsidiary of the Guarantor will be determined from its latest annual financial statements (consolidated if it has Subsidiaries) upon which the Guarantor's latest annual audited consolidated financial statements have been based;
- (ii) if a Subsidiary of the Guarantor becomes a member of the Group after the date on which the latest annual audited consolidated financial statements of the Guarantor have been prepared, the consolidated tangible net worth or EBITDA of that Subsidiary will be determined from its latest annual financial statements;
- (iii) the Consolidated Tangible Net Worth or EBITDA of the Guarantor will be determined from the Guarantor's latest annual audited consolidated financial statements, adjusted (where appropriate) to reflect the consolidated tangible net worth or EBITDA of any company or business subsequently acquired or disposed of; and
- (iv) if a Material Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Guarantor, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; whether or not a Subsidiary is a Material Subsidiary in any subsequent Measurement Period after that disposal will be determined by reference to the subsequent annual financial statements of that Subsidiary and the Guarantor (on a consolidated basis).

However:

- (A) the first determination of whether a company which becomes a Subsidiary of the Guarantor after the issue of the Notes is or is not a Material Subsidiary shall be made by reference to its latest annual audited financial statements and the latest annual audited consolidated financial statements of the Guarantor as applicable, in each case for the financial year after the financial year of the Guarantor as applicable in which the date of that company's acquisition falls; and
- (B) if there is a dispute as to whether or not a company is a Material Subsidiary, a certificate of the auditors of the Guarantor provided by the Guarantor to the Trustee that in the auditors' opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

For the purposes of this definition, **consolidated tangible net worth** of a company means total assets as they appear in the financial statements of that company (consolidated if prepared) less the aggregate of total intangible assets and total liabilities of that company on a consolidated basis, calculated by reference to that company's financial statements (consolidated if prepared).

Where:

**Consolidated Tangible Net Worth** means total assets as they appear in the consolidated financial statements of the Guarantor less the aggregate of total intangible assets and total liabilities of the Guarantor on a consolidated basis, calculated by reference to the most recent annual consolidated financial statements of the Guarantor.

**EBITDA** means, in relation to any person and for any Measurement Period, operating profit plus cash dividends received plus any depreciation or amortisation. For the purposes of the definition of Material Subsidiary, cash dividends received shall be calculated by reference to the cashflow statement and each of operating profit, depreciation and amortisation shall be calculated by reference to the relevant person's consolidated (or, if that is not available, unconsolidated) profit and loss account. For the purposes of calculating EBITDA for any Measurement Period, the EBITDA of any company which has been acquired or disposed of by a member of the Group for a consideration in excess of EUR 250 million during that Measurement Period shall be included, in the case of an acquisition, or excluded, in the case of a disposal, on a pro forma basis as if the acquisition, or, as the case may be, the disposal, had been completed on the first day of that Measurement Period.

**Group** means the Guarantor and its Subsidiaries.

**Measurement Period** means a period of 12 months ending on the last day of a financial year of the Guarantor.

### **10.3 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such steps, actions or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such steps, actions or proceedings in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **11. REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued. The replacement of Bearer Notes, Coupons and Talons, in the case of loss or theft, is subject to the procedure of the Involuntary Dispossession Act 1996.

## **12. PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

### **13. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **14. NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not

practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or in such other manner as accepted by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or in such other manner as accepted by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-quarters of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing

system(s) (in accordance with their operating rules and procedures and in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-quarters in principal amount of the Notes for the time being outstanding, shall, in each case, be valid and effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders shall be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

For the avoidance of doubt, the articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the **Companies Act 1915**), shall not apply with regard to the Notes.

Any resolution of the Noteholders to amend the corporate objects of the Issuer, the form of the Issuer, to change the nationality of the Issuer and/or increasing the commitments of the shareholders of the Issuer may only be taken, and any meetings of Noteholders resolving thereupon must be convened and held, in accordance with the Companies Act 1915 as long as any specific requirements exist in this respect in the Companies Act 1915 (the **Luxembourg Law Resolutions**). A Luxembourg Law Resolution must be passed in accordance with the requirements of the Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of Extraordinary Resolutions.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (except as mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is, in the opinion of the Trustee of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer or Guarantor subject to Luxembourg laws and certain conditions set out in the Trust Deed being complied with.



**16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

**17. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

**18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**19. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

**19.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

**19.2 Submission to jurisdiction**

The Issuer and the Guarantor irrevocably agree, for the benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons) and accordingly submit to the exclusive jurisdiction of the English courts.

The Issuer and the Guarantor waive any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Trust Deed, the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### **19.3 Appointment of Process Agent**

The Issuer and Guarantor appoint Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as their agent for service of process, and undertake that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, they will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

### **19.4 Other documents and the Guarantor**

The Issuer and, where applicable, the Guarantor has in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for the Group's general corporate purposes which include making a profit.

## DESCRIPTION OF THE ISSUER

### General

The Issuer was incorporated in the Grand Duchy of Luxembourg as a public limited liability company (*société anonyme*) with unlimited duration on 10 August 2012 under the name MOL Group Finance SA and is registered with the Luxembourg trade and companies register under number B 170 861.

The articles of association of the Issuer have been published in the *Mémorial C, Recueil des Sociétés et Associations* on 18 August 2012.

The registered office of the Issuer is at 102, rue des Maraîchers, L-2124 Luxembourg. The telephone number of the Issuer is +352 4590-3550 and the fax number of the Issuer is +352 4590-4227. The share capital of the Issuer is EUR 31,000 divided into 310 ordinary shares with a nominal value of EUR 100 each (**Issuer Shares**) all of which are fully paid. The issued Issuer Shares are held by the Guarantor and the Issuer is therefore a wholly owned subsidiary of the Guarantor. The Issuer is operated to service the financial interests of the Group. The Issuer is wholly owned by the Guarantor and operates in accordance with the Group's corporate governance policies.

Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Base Prospectus.

### Principal activities of the Issuer

The principal activities of the Issuer are those which are set out in article 4 (Corporate objects) of the Issuer's articles of association.

The corporate objects of the Issuer are (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above).

The Issuer may acquire or assume, directly or through another entity or vehicle, the risks relating to the holding or property of claims, receivables and/or other goods or assets (including securities of any kind), either movable or immovable, tangible or intangible, and/or risks relating to liabilities or commitments of third parties or which are inherent to all or part of the activities undertaken by third parties, by issuing securities of any kind whose value or return is linked to these risks. The Issuer may assume or acquire these risks by acquiring, by any means, claims, receivables and/or assets, by guaranteeing the liabilities or commitments of third parties or by binding itself in any other way.

The Issuer may borrow in any form. It may enter into any type of loan agreement and it may issue notes, bonds, debentures, certificates, shares, beneficiary parts, warrants and any kind of debt or equity securities including under one or more issue programmes. The Issuer may lend funds including the proceeds of any borrowings and/or issues of securities to its subsidiaries, affiliated companies or to any other company.

The Issuer may also give guarantees and grant security in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. The Issuer may further pledge, transfer, encumber or otherwise create security over some or all its assets.

The Issuer may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions. The Issuer may generally employ any techniques and instruments relating to investments for the purpose of their efficient management, including, but not limited to, techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks.

The Issuer may engage in the management, planning and controlling of bank accounts and master bank accounts relating to cash-pooling systems to the extent that such management, planning and controlling is made on behalf of the Issuer and/or one or more parent companies and/or subsidiaries forming part of the same group of companies as the Issuer. Such cash management shall include, without limitation, the management and development of cash pools held on various bank accounts, liaising with relevant financial and treasury departments of the Issuer's parent companies and subsidiaries, appointing and liaising with relevant account banks and appointing and instructing relevant financial institutions in connection with the execution of foreign exchange transactions or other deposit-related financial transactions for the account of the Issuer or any of its parent companies or subsidiaries.

The descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects shall include any transaction or agreement which is entered into by the Issuer, provided it is not inconsistent with the foregoing enumerated objects.

In general, the Issuer may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate objects.

### **Capitalisation**

The following table sets out the capitalisation of the Issuer as at the date of this Base Prospectus.

Shareholders' funds:

Share capital EUR 31,000

Total Capitalisation      EUR 31,000

### **Indebtedness**

As at the date of this Prospectus, the Issuer has no indebtedness.

### **Administration, Management and Supervisory Bodies**

The Directors of the Issuer are as follows:

<i>Director</i>	<i>principal outside activities</i>
József Farkas Simola	GCFO of the Guarantor
László Szabó	Group Treasurer of the Guarantor
Christel Damaso	Corporate Officer
Raquel Martins Carvalho	Corporate Officer
Philippe Van Den Avenne	Chartered Accountant

The business address of József Farkas Simola is Oltvány utca 17/E 1112 Budapest, Hungary.

The business address of László Szabó is Ringló út 43/b. 1221 Budapest, Hungary.

The business address of Christel Damaso and Philippe Van Den Avenne is 69, rue de Merl, L-2146 Luxembourg, Grand Duchy of Luxembourg.

The business address of Raquel Martins Carvalho is 102, rue des Maraîchers, L-2124 Luxembourg, Grand Duchy of Luxembourg.

The directors confirm that there is no conflict of interest between their duties as director of the Issuer and their principal and/or other outside activities.

Weidema van Tol acts as the domiciliation and administrative agent of the Issuer (the **Domiciliation Agent**). The address of the Domiciliation Agent serves as the registered office of the Issuer which is located at 102, rue des Maraîchers, L-2124 Luxembourg. Pursuant to the terms of the Domiciliation Agreement dated 4 Sept 2012 and entered into between the Domiciliation Agent and the Issuer, the Domiciliation Agent will perform in Luxembourg certain corporate, secretarial and other administrative services. In consideration of the foregoing, the Domiciliation Agent will receive various expenses payable by the Issuer at rates agreed upon from time to time. The appointment of the Domiciliation Agent may be terminated, in principle, by either the Issuer or the Domiciliation Agent upon not less than 60 days' prior notice.

Temmes Management Services B.V acting through its Küsnacht branch of Steinackerstrasse 9 CH-8700 Küsnacht, Switzerland has been appointed as corporate service provider pursuant to the terms of a Management Services Agreement dated 8 August 2012, under which Temmes Management Services B.V will provide the Issuer with certain management and administrative services.

No corporate governance regime to which the Issuer would be subject exists in Luxembourg as at the date of this Base Prospectus.

## **Financial Statements**

The financial year of the Issuer is the calendar year (save that the first financial year is from the date of incorporation to 31 December 2012). Unless so required by applicable Luxembourg law after the date of this Base Prospectus, the Issuer will not prepare interim financial statements.

In accordance with Articles 72, 74 and 75 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, the Issuer is obliged to publish its annual accounts on an annual basis following approval of the annual accounts by the annual general meeting of the shareholders. The ordinary general meeting of shareholders takes place annually on the third Monday in March or, if such day is not a Business Day (as defined in the articles of association of the Issuer), the next following Business Day at 10.00 a.m. at the registered office of the Issuer or at such other place as may be specified in the convening notice. The first ordinary general meeting of shareholders should take place in 2013.

Any published annual audited financial statements prepared for the Issuer will be obtainable free of charge from the specified office of the Paying Agent in the Grand Duchy of Luxembourg, as described in "*General Information*".

## **Statutory Auditors**

The current statutory auditors (*réviseur d'entreprises agréé*) of the Issuer, which have been appointed by a resolution of the Guarantor, being the sole shareholder of the Issuer, dated 10 August 2012 are Ernst & Young S.A. having its registered office at 7, rue Gabriel Lippmann, L-5365 Munsbach and which belong to the Luxembourg institute of auditors (*Instituts des réviseurs d'entreprises*).

## DESCRIPTION OF THE OIL AND GAS INDUSTRY

### World economy: Decelerating growth

The year 2011 and the first half of 2012 saw a marked but unsurprising slowdown in the global economy following the unsustainable boom of 2010. The winding-down of stimulus packages across the globe and increasing concerns regarding the future of the Eurozone left an imprint on global economic performance, which only grew by 3.9% in 2011 compared with 5.3% in 2010<sup>\*</sup>. Advanced economies grew by 1.6% in 2011, whilst emerging countries experienced significant growth of 6.2%<sup>†</sup>. The International Monetary Fund (IMF) estimates that further deceleration is expected throughout 2012 as the Eurozone has slipped into recession, while developing economies have also slowed down due to a worsening external environment and weakening internal demand. The IMF forecasts that global GDP will grow by 3.5%, mostly driven by the developing regions. Central & Eastern Europe (CEE), however, will only expand by 1.9% in 2012, mainly due to adverse knock-on effects from the euro area trade and financial channels. There is a risk that global growth will be further inhibited if the Eurozone crisis worsens.

### Oil markets

The general economic downturn severely affected oil demand during 2011 and early 2012. The International Energy Agency reported that global oil demand grew by only 0.8 mboe/d to 89.1 mboe/d in 2011, and they expect similar growth in 2012. The increase mostly derived from non-OECD Asian growth in demand, whereas OECD demand decreased throughout the period. OPEC countries were able to increase their supply to 30.9 mboe/d since high levels of output from Saudi Arabia, Iraq and the United Arab Emirates (UAE) more than offset the fall in Libyan output. Libyan operations have now begun again.

In 2011, average oil prices increased significantly by 40% to U.S.\$111/bbl moving in a wide U.S.\$30/bbl range<sup>‡</sup>. In 2012, volatility remained high, with Middle-East tensions pushing up prices to approximately 130 U.S.\$/bbl in March. However, by June they had fallen to 90 U.S.\$/bbl, due to weak demand and increasing Eurozone risks. More recently, however, prices have increased to 100 U.S.\$/bbl due to a return of risk to the supply side.

### Refining margins: European refineries suffered

The global refining sector has been suffering in the last couple of years due to overcapacity. Refining margins remained mostly below the five-year average throughout 2011, with just a temporary relief in mid-2012 as refineries benefited from declining oil prices. Geography and configuration, however, were crucial determinants in refinery profitability. While Asian and U.S. refiners benefited from demand growth and comparatively low costs, respectively, their European counterparts suffered mainly due to the loss of Libyan crude supplies, the narrowing of the Brent-Urals spread and weak domestic demand for oil products. In 2012, Libyan crude returned to the market, but the sanctions against Iran have negatively impacted on European refiners. As a result of the generally challenging environment, many more vulnerable refiners were forced to cease operations.

The gasoline crack spread (calculated as the difference between the price of crude oil and petroleum products) did not change much year-on-year up to 2011 but saw large seasonal variations. In the first half of 2012, gasoline crack spreads were relatively strong due to some closures and maintenance projects and the declining crude prices in mid-2012. Meanwhile, naphtha crack spreads suffered due to the poor market for petrochemicals and significant discounts in propane prices, the latter being used as alternative feedstock. Diesel's crack spread has been improving. During the second half of 2011, lower refinery throughput and the

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<sup>\*</sup> Source: IMF, World Economic Outlook Update, 16 July 2012

<sup>†</sup> Source: IMF, World Economic Outlook Update, 24 January 2012

<sup>‡</sup> Source: Platts

loss of Russian export volumes supported strong crack spreads while declining oil prices supported strong crack spreads in mid-2012. Negative fuel oil spreads also improved, as a result of lower levels of local production and a strong Asian market post the disaster at Fukushima in 2011 and 2012.

The Brent-Urals spread narrowed significantly during the second half of 2011 and the traditional Urals discount reversed itself during the fourth quarter of 2011 and has remained volatile since. Brent-Urals spread traded in the range of U.S.\$0.43 and 4.07/bbl (these figures show the Brent-Ural spread on a positive scale). From the third quarter of 2011 a sharp narrowing of the spread occurred, reaching a zero spread by September. This was due to declining Russian export volumes, concerns regarding payment for Iranian crude oil due to financial sanctions and disruption to Kirkuk supplies. The sanctions on Iranian crude have increased the demand for substituting blends, like the Urals, putting the Brent-Urals spread under pressure. The spread recovered somewhat in 2012 (compared to the extremely weak figures at the end of 2011) but it also remained very volatile and below the five-year average.

### **CEE: Two-speed recovery with a widening gap between gasoline and diesel demand**

The CEE region's two-speed recovery continued in 2011 with Poland, Slovakia and Romania performing strongly but Croatia and Hungary, among others, performing less well. Overall, the region expanded by 5.3% in 2011 according to the IMF. At the end of 2011, the region experienced net capital outflows for the first time since 2009 and Western banks were also deleveraging which created reduced prospects for growth. Due to its high exposure to Eurozone stress, GDP growth in the CEE region is projected to slow down during 2012 to 1.9%, with some countries falling back into recession.

The gap between diesel and gasoline demand widened further in 2011. Gasoline demand decreased in all countries by 5.7% on an aggregated level, except in Slovenia, which experienced a slight increase. Demand for diesel was mixed but on average it increased by 1.6%\*\*.

Relatively high unemployment rates affected private spending, which translated mainly into lower gasoline sales. Meanwhile, GDP growth stimulated transportation needs through export activities, which strengthened demand for diesel. Some markets experienced changes in tax which also affected motor fuel demand, for example there was increased excise tax in Austria and excise tax cuts in Slovenia.

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\*\* Source: IEA



## DESCRIPTION OF THE GUARANTOR

### KEY INFORMATION

The legal name of the guarantor is MOL Hungarian Oil and Gas Public Limited Company (**MOL** or the **Guarantor**) (MOL Magyar Olaj- és Gázipari Nyilvánosan Működő Részvénytársaság) abbreviated to: MOL Plc. (MOL Nyrt.). It also operates under the commercial name MOL. MOL's registered office is at Október huszonharmadika u. 18, Budapest, H-1117, Hungary, telephone number +36 1 209 0000. MOL was founded on 1 October 1991 as the legal successor to the state owned Országos Kőolaj és Gázipari Tröszt (**OKGT**) and was incorporated in Hungary under Act VI of 1988, Act XIII of 1989, Act VII of 1990 and Government Resolution No. 3149/1991 (IV.11.). MOL was registered as a company limited by shares on 10 June 1992, under registration number Cg. 01-10-041683 by the Metropolitan Court in Budapest acting as Court of Registration, and it was founded for an indefinite period.

MOL is one of the largest oil and gas companies in CEE and as at 30 June 2012 its market capitalisation was U.S.\$7.4bn. It has a diversified international upstream portfolio with operations throughout CEE. Over 70% of its EBITDA for 2011 was generated by its upstream activities and the remainder from its downstream and gas midstream activities.

In the past 10 years the Group (as defined below) has expanded its Upstream Division and now undertakes such business activities throughout the world, and in particular in CIS, the Middle East and North Africa. The Group has also expanded its Downstream Division through a combination of organic growth and strategic acquisitions. As a result it is now one of the main oil and gas companies in the CEE region and the Group's shares are listed on the Budapest, Luxembourg and Warsaw Stock Exchanges. MOL's Depository Receipts (DRs) are traded on London's International Order Book and the U.S. Pink Sheet.

MOL's three material subsidiaries are Industrija Nafta d.d. (**INA**) in Croatia, Slovnaft in Slovakia (**Slovnaft**) and FGSZ Földgázszállító Zrt. (FGSZ Natural Gas Transmission Ltd.) (**FGSZ**).

In March 2000, MOL signed an agreement to become a strategic investor in the leading Slovakian oil company Slovnaft. In the agreement MOL acquired an initial equity stake of 36.2%. MOL currently owns 98% of the company's shares.

In January 2009 MOL signed an agreement with the Republic of Croatia to gain operational control of INA. On 30 January 2009 MOL and the Republic of Croatia, represented by the Government of Croatia, entered into an amendment to the Shareholders' Agreement (the **Amendment to the Shareholders' Agreement**). Under the Amendment to the Shareholders' Agreement MOL delegates five out of nine members in the INA supervisory board and three out of six members of the management board including the president. This gives MOL operational control of INA. MOL currently owns 49.1% of INA's shares.

### CORPORATE HISTORY

MOL Plc was formed in October 1991 through the merger of nine companies which had previously been part of OKGT. The privatisation of MOL began in November 1995 with the listing of MOL's shares on the Budapest Stock Exchange and the Luxembourg Stock Exchange. By 1998, state ownership decreased to 25% and MOL eventually became a fully privatised company in November 2006. On 24 May 2011 the Government of Hungary signed an agreement to purchase 22,179,488 of class A MOL shares (representing voting rights and an ownership stake of 21.2%) from Surgutneftegas OJSC.

### INTRODUCTION

MOL is the parent company of its corporate group (MOL together with its subsidiaries, the **Group**). The Group is a leading integrated CEE-region oil and gas group which is primarily engaged in the exploration

and production of crude oil and natural gas, the refining of crude oil, wholesale and retail sales of refined petroleum products and the production and sale of olefins and polyolefins. In addition, the Group is involved in gas infrastructure services, supply and trading activities and power activities. MOL is committed to maintaining and further improving the efficiency of its current portfolio, taking advantage of the potential in its captive and new markets and to excellence in its social and environmental performance.

The Group operates through a number of direct and indirect, wholly owned, majority owned or minority owned subsidiaries. Its operations are broadly divided into the following three divisions:

- (a) the Upstream Division;
- (b) the Downstream Division; and
- (c) the Gas Midstream Division.

The Upstream Division has a diverse portfolio with oil and gas exploration activities in 12 countries and income generating assets in eight countries. The Group's SPE 2P reserves were 682 MMboe as at 31 December 2011, while hydrocarbon production amounted to 147 mboe/d in 2011<sup>††</sup>. The Group has more than seven decades of oil and gas industry experience in Hungary, more than five decades in Croatia and Slovakia and a proven international track record of over 20 years and believes that it is now in a position to benefit from its exploration drilling successes. Several discoveries were recorded in Hungary, Russia, Kazakhstan, Pakistan and the Kurdistan Region of Iraq in recent years. In addition to the Group's traditional core region of the CEE, it has recently focused on its international upstream portfolio, mainly on Russia and Kazakhstan, as well as on assets in the Kurdistan Region of Iraq.

The Downstream Division operates five refineries, two petrochemicals units and a network of modern retail filling stations. This is supported by a CEE region-wide logistics system and optimised by effective supply chain management. The segment's integration was significantly improved in 2011 to take advantage of sequential and interactive business processes. The Group has also continued to focus on operating efficiency whilst moderating the negative effects of the external economic environment. The Group's two most complex refineries, Bratislava and Danube, continue to enjoy the advantages of their strong asset structure, high net cash margins and central positions in landlocked markets.

The Gas Midstream Division is led by MOL's wholly-owned subsidiary FGSZ Földgázz szállító Zrt. (FGSZ Natural Gas Transmission Ltd.) (**FGSZ**) which is the gas transmission business. In line with the European Union's Third Energy package and the related Hungarian legislation FGSZ received an Independent Transmission Operator certification in March 2012 and received an operational licence on 28 June 2012 as prescribed by the law in Hungary. The company owns and maintains full operational control of the domestic high-pressure pipeline system. FGSZ transports natural gas to Serbia, Bosnia-Herzegovina, Romania and Croatia. The Group is an active participant in the gas storage business through the gas storage facility of MMBF Ltd. (MOL owns 72% of this company), which finished its second year of successful operations in 2011. This underground gas storage facility, with a total mobile gas capacity of 1.9 bn m<sup>3</sup> (of which 1.2 bn m<sup>3</sup> is strategic and 0.7 bn m<sup>3</sup> is commercial) has proved to be a reliable part of Hungary's domestic gas infrastructure, which guarantees security of supply.

In recognition of its long-term economic, social and environmental performance, MOL was included in the Dow Jones Sustainability World Index for the second time in 2011.

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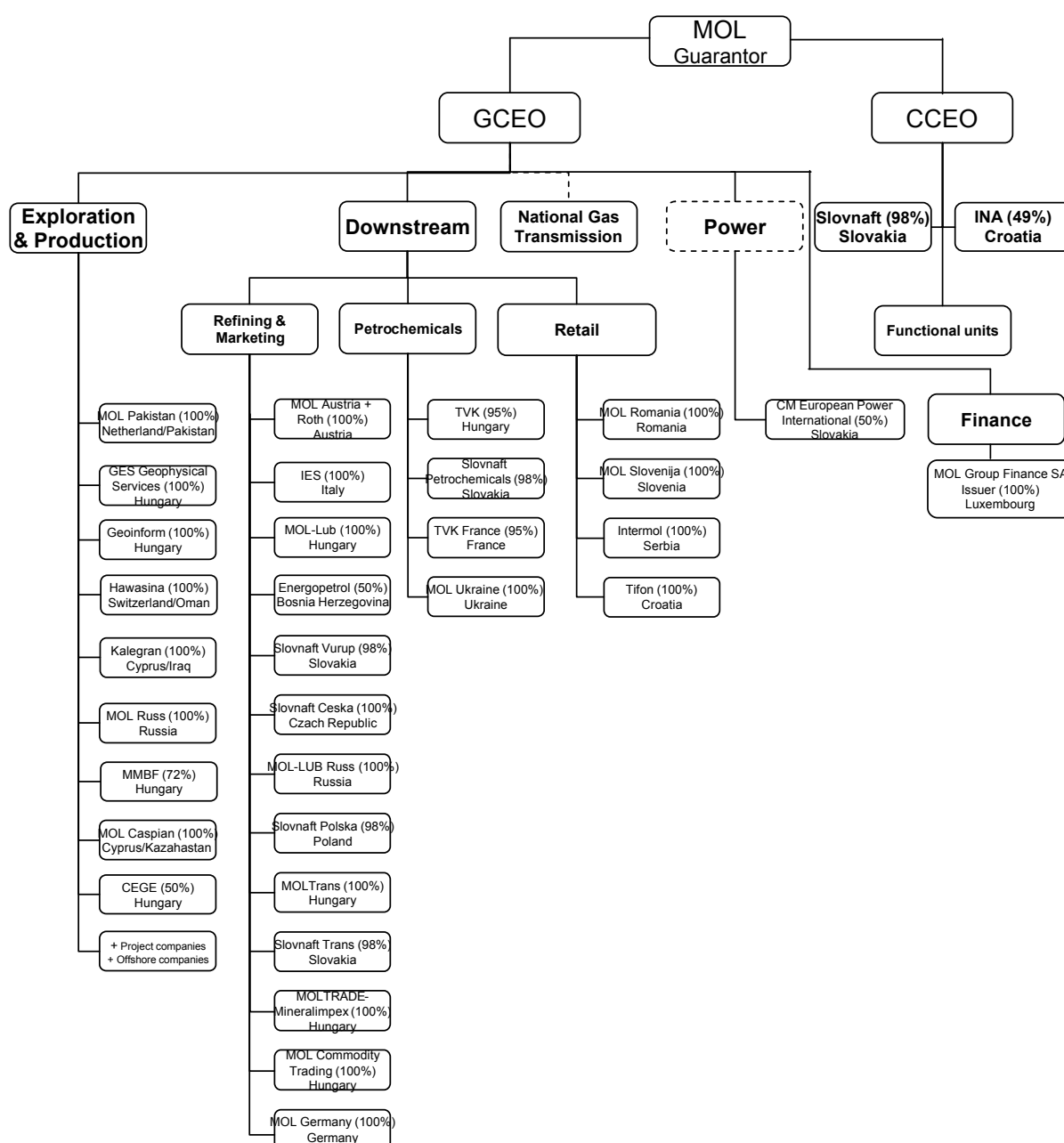
<sup>††</sup> MOL Annual Report 2011

## STRUCTURE OF THE GROUP

**CCEO** means Chairman-CEO; and  
**GCEO** means Group CEO.

MOL has launched its biggest organisational change to date which aims to improve its internal operations. The Group has changed significantly over the last few years by growing inorganically and becoming increasingly international. The project aims to create a separate headquarters for MOL Group, operating as an international commanding body with a focus on strategic decisions and overall control. Additionally, the flagship companies (MOL, Slovnaft, IES, INA) will have greater authority in operational decisions. MOL expects a faster and more focused decision-making process, and a more flexible and efficient organisation. The new organisational structure is expected to be set up on 1 October 2012.

The chart below outlines the main subsidiaries of the Guarantor. (Please see pages 158-161 for the full list of MOL's subsidiaries and jointly controlled entities.)



## **KEY BUSINESS DEVELOPMENTS**

Recent years have been turbulent for the world economy. The Central European oil and gas industry has been affected by a variety of direct and indirect consequences of the global recession. Even though MOL is operating in a tough economic environment, the Group benefits from competitive advantages including its 70 years of experience in Central Europe, its exploration success over the past three years, its diversified upstream portfolio which is supported by MOL and INA's complementary skill bases and its well-established presence and partnerships in the CIS region, the Middle East and North and Sub-Saharan Africa which will serve the Group well at home and abroad. As a result of the tough business environment MOL has adopted a conservative management approach and remained disciplined resulting in, for example, MOL having financed its capital expenditure requirements from operating cash flow in the last three to four years.

### **INA – MOL's single biggest corporate transaction**

As a result of the largest ever single transaction in MOL's history (a HUF 227.3 billion investment) in late 2008, MOL became the biggest shareholder in INA, the Croatian integrated oil and gas company. The Amendment to the Shareholders' Agreement signed on 30 January 2009 gave MOL control over INA. The large, production and development focus in INA's Upstream portfolio provided the Group with Upstream growth and transformed the Group into an Upstream driven entity. INA's large Croatian on-shore and off-shore production strengthens MOL's Central European core production and reserves, and diversifies the Group's portfolio, which prior to acquiring the shares in INA was dominated by Hungarian and Russian assets. Together with INA's Downstream capabilities, MOL's regional refining capacity has increased by 40% to 23.5 million tonnes per annum. MOL supported the upgrade projects at INA refineries in order to create a competitive asset base for the production of refined products, in line with all applicable EU quality standards. In 2010, the MOL Group significantly improved its asset structure by adding a hydrocracking unit to its portfolio. The production structure of this hydrocracking unit mirrors market demand. MOL intends to gradually improve the Croatian Downstream capabilities by increasing flexibility in relation to the operation of assets and by introducing short-term efficiency actions. These actions include the rationalisation of logistics and retail networks, cutting back on operating expenditures and setting up on-demand refinery operations.

### **Upstream business development**

In the last five years MOL's business development has dramatically altered MOL's Upstream capabilities. Following several relatively small acquisitions, MOL has grown even further as a result of the INA acquisition and the entry into the Kurdistan Region of Iraq. The Group significantly increased its proven and probable hydrocarbon reserves and also increased its daily average hydrocarbon production. As a result, the current Upstream portfolio has grown and become more diversified and balanced.

In relation to Upstream work, MOL's key tasks going forward are to clearly establish the value of its exploration portfolio and increase its reserve base, which will provide a solid basis for mid-term production growth. MOL attained reserve replacement ratio of 217%, in 2011, which was much higher than the industry average, boosting SPE 2P reserves to 682 MMboe at the end of 2011. This was a result of MOL's previous exploration successes in Kazakhstan and field development in Russia. MOL also built up a significant recoverable resource potential (1.4 bn boe) as a result of its focus on exploration.

Key factors of MOL Group's upstream strategy:

- (i) A dynamic exploration strategy, based on setting targets (as most of the existing projects will be drilled within three years) and moving towards higher impact elements and adding further facets to the portfolio;
- (ii) Transforming existing exploration assets to production assets in the mid-term;

- (iii) Focusing on field development with a short-term impact; and
- (iv) Active management of the portfolio.

Entering the Kurdistan Region of Iraq was an important step in the expansion of MOL's international upstream activity. In 2007 MOL signed production sharing contracts for Akri-Bijeel and Shaikan exploration blocks. In May 2009 MOL further expanded its portfolio by acquiring a 10% stake in Pearl Petroleum Company Limited (**Pearl**), the licence holder of two large gas-condensate blocks, Khor Mor and Chemchemal. In 2009 a major discovery was made in the Shaikan block and another major discovery was made in 2010 in the Akri-Bijeel block. Both blocks have undergone an appraisal drilling programme after their respective discoveries, with the appraisal programme in the Akri-Bijeel still ongoing. In the latter a parallel exploration programme is also underway to take advantage of the full hydrocarbon potential of the block. The upcoming months and years will be crucial for operations in the Kurdistan Region of Iraq as the intention is that two exploration and seven appraisal wells are to be drilled or spudded in the Akri-Bijeel and Shaikan blocks during 2012 and 2013.

### **Downstream business development**

In its Downstream Division the Group intends to maintain the regional position of the core assets and improve the overall profitability of the division through efficiency programmes. In light of the improved integration of the Downstream Division, MOL is in a position to utilise its assets and processes at Group level. In relation to market driven operations, MOL's aim is to increase the captive markets in the region. MOL is committed to maintaining integration in the petrochemical sector and to provide flexibility and a solid captive market for the Group's refining activities in the long term.

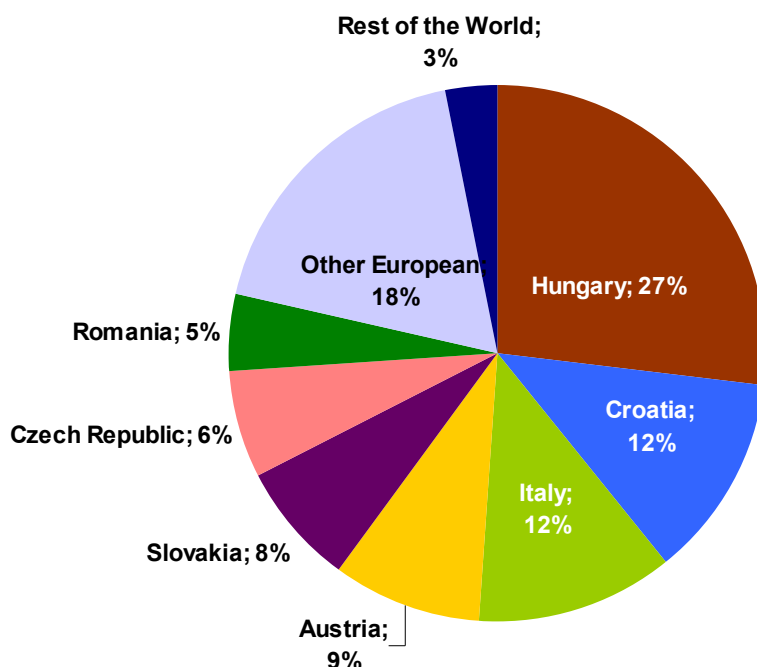
The potential for long-term GDP growth and the improvement in the ability to permeate the regional car market justify the Group's investments in improving the refining asset portfolio and in particular diesel in the CEE over the medium term. Meanwhile, flexible handling of the gasoline-naphtha pool remains crucially important to mitigate the effects of a gasoline surplus. These trends provide scope for some selective investments in the long term, either focusing on (i) increased diesel output through the Rijeka refinery's Delayed Coker and/or the Duna refinery's Hydrocrack; or (ii) maintaining Refining/Petrochemicals integration. With co-ordinated improvements in the Group's operations and retail networks, the Group's aim is to ensure expansion into end-user markets. To ensure better market reach, the Group's commercial activities are to be supported by new logistics departments. The Group's retail investments focus on growth markets and sites with favourable locations to increase market share and sales volumes in those markets and locations.

In response to the turbulent downstream business environment, at Group level a downstream programme has been launched to strengthen the position of MOL Group's assets and increase the overall profitability of MOL Group's Downstream division. This new programme covers all the elements of the integrated Downstream division including feedstock selection, refining, petrochemical production, wholesale and retail activities (involving almost 200 independent actions in approximately 20 categories). This improvement in efficiency is expected to continue.

The primary focus is cost reduction (e.g. it is intended that approximately 60% of the U.S.\$500-550 million target will be achieved from cost reduction), while the remainder is expected to be achieved through maximising revenue. One of the key cost reduction initiatives is lowering the amount spent on energy, as energy costs represent a large proportion in relation to current costs. Increased flexibility, diversification of energy sources and a decrease in energy prices and consumption are key to reducing costs in this area. Advanced hydrocarbon loss management, utilising existing networks, reviewing the Group's business processes and streamlining the Group's organisation are also key cost reduction policies.

## STRATEGY

In 2011 more than half of the Group's EBITDA was generated outside Hungary as its international operations increased considerably. The Group expects this tendency to continue in the medium and long term. The Upstream Division's contribution has grown significantly in the last few years, generating more than 70% of the Group's EBITDA in 2011. The Downstream Division has put more emphasis on the integration of assets, yield optimisation and energy efficiency improvements in response to unfavourable conditions.



*MOL Group revenue by country, 2011*

The Group's investments in the Upstream Division will mainly focus on growth and future projects. The main objective for the coming years will be to maximise the value of the Group's existing portfolio, which is a solid basis for further growth, with sizeable production in eight countries and exploration potential in 12 countries. The focus will be on field development projects in Russia, Pakistan and Kazakhstan, to increase production levels and contribution to the Group's EBITDA. In the CEE region, the Group intends to mitigate the decline in production through maximisation of the recovery rate. The Group intends to extend its high levels of efficiency to the entire Upstream Division. The Group is carrying out extensive and intensive exploration and appraisal activity, particularly in the Kurdistan Region of Iraq, to increase the Group's reserve base. Due to the exploration driven strategy adopted in previous years, the reserve replacement rate is expected to average 130% in the next three years. This elevated reserve level will provide a good basis for the estimated 3-4% mid-term production increase from 2014.

Investment will also focus on selective Downstream Division projects, with particular focus on logistical and retail developments. The Group's main goal in relation to the Downstream Division, in the current difficult market conditions, is to focus on selective, market driven developments and efficiency improvements. The Group is focusing on taking advantage of further synergies throughout the whole value chain and intends to optimise its assets at the group level and restructure the less efficient assets. On-demand, flexible operation of refineries and short-term efficiency actions are expected to result in gradual improvement. The modernisation programme will be increased in the Rijeka refinery on a long-term basis. The harmonised

development of logistics, commercial and retail matters will increase the profitability of the captive market and lead to more growth.

MOL has remained committed to maintaining its financial stability and has continued with its key development projects, thereby establishing a good position in each business division which, it is hoped, will allow it to take advantage of any upturn in economic conditions. In the period between 2012 and 2014, MOL intends to fully finance its capital expenditure, which may be up to U.S.\$2 bn per annum, from its operating cash flows. MOL will focus on the high return projects of the two key business divisions, the Upstream Division and the Downstream Division. MOL is committed to maintaining its strong financial position in the coming years and continuously monitors the macro environment, ready to commence further growth projects, subject to cash flow generation. 50% of the Group's capital expenditure is allocated to the Upstream Division, 25% to the Downstream Division, 4% to the Gas Midstream Division and 21% serves as contingency for the period from 2012 to 2014.

## **SUMMARY OF 2011 RESULTS**

In 2011, MOL's EBITDA was HUF 645 bn (excluding special items) representing an increase of 6% since the previous year. Operating profit was HUF 337 bn (excluding special items) which was virtually unchanged since the previous year. International operations, especially in the Upstream Division, contributed an increasing share of the operating profit in 2011 and its contribution to the Group's EBITDA was more than 70%. The Downstream Division made a loss in 2011 which was mainly due to the difficult economic environment and refinery stoppages in Croatia. The Gas Midstream Division remained an important contributor to the Group showing a further year-on-year increase in its operating profit. The implementation of net investment hedge accounting led to a significant improvement in the Group's net profit which reached HUF 154 bn in 2011 up from HUF 104 bn in 2010.

Capital expenditure was HUF 274 bn, 18% lower than the previous year and below operating cash flow. The Group's net debt position also decreased.

### **The Upstream Division**

The Upstream Division's operating profit (excluding special items) increased by 16% to HUF 330 bn in 2011 compared to the previous year. This profit growth derived mainly from increased production volumes in foreign markets and a 26% increase in hydrocarbon prices. These positive effects were moderated by the lack of Syrian revenues in the fourth quarter of 2011 and the increasing strength of the Hungarian Forint against the U.S. Dollar. Royalties on the Group's Hungarian production amounted to HUF 102 bn, which represented a 14% increase on the previous year.

### **The Downstream Division**

The Downstream Division made a loss of HUF 0.5 bn in 2011 (excluding special items). This came as a result of external factors such as higher oil prices, lower average crack spreads, the worsening petrochemical market and refinery stoppages. These factors were only partly mitigated by the improving product slate and further internal efficiency improvements. Operating profit (excluding INA's contribution and special items) was still relatively high at HUF 51.6 bn.

### **The Gas Midstream Division**

The Gas Midstream Division's operating profit, excluding special items accounted for HUF 66 bn of the Group's total operating profit in 2011. The most important profit contributor remained FGSZ; however, the temporary freeze on gas tariffs from 1 July 2010 to 30 June 2011 continued to have a negative effect during the first half of 2011.

## Net Financial Expenses

Net Financial Expenses were HUF 55 bn in 2011, which was approximately half the 2010 figure. In 2011 a net foreign exchange gain of HUF 55 bn was recognised compared to a loss of HUF 42 bn in 2010. This was due to the fact that from 1 June 2011 foreign exchange losses, on designated bank loans, have been recognised as equity as a result of the implementation of net investment hedge accounting under IAS39. There was a fair valuation gain of HUF 10.5 bn on the conversion option embedded in the capital security issued in the monetisation of treasury shares by Magnolia Finance Ltd. In addition, a loss of HUF 60.8 bn has been incurred on the fair valuation of the call option on MOL shares owned by CEZ a.s. (**CEZ**). The change in the fair values of both instruments reflects the stressed MOL share prices and the weakening of the Hungarian Forint against the Euro in the second half of 2011.

## Capital Expenditure

Capital Expenditure was HUF 274 bn in 2011 which was 18% lower than in the previous year.

## Net Profit

Net Profit increased to HUF 154 bn in 2011, increasing by 48% year-on-year.

## Operating Cash Flow

Operating Cash Flow decreased by 2% compared with the 2010 figure and amounted to HUF 373 bn. Operating Cash Flow before movements in working capital increased by 19%.

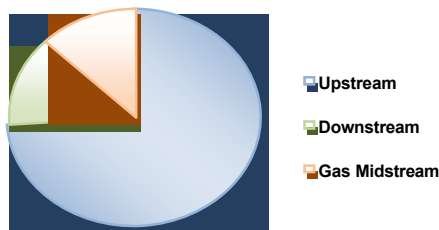
## Net Debt

Net Debt decreased to HUF 871 bn during the year despite the weakening Hungarian Forint, resulting in an improved 28% gearing ratio at the end of December 2011 compared to 31.3% at the end of 2010.

## Research and development spending

Research and development spending increased to HUF 1.9 bn from HUF 1.8 bn in 2011.

## EBITDA contribution of the main divisions in 2011





<b>EBITDA</b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)<sup>1</sup></b>	<b>2010 (U.S.\$ mn)<sup>1</sup></b>
Upstream Division	475,893	364,158	2,369	1,750
Downstream Division	85,789	151,030	427	726
Gas Midstream Division	81,844	67,280	407	323
Corporate and other	(26,772)	(44,853)	(133)	(215)
Inter-division transfers	(13,732)	(11,577)	(68)	(56)
<b>Total</b>	<b>603,022</b>	<b>526,038</b>	<b>3,002</b>	<b>2,528</b>

<sup>1</sup> In converting HUF financial data into U.S.\$, the following average MNB rates were used: for FY 2010: 208.1 HUF/U.S.\$, for FY 2011: 2009 HUF/U.S.\$ (Source: Magyar Nemzeti Bank Official Daily Exchange Rates and MOL estimates)

#### Key financial data by business segments

<b>Net sales revenues</b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)<sup>†††</sup></b>	<b>2010 (U.S.\$ mn)<sup>†††</sup></b>
Upstream Division	795,305	712,093	3,959	3,422
Downstream Division	4,807,180	4,149,991	23,928	19,942
Gas Midstream Division	430,184	698,347	2,141	3,356
Corporate and other	164,998	164,486	821	790
<b>Total</b>	<b>6,197,667</b>	<b>5,724,917</b>	<b>30,849</b>	<b>27,510</b>

<b>Net external sales revenues<sup>††</sup></b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)<sup>†††</sup></b>	<b>2010 (U.S.\$ mn)<sup>†††</sup></b>
Upstream Division	358,800	308,206	1,786	1,481
Downstream Division	4,547,765	3,558,800	22,637	17,101
Gas Midstream Division	397,715	399,493	1,979	1,920
Corporate and other	38,954	33,155	194	159
<b>Total</b>	<b>5,343,234</b>	<b>4,299,654</b>	<b>26,596</b>	<b>20,661</b>

<sup>††</sup> Net external sales revenues and operating profit include the profit arising both from sales to third parties and transfers to the other business divisions. The Upstream Division transfers domestically produced crude oil, condensates and LPG to the Downstream Division and natural gas to the Gas Midstream Division. Internal transfer prices are based on prevailing market prices. Gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective segments.

<b>Operating profit</b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)<sup>†††</sup></b>	<b>2010 (U.S.\$ mn)<sup>†††</sup></b>
Upstream Division	321,639	236,519	1,601	1,137
Downstream Division	(74,230)	31,586	(369)	152
Gas Midstream Division	61,905	48,387	308	232
Corporate and other	(44,510)	(62,891)	(222)	(302)
Inter-segment transfers <sup>δδ</sup>	(11,622)	(8,123)	(58)	(39)
<b>Total</b>	<b>253,182</b>	<b>245,478</b>	<b>1,260</b>	<b>1,180</b>

<b>Operating profit excl. special items<sup>***</sup></b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)<sup>†††</sup></b>	<b>2010 (U.S.\$ mn)<sup>†††</sup></b>
Upstream Division	330,140	284,196	1,643	1,365
Downstream Division	(463)	58,598	(2)	282
Gas Midstream Division	66,053	52,878	329	254
Corporate and other	(47,200)	(50,983)	(235)	(245)
Inter-segment transfers <sup>***</sup>	(11,622)	(8,123)	(58)	(39)
<b>Total</b>	<b>336,908</b>	<b>336,566</b>	<b>1,677</b>	<b>1,617</b>

<b>EBITDA</b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)<sup>†††?</sup></b>	<b>2010 (U.S.\$ mn)<sup>†††?</sup></b>
Upstream Division	475,893	364,158	2,369	1,750
Downstream Division	85,789	151,030	427	726
Gas Midstream Division	81,844	67,280	407	323
Corporate and other	(26,772)	(44,853)	(133)	(215)

<sup>δδ</sup>

This line shows the effect on operating profit of the change in the amount of unrealised profit in respect of inter-division transfers. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For divisional reporting purposes the transferor division records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. In previous years this unrealised profit effect was not shown separately, but was included in the reported divisional result of the receiving division. Unrealised profits arise principally in respect of transfers from the Upstream Division to the Gas Midstream Division.

<sup>\*\*\*</sup>

See "Impact of Special Items on Operating Profit and EBITDA".

<sup>†††</sup>

In converting HUF financial data into U.S.\$, the following average MNB rates were used: for FY 2010: 208.1 HUF/U.S.\$, for FY 2011: 200.9 HUF/U.S.\$ (Source: Magyar Nemzeti Bank Official Daily Exchange Rates and MOL)

Inter-segment transfers ***	(13,732)	(11,577)	(68)	(56)
<b>Total</b>	<b>603,022</b>	<b>526,038</b>	<b>3,002</b>	<b>2,528</b>

<b>EBITDA excl. special items</b>	<b>2011 (HUF mn)</b>	<b>2010 (HUF mn)</b>	<b>2011 (U.S.\$ mn)</b>	<b>2010 (U.S.\$ mn)</b>
Upstream Division	483,624	400,819	2,407	1,926
Downstream Division	118,670	178,042	591	856
Gas Midstream Division	85,992	71,771	428	345
Corporate and other	(29,462)	(32,945)	(147)	(158)
Inter-segment transfers ***	(13,732)	(11,577)	(68)	(56)
<b>Total</b>	<b>645,092</b>	<b>606,110</b>	<b>3,211</b>	<b>2,913</b>

#### **Impact of Special Items on Operating Profit and EBITDA (in HUF million)**

	<b>FY 2011</b>	<b>FY 2010 restated</b>
<b>MOL Group</b>		
<b>Total impact of special items on operating profit</b>	<b>83,726</b>	<b>91,088</b>
<b>Total impact of special items on EBITDA</b>	<b>42,070</b>	<b>80,072</b>
<b>Upstream Division</b>	<b>8,501</b>	<b>47,677</b>
Provision made for the additional mining royalty based on the decision of the EU Commission		35,826
Reclassification of the interest element of the provision to financial expenses		(5,439)
Crisis tax imposed by the Hungarian state on domestic energy sector	2,599	2,562
Provision for redundancy at INA	711	3,712
Impairment on certain exploration assets in Russia		11,016
Impairment / (reversal of impairment) on certain upstream assets in INA Group	5,191	
<b>Downstream Division</b>	<b>73,767</b>	<b>27,012</b>
Turnover of inventories valued at fair market value upon INA initial consolidation		180
Impairment related to the treatment of gas bottles at Proplin which needed to be harmonised with the current situation	6,058	
Crisis tax imposed by the Hungarian state on domestic energy sector	25,549	22,198

	<b>FY 2011</b>	<b>FY 2010 restated</b>
Provision for redundancy at INA	1,688	4,634
Impairment on Goodwill of IES	34,828	
Provision for Romanian Competition Council fine	5,644	
<b>Gas Midstream Division</b>	<b>4,148</b>	<b>4,491</b>
Turnover of inventories valued at fair market value upon INA initial consolidation		4,038
Crisis tax imposed by the Hungarian state on domestic energy sector	252	453
Impairment on certain receivables	3,896	
<b>Corporate and other</b>	<b>(2,690)</b>	<b>11,908</b>
Crisis tax imposed by the Hungarian state on domestic energy sector	560	541
Recognition and release of provision made for penalty at INA	(4,053)	4,219
Provision for redundancy at INA	803	7,148

## **FIRST HALF 2012 RESULTS**

In the first half of 2012 MOL's total net sales revenue was HUF 2,667.4 bn and MOL generated HUF 269 bn EBITDA, excluding special items, which is 24% below that of the previous year. The main reason behind this drop was a combination of (i) the lack of revenue from Syria in 2012 (which in 2011 amounted to HUF 43 bn) and (ii) the Downstream sector experienced losses on inventories and FX items in 2012, (contrary to the noteworthy gains showed in 2011 which amounted to HUF 60 bn difference in EBITDA). Net profit for the period was HUF 73.8 bn.

In the Upstream Division both the lower hydrocarbon production and the Hungarian and the Croatian natural gas price regulations had a serious negative impact on the Group's performance. These could have been only partly offset by increasing realised hydrocarbon prices and favourable FX movements.

The 'Clean' CCS-based Downstream result was determined by depressed regional demand and an extremely unfavourable petrochemical environment. The somewhat improved external environment in Refining and Marketing, and management efforts to improve product slate and efficiency only partly managed to counterbalance these negative developments.

MOL generated an operating cash flow of HUF 151 bn during the first six months of 2012 (up by 29% year on year) which strengthened the Group's financial position. As a result the net gearing ratio decreased from 28% to 27.7% from the 2011 year end level.

The Upstream Division's operating profit, excluding special items, decreased by 9% to HUF 147 bn in H1 2012 compared to the same period last year. The positive effects of the 9% increase in hydrocarbon prices and the strengthening of the U.S. Dollar were outweighed by more negative effects. The Group has not realised any Syrian based revenue since October 2011 and profitability was further eroded by the severe impact of regulation on the Hungarian natural gas price for household consumers. In addition, production levels dropped back due to natural decline, maintenance activities in CEE as well as lower entitlement from Adriatic-offshore production. Royalties on the Hungarian production of MOL amounted to HUF 48 bn, similar to the base period being the first half of 2011.

The Downstream Division realised an operating loss, excluding special items, of HUF 16 bn in H1 2012, compared to a profit of HUF 56 bn in H1 2011. Year-on-year profitability has been negatively influenced by external factors such as a tighter Brent-Ural spread and the decrease in demand for motor fuels, especially petrochemical products. Management efforts through investments, new feedstock selection and refinery operation policy has resulted in an improved product slate with increased yield of marketable motor fuels, but this could only partly mitigate the negative effect of the depressed environment. However, in Refining and Marketing 'clean' figures already show a moderate improvement compared to the base period being the first half of 2011.

The Gas Midstream Division's operating profit, excluding special items, decreased by 39% compared to the same period in 2011, and amounted to HUF 21 bn in H1 2012. Prirodni Plind.o.o. (Croatian gas trading company) significantly contributed to the segment results with a HUF 25 bn operating loss.

The net financial expenses were HUF 23 bn versus a HUF 17 bn gain in H1 2011. In H1 2012 the foreign exchange gain of HUF 43 bn on designated bank loans was offset by the same amount due to the re-translation loss on net investments (both accounted for in the translation reserve, within equity).

CAPEX spending was HUF 103 bn (9% higher than in the previous period) in the first six months of 2012. The investments focused on Upstream activities and maintenance activities in the Downstream division, in the CEE region, Russia and the Kurdistan Region of Iraq.

## FINANCING OVERVIEW

The Group has sufficient financing for its operations and investments. Its diversified, long-term financing portfolio consists of revolving, syndicated and club loans concluded with multiple financial institutions and long term bonds.

In June 2011, MOL Plc. signed a EUR 1 billion revolving credit facility agreement that refinanced the EUR 700 million revolving credit facility which expired on 18 May 2012, and partially refinances the EUR 825 million revolving credit facility expiring on 25 July 2013. The EUR 700 million revolving credit facility concluded in May 2005 was cancelled as part of the transaction. The tenor of the new facility is 5 years which can be extended by up to 2 years, at MOL's option. In addition, MOL extended the maturity of EUR 470 million of its EUR 500 million revolving credit facility, signed on September 2010, with a tenor of 3 years by one additional year so that it will mature on 10 September 2014.

MOL signed an eight and half year, U.S.\$150 million loan agreement with the European Bank for Reconstruction and Development on 2 July 2012. The loan will be used to finance capital expenditures, to replace three subscale old units with a new 220 kt/year capacity LDPE unit and upgrade the steam cracker at the site of MOL Group's Slovakian member, Slovnaft Group. The investment aims to maintain the synergies of the Group in relation to refining-petrochemical integration and increasing the naphtha off-take from refineries. Furthermore it will increase the energy efficiency, improve product quality and reduce emissions.

MOL and INA are currently considering taking out new revolving credit facilities to partially refinance those revolving credit facilities which are due to expire over the course of the next year.

70% of the Group's debt was denominated in Euros at the end of 2011. At the end of June 2012 it was 69%.

### Indebtedness

	2010	2011	Ch. %.	H1 2011	H1 2012
Net debt*/EBITDA	1.71	1.44	(15)	1.24	1.69
Net gearing**	31.3%	28.0%	n.a.	28.1%	27.7%

\*Net debt contains the long , short term debt, other indebtedness for borrowed money, contingent liabilities and the current portion of the long term debt minus cash and cash equivalents, investments in sovereign debt securities

\*\*Ratio of net debt to net debt plus equity

### Proportion denomination of Group debt

31 Dec 2010 (bn own currency)	31 Dec 2010 (bn HUF)	Portion %	Currency	31 Dec 2011 (bn own currency)	31 Dec 2011 (mn HUF)	Portion %
1.73	361	34.4	U.S.\$	1.18	283	27.0
2.29	639	60.9	EUR	2.34	728	69.6
n.a.	50	4.7	Other*	n.a.	35	3.3
<b>n.a.</b>	<b>1,050**</b>	<b>100</b>	<b>Total</b>	<b>n.a.</b>	<b>1,046</b>	<b>100</b>

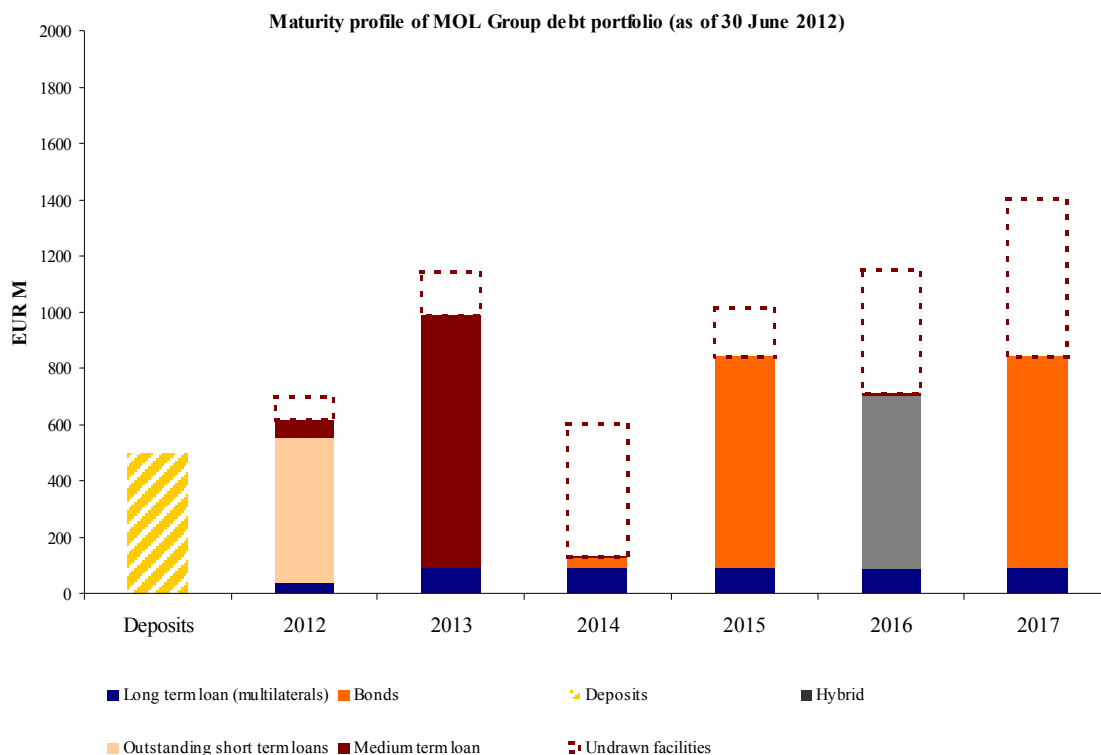
\* Includes mainly HUF, as well as HRK- and CZK-denominated debt

\*\*debt contains long term and the current portion of the long term debt

31 Dec 2011 (bn own currency)	31 Dec 2011 (bn HUF)	Portion %	Proportion and amount of total debt denominated in the following currencies	30 June 2012 (bn own currency)	30 June 2012 (bn HUF)	Portion %
1.32	318	26.9	U.S.\$	1.29	295	27.6
2.66	829	70.1	EUR	2.55	735	68.9
n.a.	35	3.0	HUF and other*	n.a.	37	3.5
<b>n.a.</b>	<b>1,182**</b>	<b>100</b>	<b>Total</b>	<b>n.a.</b>	<b>1,067</b>	<b>100</b>

\* Includes also HRK- and CZK-denominated debt

\*\*debt contains long term and the current portion of the long term debt



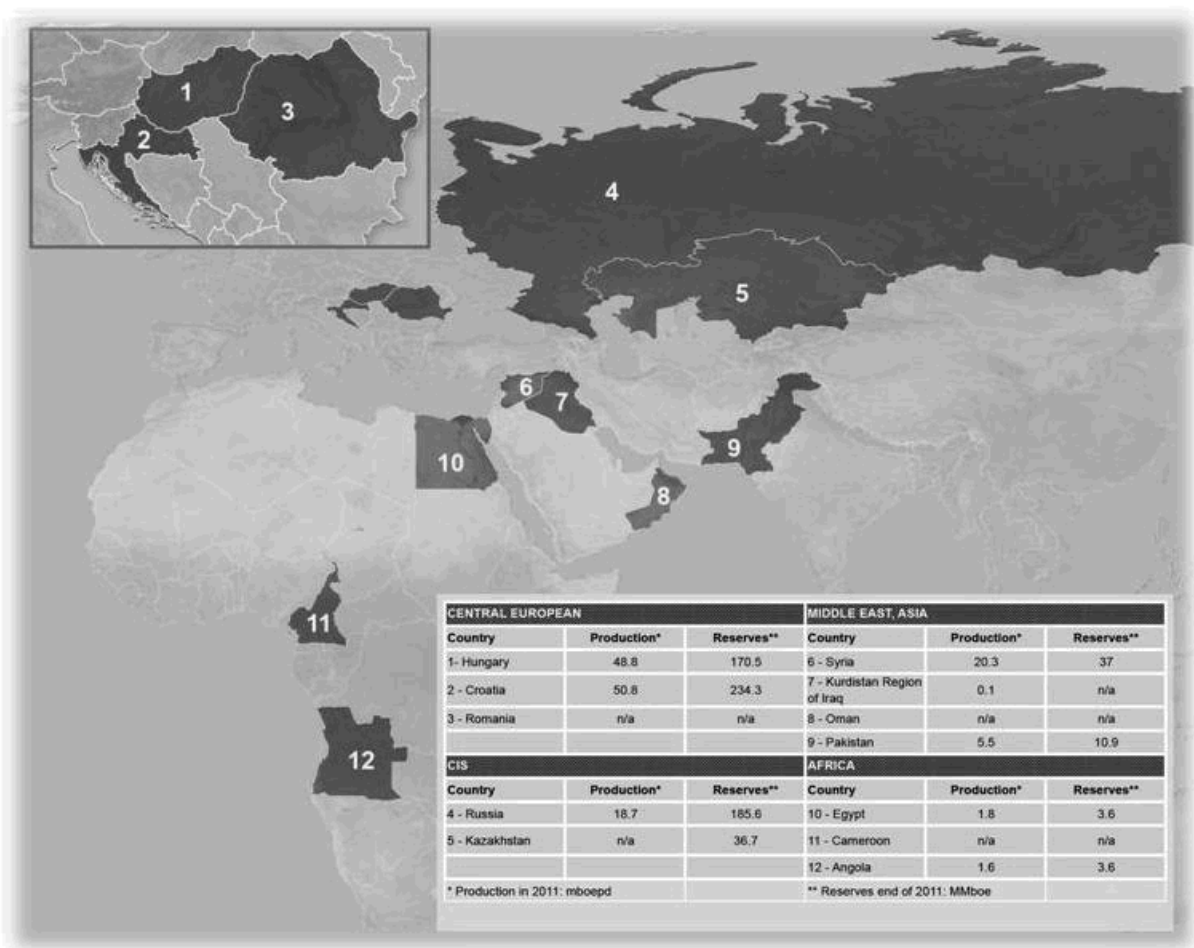
## UPSTREAM DIVISION

### Highlights

The Group's Upstream Division has operations in 12 countries. It recorded SPE 2P reserves of 682 MMboe at the end of 2011 and 117 MMboe of SPE 2P reserve addition in 2011. The Upstream Division had a daily production of 147.4 mboe/d in 2011. Average daily hydrocarbon production was 124 mboepd in H1 2012, showing a 10% decrease compared to the same period in 2011.

### Overview

The Group's Upstream Division portfolio is composed of valuable exploration assets in 12 countries with ongoing production in eight countries. The Group's traditional core area is the CEE region, and there has been a recent focus on Russia and Kazakhstan (due to their reserve addition) as well as on the Group's assets in the Kurdistan Region of Iraq. In the short and medium terms, field development and reserve bookings are expected to drive growth, with 3-4% production increases expected from 2014 onwards. The long-term growth potential of the Group's reserves relies on the Group's ability to further expand its existing exploration portfolio and to meet the challenges of an ever-changing industry.



## Competitive Advantage

For the past three years the Group has had an exploration success rate of almost 67% in Hungary and 60% abroad. Further organic growth in the Group's Upstream Division is strengthened by MOL's and INA's complementary skill bases. The Group has a well-established presence and thriving strategic partnerships in the CIS region, the Middle East and North Africa, as well as in Sub-Saharan Africa.

## Upstream competitors

MOL Group's Upstream competitors consist of various players in terms of size and background including: (i) European integrated companies such as, OMV AG, Repsol YPF SA and Galp Energia SGPS SA; (ii) smaller companies that are continuously broadening their geographical focus such as DNO International ASA, Cairn Energy PLC and Premier Oil PLC; and (iii) larger companies that have achieved rapid growth in the upstream division such as Tullow Oil PLC, Noble Energy Inc, and Murphy Oil Corp which is now divesting its downstream division.

## The Group's Upstream Division performance compared to its competitors

The Group's Upstream Division has produced stable and, compared with its competitors, above average unit EBITDA since 2008, resulting in it having one of the lowest unit production costs and most stable hydrocarbon prices amongst its competitors. Unit production cost operating expenditure (excluding Depletion, Depreciation and Amortisation) in 2011 was maintained at a 6.3 U.S.\$/boe. The Group's unit production cost has been one of the lowest since 2008. (Source: IHS Herold and MOL analysis based on publicly available company reports and analyses)



### **The Upstream Division's Growth Strategy**

Although Central Europe remains the base of its operations, the Group already has a well-established presence in the CIS region, strategic partnerships and vital assets in the Middle East, which provides a solid base for growth. The Group intends to increase the growth of the Upstream Division by focusing on:

- (a) Exploration strategy: most of the Group's existing prospects will be drilled within three years; and the Group is also aiming to add high impact prospects to its existing portfolio;
- (b) turning existing exploration assets into production assets in the medium-term;
- (c) field development with short-term impact;
- (d) management of the portfolio, both geographically and in terms of the life cycle of assets; and
- (e) the continuous monitoring of inorganic growth opportunities.

Key operational data of the Upstream Division's portfolio

Country	Block	Phase	Producing wells at the end of 2011	Contract type	Partners***
<b>Hungary</b>	Several	Exploration & Development	1094	Concession	MOL, HHE, CEOC, RAG, INA, Expert Petroleum
<b>Croatia</b>	Onshore – several	Exploration & Development	747	Concession	INA, MOL
	Offshore – North Adriatic	Exploration & Development	32	Concession	INA (50), ENI (50)
	Offshore – Aiza Laura	Exploration & Development	5	Concession	INA (50), ENI (50)
	Offshore – Izabela	Development	0	Concession	INA (30), Edison (70)
<b>Russia</b>	Matjushkinsky	Exploration/ Appraisal / Development	47	Concession	<b>MOL (100)</b>
	Baitugan	Exploration/ Appraisal / Development	171	Concession	<b>MOL (100)</b>
	Surgut-7	Exploration	0	Concession	MOL (100)
	ZMB	Development	144	Concession	<b>Russneft (50), MOL (50)</b>
<b>Pakistan</b>	Tal	Exploration/ Appraisal /	10	Concession	<b>MOL (10.5), OGDCL (31.6), PPL (31.6), POL (26.3)</b>
		Development			<b>MOL (8), OGDCL (28), PPL (28), POL (21), GHPL (15)</b>
	Karak	Exploration/ Appraisal	0	Concession	<b>MariGas (60), MOL (40)</b>
	Margala	Exploration	0	Concession	<b>MOL (70), POL (30)</b>
	Margala-North	Exploration	0	Concession	<b>MOL (70), POL (30)</b>
<b>Syria</b>	Hayan	Development	15	PSC	INA (100)
	Aphamia	Exploration	0	PSC	INA (100)
<b>Egypt</b>	Ras Qattara	Development	65	PSC	<b>IEOC (75), INA (25)</b>
	West Abu Gharadig	Development	41	PSC	<b>IEOC (45), Dana Petroleum (30), INA (25)</b>
	North Bahariya	Development	19	PSC	<b>Sahara North Bahariya (50), IPR (30), INA (20)</b>
	Sidi Rahman + Rizk	Exploration & Development	2	PSC	<b>INA (50), RWE Dea (50)</b>
<b>Angola</b>	Block 3/05A	Development	96	PSC	<b>Sonangol P&amp;P (25), China Sonangol (25), AJOCO (20), ENI (12), Somoil (10), NIS (4), INA (4)</b>

	Block 3/05	Development		PSC	<b>Sonangol P&amp;P (25)</b> , China Sonangol (25), AJOCO (20), ENI (12), Somoil (10), NIS (4), INA (4)
	Block 3/91	Development	2	PSC	<b>Sonangol P&amp;P (6.25)</b> , TOTAL (50), ENI (15), AJEX (12.5), Svenska (6.25), NIS (5), INA (5)
<b>Kurdistan Region of Iraq</b>	Akri-Bijeel	Exploration/ Appraisal	0	PSC	<b>MOL (80)**</b> , GKPI (20)
	Shaikan	Appraisal	1	PSC	<b>GKPI (80)</b> , MOL (20)***
<b>Kazakhstan</b>	Fedorovskoye	Appraisal	0	Concession	<b>MOL (27.5)</b> , FIOC (22.5), KMG (50.0)
<b>Romania</b>	Ex-1,-5,-6	Exploration	0	Concession	MOL (70), Expert Petroleum (30, operator till ratification)
<b>Oman</b>	Oman 43B	Exploration	0	PSC	<b>MOL (75)</b> , MariGas (25)
<b>Cameroon</b>	Ngosso	Exploration	0	Concession	<b>Addax Petroleum (60)</b> , MOL (40)

\* In the table above operators are shown in bold. If no operator is shown, the operation is led by an operating company and not directly by partners

\*\* 51.2% after dilution

\*\*\* 13.6% after dilution

### Exploration Summary of the year 2011

In 2011, MOL made ten new discoveries worldwide out of the 18 wells tested. Five of these discoveries were international and five were in Hungary, resulting in a 56% drilling success ratio and a three-year average drilling success ratio of 64%. In Pakistan, three wells were drilled and tested, and two resulted in discovery; in the Kurdistan Region of Iraq, one of the two tested wells resulted in discovery; in Russia one exploratory well was drilled and successfully tested; while in Egypt one of the two wells drilled was successful.

Country	Block	Exploration wells	Progress	Comment / Test result
<b>Kurdistan Region of Iraq</b>	<b>Akri Bijeel</b>	Bekhme-1	tested	Negative test.
	<b>Shaikan</b>	Shaikan-2	tested	Maximal inflow in an interval: 8064 boepd oil and 2.44 MMcfpd gas on 128/64 choke.
		Shaikan-4	under testing	Ongoing test. Initial test result: 4970 bopd oil and 7.0 MMcfpd gas (1167 boepd).
		Shaikan-5	under drilling	
		Shaikan-6	under drilling	
	<b>Surgut-7</b>	Surgut Ayskaya 1	waiting for test	
<b>Russia</b>		Surgut Atayskaya 2	waiting for test	
	<b>Matjushkinsky</b>	VerkhneLaryegan-201	tested	Discovery. Initial test

Country	Block	Exploration wells	Progress	Comment / Test result
				result: 75.5 bblpd oil on 5 mm choke. Well test was performed without hydraulic fracturing.
Pakistan	Tal	Tolanj-X1	tested	Discovery. Test result: 2900 boepd gas on 32/64 choke. After completion the well was able to deliver 3914 boepd gas and 126 boepd condensate.
		Makori-East-2	under drilling	
	Margala	Margala-1	tested	Dry
	Karak	Halini-1	tested	Discovery. Test result: 1700 bblpd oil on 32/64 choke
Kazakhstan	Fedorovskoye	Roshkovsky U-21	waiting for test	Hydrocarbon column present based on logging.
		Roshkovsky U-22	waiting for test	
		Roshkovsky U-23	waiting for test	
Hungary	Several	Mpi-K-1	tested	Discovery. Test result: 523 boepd gas via 6 mm choke
		Méhkerék-1	tested	Discovery. Test result: 187 boepd gas via 9 mm choke
		Tófej-1	tested	Discovery. Test result: 426 boepd gas on 10 mm choke.
		Tóalmás-D-5	tested	Discovery. Test result: 36 boepd oil
		Sark-2	tested	Discovery. Test result: 408 boepd gas on 8 mm choke
		Méhkerék-4	tested	Dry
		Mézögyán-D-1	tested	
		Hatvan-É-1	tested	
		Tiszi-3	tested	
		Nagyszénás-ÉK-1	under testing	
		Komádi-Ny-2	under testing	
		Nagykörös-D-3	under testing	
		Vízvár-S-2	under drilling	
		Beru-4	waiting for test	Drilled, fracturing programme completed, waiting for early production test
		Beru-6	under testing	Drilling completed, conventional test is ongoing
India	HF-ONN-2001-1	Kasauli-1	tested	Dry
Syria*	Aphamia	Mudawara 3	waiting for test	
Egypt	Ras Qattara	Zarif Deep-1	drilled	Dry (without testing)
	North Bahariya	Abrar South-1	tested	Discovery. Test result: 1206 boepd oil rate on

Country	Block	Exploration wells	Progress	Comment / Test result
				choke size /64"

\* Activities are fully in line with U.S. and EU sanctions; forward looking work programme and expenditures depend on the termination of the "force majeure" (See "Exploration Summary – Syria" and "Risk Factors – Compliance with EU and U.S. sanctions could threaten the Group's economic interests")

## Exploration Summary of H1 2012

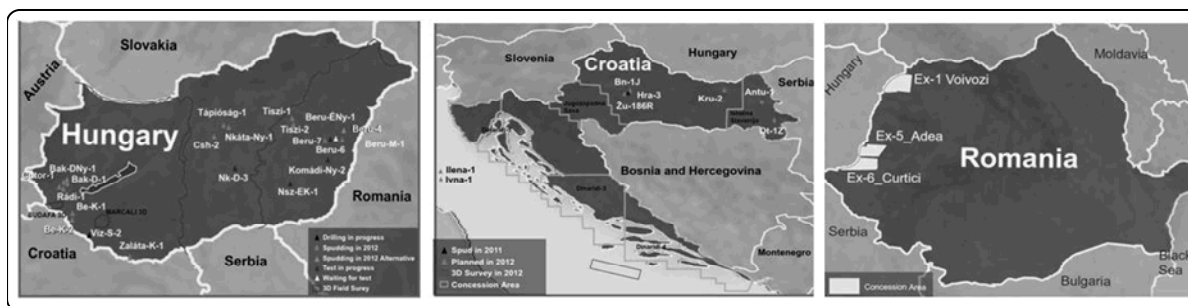
During the first half of 2012, ten exploration wells were tested, seven of which were successful. 13 additional wells were undergoing testing or were waiting for testing at the end of H1 2012 and six wells were being drilled.

Exploration and appraisal wells	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Progress	Comment / Test result
<b>KURDISTAN REGION OF IRAQ</b>						
Bijell-3 (Aqra-1)					under drilling	Drilling started on 17 January 2012, depth at end of June was 3700 m. Its actual depth is 4682 m.
Bakrman-1					under drilling	Bakrman-1 well was spud on 7 of May 2012, depth was 1 962 m at end of June. Its actual depth is 2892 m.
Shaikan-4					tested	Five out of the seven tests produced hydrocarbon inflow: Triassic Kurra Chine formation from interval 3010-3030 m yielded condensate 5086 bcpd and gas 7151 mscfd (1230 boepd). Jurassic Sargelu formation from zones 1370-1390 and 1450-1460 m had inflow oil 4580 bpd and 1050 mscfd gas (180 boepd).
Shaikan-5					waiting for test	Drilling started on 28 October 2011, drilling finished in June 2012 at 3745 m.
Shaikan-6					under testing	Drilling started in December 2011, final depth was reached at 3545 m in May 2012. Ongoing test.
<b>PAKISTAN</b>						
Makori East-2					tested	Drilling started on 5 July 2011 and finished on 15 March 2012. Final depth of the well was declared at 5216 m within Data Formation. The well test was finished by the end of May 2012. The well proved to be a gas and oil producer from multiple reservoirs. The uppermost Lockhart Formation proved to flow: 5045bbld oil, 23,5MMscfd gas (4390 boepd) at 48/64" choke.
Mami Khel-2					under drilling	Drilling started on 11 June 2012 and was finished by mid August 2012. The well test is expected to be finished by the end of September 2012.
Maramzai-2					under drilling	Drilling started on 28 June 2012 and is expected to be finished by the middle of September 2012. The well test is expected to be finished by mid October 2012.
<b>RUSSIA</b>						
Surgut Ayskaya 1					waiting for test	
Surgut Atayskaya 2					waiting for test	
Prikoltogorskaye-127					under testing	Drilling started on 8 April 2012. The target depth was reached on 24 June 2012 (3365 m). Currently the well is under testing.
Kedrovskoye-105					under drilling	Drilling started on 17 May 2012, actual depth at the end of June was 1672 m (planned: 2960 m).
<b>KAZAKHSTAN</b>						
Rhozkovsky U-21					waiting for test	
Rhozkovsky U-22					waiting for test	
Rhozkovsky U-23					waiting for test	
<b>HUNGARY</b>						
Komádi-Ny-2					tested	Test result: 542 boepd/day oil and 51 boepd/day gas on 6 mm choke
Nagykörös-D-3					tested	Test result: 374 boepd/day gas on 8 mm choke
Nagyszénás-EK-1					tested	dry
Vizvár-S-2					tested	oil and gas producing
Tiszi-2					tested	Test result: 378 boepd/day gas on 6 mm choke
Tápióság-1					tested	dry
Gutorföde-1					tested	Test result: 463 boepd/day gas on 9.5 mm choke
Zaláta-K-1					drilling in progress	spudding in progress, completion and well test expected for Q3
Beru-4 / unconventional					under testing tested	Drilled, fracturing completed and well test programme in progress. Gas production rate has stabilised at the level of 40.000 m3/d (240 boepd).
Beru-6 / unconventional					waiting for test	Drilling completed, conventional test completed, waiting for hydraulic fracturing.
<b>SYRIA</b>						
Mudawara 3					waiting for test	Well drilled in Q4 2010, test postponed due to force majeure.
<b>CROATIA</b>						
Hrastilnica-3					waiting for	Drilled in Q1 2012. (Test was in Q3 2012. Latest test data show daily oil

Exploration and appraisal wells	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Progress	Comment / Test result
					test tested	production of approximately 1,450 bbl.)
Deletovci-1 Zapad					waiting for test	Start of drilling at the end of March 2012. Drilling finished at the end of April 2012. Test is expected for Q3.
<b>EGYPT</b>						
Rawda SE-1					unsuccessful	Drilled in Q2 2012. Not tested. Unsuccessful. There were no hydrocarbon shows while drilling and the well is plugged and abandoned.
<b>drilling</b>	<b>test</b>	<b>drilling and test in the same period</b>				

## Central and Eastern Europe

The CEE region is the Group's traditional core region. In addition to ongoing exploration operations, the Group also applies Enhanced Oil Recovery (**EOR**) / Improved Oil Recovery (**IOR**) methods to mitigate natural field decline. In the CEE region alone MOL recorded SPE 2P reserves of 405 MMboe at the end of 2011 and an average production of 99.6 mboepd during 2011.



## Hungary

### Exploration and Production

Hungarian production in 2011 amounted to 48.8 mboepd, while in 2010 it was 53.6 mboepd. In 2011 oil output reached 12.4 mboepd, whereas condensate production was 4.8 mboepd while in 2010 oil production was 13.4 mboepd and condensate production was 6.0 mboepd. Natural gas production (net dry gas value) totalled 31.6 mboepd in 2011 while in 2010 it was 34.3 mboepd. Despite declining production, MOL maintained favourable efficiency ratings thanks to its 40-year track record in applying EOR technologies. In 2011, the company completed a production-enhancement project in Algyő. Thanks to previous successful exploration activities, five new gas wells were put into production in Southern Békés county. MOL began the implementation of an energy rationalisation project at two major gas plants in 2011 and it is expected these projects will be completed in 2012. In addition, MOL executed production-enhancement projects in Southern Hungary.

Hungarian production in H1 2012 amounted to 44.8 mboepd.

As for conventional exploration activities, the Group achieved a success ratio of 56% in 2011. Out of a total nine exploration wells, five proved successful in identifying hydrocarbons in commercial quantities. As a result, 2.4 MMboe were added to the Group's existing reserves base. The Group remained dedicated to maintaining strong partnerships in its domestic operations as well. For example, together with Hungarian Horizon Energy, MOL drilled and completed four wells in Eastern Hungary.

Significant strides were made in Hungarian unconventional exploration in 2011. The Group's main priorities are testing commercial production (Beru-4) and drilling to increase hydrocarbon volume (Beru-6). MOL finalised its first unconventional well at the Derecske basin in Hungary and put the Beru-4 well into production. The well has since been producing gas for sale and the initial 80,000 m<sup>3</sup>/d daily gas production

rate has stabilised at the level of 40,000 m<sup>3</sup>/d (240 boepd). A new well (Beru-6) was drilled to prove gas at a greater depth to increase initial gas volumes. The drilling phase of the unconventional exploratory well, Beru-6, was finished in January 2012 and in target zones it encountered hydrocarbon indications.

MOL's aim with the next appraisal and early development phase from 2013 is to figure out the variability of the accumulation, to stabilise predictions and possibly to prepare a commercially viable development programme.

In the Makó and Békés basins, MOL met all local authority conditions and converted potential areas into mining plots.

### *Regulatory*

In accordance with international practice, the Hungarian Government levies a tax on most crude oil and natural gas produced in Hungary. The Hungarian Mining Act, which regulates the mining royalty regime in Hungary introduced changes on 1 January 2011. These changes included royalty regime compensation in connection with regulated gas prices for eligible customers in Hungary from December 2010. These changes only take into consideration available volumes from fields put into production before 1998. These changes have a negative impact on operating profit due to the regulated Hungarian natural gas prices for household customers regulations. MOL paid 39% of its crude oil and natural gas revenue as mining royalty to the Hungarian State on the crude oil and natural gas produced in Hungary in 2011. In 2011 the average rate of the mining royalty payable on natural gas (non inert) produced from fields put into production after 1998, and for crude oil production was 18% (excluding volumes from EOR, which represented 13% of oil production and which are not subject to any royalty rate in Hungary). Royalties in H1 2012 on MOL's Hungarian production amounted to HUF 48 bn, similar to the base period.

## **Croatia**

### *Production and Exploration*

INA and its legal predecessors have been involved in exploration and production activities in Croatia since 1952.

In 2011, total Croatian production amounted to 9.1 mboepd crude oil, 6.0 mboepd condensate and 35.7 mboepd gas. This represents decreases of 6% in crude oil, 7% in onshore natural gas, and 13% in condensate production compared to 2010, all of which come as a result of natural decline. Offshore gas production was also lower than planned, decreasing by 4% compared to the previous year. This was due to the delayed start-up of the Izabela field (EdINA) where production has still not commenced. Further decreases were caused by maintenance works in the Aiza Laura Contract Area and by higher water cuts and natural decline in the North Adriatic Contract Area. Most EOR project procurement activities were extended to 2012 under the Public Procurement Act, whereas procurement related to surface infrastructure and facilities began in October 2011. With respect to Croatian exploration activities, the drilling of two onshore wells was postponed to 2012 due to the delay in the move of a drilling rig owned by Croscos d.o.o. (a subsidiary of INA) from Syria. INA has completed preparations for the first unconventional operations on the Croatian side of the Drava basin.

Croatian production in H1 2012 amounted to 45.2 mboepd.

In H1 2012, the Hrastilnica-3 exploration well was drilled and was successfully tested in July with a daily oil production of approximately 1,450 bbl. More precise evaluation of the hydrocarbons reserve base and production are to be determined by further tests and field development. The Đeletovci-1 Zapad well was drilled in Q2 and the test is expected in Q3. Other activities in H1 2012 were mainly related to general well workovers, EOR projects and Ivana K overhaul.

## *Regulatory*

The Croatian royalty regulation was changed with effect from April 2011, and the royalty rate in relation to the exploitation of producing fields which were approved by 31 December 2009 was raised to 5.0%.

On 29 July 2011 the Croatian Ministry of Economy, Labour and Entrepreneurship (the **Ministry**) made three decisions depriving INA of licences to explore hydrocarbons in the "Sava", "Drava" and "North-West Croatia" exploration areas. INA's complaint against these decisions was not allowed and so INA has filed three administrative lawsuits against the Ministry in respect of these decisions.

At the end of 2011 three offshore exploration licences expired (North, Central and South Adriatic). Three onshore exploration licences are valid until the end of 2012 (Dinarides 1, 3 and 4) and two onshore exploration licences are valid until the end of 2013 (East Slavonia and South-West Sava). Participation in tenders for new exploration rights is a primary task and goal and INA is currently waiting to do this. Most exploitation licences were given to INA for an unlimited period. It is anticipated that those licences that expire in the next few years will be renewed and INA also expects to obtain licences for two gas fields in 2012.

## **Romania**

The Group and its Romanian partner, Expert Petroleum, were awarded three blocks in Western Romania's Pannonian basin in July 2010. Relevant concession agreements, along with the Joint Operating Agreement (**JOA**), with the Romanian Government were signed on 19 April 2011; parliamentary ratification is expected in 2012. The Group is ready to begin the work programme of the mandatory exploration phase as soon as ratification is obtained. The planned work programme includes 600 km of two dimensional seismic survey acquisition, 1,700 sq km of three dimensional seismic surveys and 13 exploration wells, including unconventional wells. The duration of the first exploration phase of the licences is 36 months from the date of ratification.

## **The CIS region**

In Russia, the Group has four assets in different project phases and a significantly undeveloped resource base. Increased production is expected from the Matjushkinsky and Baitugan Blocks while the Group recently added significant reserves in Kazakhstan. In the CIS region alone MOL recorded SPE 2P reserves of 222 MMboe at the end of 2011 and an average production of 18.7 mboepd during 2011. The Zapadno-Malobalik (**ZMB**) field is a cash-generating mature and developed field. The Baitugan project includes a low-risk field currently under development for possible exploration. In the Matjushkinsky Block intensive development and exploration activities are being undertaken in parallel. MOL also performs exploration activities in the Surgut-7 Block. The Fedorovsky Block is currently in the appraisal / early development phase.

## **Russia**

### *Exploration and Production*

In Russia's ZMB field, the Group's share of production in 2011 amounted to 10.6 mboepd. The gas utilisation programme was completed by the construction of a gas turbine power station with the implementation of three new generators in 2011. In accordance with governmental regulations, associated gas utilisation exceeded 95% at the end of the year. The construction of certain water injection system elements, the new office building and technology planning for the coming years were also completed in 2011. 144 production and 77 water injection wells were in operation in this field at the end of 2011. ZMB field licences owned by the Group in Russia expire in the beginning of 2016.



In the Matjushkinsky Block, production in 2011 increased by 9% to 3.3 mboepd, compared with 2010. This was mainly a consequence of development activities in the Severo-Ledovoye field, which continued with the drilling of 25 additional wells. A total of 23 wells were put into production by the end of 2011 while a further well was being drilled and one was being tested. Also in 2011, the necessary expansion of oil treatment facilities and a power generation plant were completed and the purchase and construction of a 40 km oil transmission pipeline, connecting central and local oil facilities, was begun. At the end of 2011, 13 production wells and five injection wells were in operation in the Matjushkinsky field along with 33 production wells and three injection wells in the Severo-Ledovoye field. In the Matjushkinsky Block, one exploration well was drilled during 2011 on the Verkhne-Laryegan structure. The well produced surface-flowing oil when tested.

The development drilling programme continued in the Matjushkinsky Block during the first half of 2012. In the Severo-Ledovoye field, seven new wells were drilled and completed during the first half of 2012 while in the Kwartovoye field one well was under completion and a further one well was being drilled at the end of June. Construction of the 40 km oil transmission pipeline was finished in the Severo-Ledovoye field in Q2. The extension of the oil treatment facility and site preparation was in progress in the Kwartovoye field. The recording phase of 2D seismic acquisition was executed at the Matjushkinskaya exploration project, while interpretation and processing is still in progress. Drilling of the exploration well Prikoltogorskoye-127 finished in mid-June 2012 and the well is currently being tested. Kedrovskoye-105 exploration wells are still being drilled.

Production in 2011 reached 4.8 mboepd in the Baitugan field, which was an increase of 4% compared with 2010. In 2011, a total of 34 oil production wells and two water injection wells were drilled. In parallel, the installation of remote measuring stations and water injection centres, the building of a fibreglass pipe water trunk line and a plastic-coated steel pipe water injection line, as well as the expansion of power systems, were completed in 2011. The reconstruction of the central processing station continued. Installation activities at the gas turbine-based power station began with the intention of making use of associated gas. Moreover, preparations for a new field development plan, based on a three-dimensional seismic survey, were completed and subsequently approved by state authorities.

In the Baitugan Block the drilling programme continued during the first half of 2012 with the completion of 14 new wells. Completion of three wells and the drilling of four other wells was in progress at the end of June. Conversion of three producing wells into water injection was also completed. Reconstruction of the Central Oil Facility and electricity system are in progress and installation of remote measuring stations and water injection centres were completed.

Baitex LLC (100% owned subsidiary of MOL) won the auction on the neighbouring Yerilinskiy Block in Russia. The minimum work commitment includes the acquisition of a 60 km line 2D seismic survey and drilling of one exploration well. MOL's preliminary exploration work programme contains a 70 km<sup>2</sup> 3D seismic survey as well as drilling and completion of one additional exploration well beyond that. According to the project plan both wells will be drilled and tested in 2015. In case of discovery the trial production is expected to start in early 2016 and will be followed by the fast track field development in 2017.

In the Surgut-7 Block, the hydrofracturing of the Jurassic layers of Atayskaya-2 produced oil but, as a consequence of unusual weather conditions, testing was stopped. Due to the lack of a winter road the three-dimensional seismic survey reinterpretation of Ayskaya-1 and Atayskaya-2 wells could not be carried out in 2011.

Russian production in H1 2012 amounted to 17.6 mboepd.

### *Regulatory*

The extraction tax and export duty in Russia is dependent upon the average Urals blend listed prices in the Rotterdam and Mediterranean markets and the Russian Rouble/U.S. Dollar exchange rates and are calculated

by the formulae set out in the Russian tax legislation. The tax authorities inform the public of the extraction tax rate through official announcements on a monthly basis. The extraction tax rate as of 31 December 2011 was U.S.\$20.6/bbl; with an annual average extraction tax rate of 19.2%, based upon the annual average Urals blend price in 2011. The export duty rate as of 31 December 2011 was U.S.\$53.6/bbl; with an annual average export duty rate of 51.6%, based upon the annual average Urals blend price in 2011. Favourable regulatory change took place in relation to export duty with effect from October 2011, namely, the percentage above the highest threshold has been reduced from 65% to 60%.

## **Kazakhstan**

### *Exploration and Production*

In 2010, Kazakhstan's Ministry of Energy and Mineral Resources approved a four-year extension of the Group's exploration licence for the Rozhkovsky area of the Fedorovskoye Block. The Rozhkovsky U-21 appraisal well, which was spudded in October 2010, encountered significant amounts of gas and condensate reserves in the Tournaisian carbonate section. The drilling of the third appraisal well (Rozhkovsky U-22) was completed in June 2011. The Rozhkovsky U-23 well was finished, reaching a final depth of 4,500 m in October 2011, with promising hydrocarbon saturation. The wells are scheduled to be tested between August 2012 and February 2013. Reserve calculation and trial production plans have been approved by the Kazakh Government. The reserve audit executed at the end of 2011 resulted in a significant addition of 37 MMboe to the Group's SPE 2P reserves (corresponding to 5% of total Group reserves). The licence has been granted until the appraisal programme expires in mid 2014.

MOL has signed a Share Purchase Agreement with JSC Kazmunaigas Exploration and Production (KMG EP) for the acquisition of 49% of the shares in JSC Karpovskiy Severniy, holder of the North Karpovsky exploration licence in Kazakhstan. The North Karpovsky Block is located approximately 40 km north-west of Uralsk, in the vicinity of MOL's Fedorovsky Block and existing discoveries. The licence area is 1,670 km<sup>2</sup>. As a result of previous exploration activities there is an extensive amount of seismic data and information gathered from numerous wells in the area which proves the presence of a working hydrocarbon system. The future work programme contemplates the drilling of two exploration wells along with minor seismic acquisition. Total prospective recoverable resources of hydrocarbons (P50) previously published by KMG EP are 240 MMboe. MOL Group expects that operational synergies may exist with the neighbouring Fedorovsky Block where MOL has a 27.5% shareholding and the consortium led by MOL achieved a significant gas-condensate discovery in 2008.

## **Middle East and South Asia**

MOL has a well-established presence and strategic partnership in the Middle East and South Asia. In this region, MOL recorded SPE 2P reserves of 48 MMboe at the end of 2011 and an average production of 25.8 mboepd during 2011. The Kurdistan Region of Iraq has major importance in the upstream portfolio with projects under intensive appraisal programmes. MOL owns two exploration blocks in Oman. In Syria, the first oil production started in 2005. In Pakistan, the MOL Group has interests in four blocks, the Tal Block (in the exploration/development/production phase), the Karak Block which is in the appraisal phase and the Margala and Margala North Blocks both of which are in the exploration phase.

## **Kurdistan Region of Iraq**

### *Exploration and Production*

The Group has extensive activities in the Kurdistan Region of Iraq and during 2011 the Group's intensive drilling programme continued. In the Akri-Bijeel Block, the Bekhme-1 exploration well was completed in October 2011, reaching a total depth of 5,000 metres. The well was then suspended and is currently awaiting further evaluation. However, the results provided the Group with substantial data on geological structures and will contribute to additional exploration activities. The block's reserve potential remains unchanged. The

Bijell-3 (Aqra-1) appraisal well site was prepared and the drilling rig moved there from the Bekhme-1 site, drilling started on 17 January 2012. The current phase of the exploration licence expires at the end of 2012, while the appraisal licence is valid until the end of 2014.

In May 2012 in Block Akri-Bijeel, drilling of the Bakrman-1 exploration well commenced. Site preparation and mobilisation for the Gulak-1 exploration well was finished and spud was announced in July 2012. Drilling of the Bijell-3 (Aqra-1) appraisal well is currently underway. And surface facility for early production is under construction. Seismic acquisition has also commenced on the Bijell appraisal area.

In 2011 in Block Shaikan, which is operated by Gulf Keystone Petroleum, the appraisal programme continued with the drilling of Shaikan-2 and Shaikan-4 appraisal wells along with the spudding of Shaikan-5 and Shaikan-6 wells. On testing, the Shaikan-2 well produced 8.1 mboepd of 26° API oil and 393 boepd of gas. Shaikan-1 and Shaikan-3 wells produced 197.4 mboe of oil during 2011 in total. Extended well test surface technology is being improved to meet export pipeline specifications.

In Block Shaikan, testing of the Shaikan-4 appraisal well was finished in April 2012: five out of seven tests produced hydrocarbon inflow. Drilling of Shaikan-5 was finished in June 2012 while drilling of Shaikan-6 appraisal well was finished in May 2012 (the well test is currently ongoing). An upgrade is being designed for the extended well test facility.

## **Oman**

In Oman's Block 43B, new seismic data validated the previous model and a drillable object was mapped in the Hawasina area. Following volumetric and economic estimates the geo-technical planning of the exploration well was completed and this plan was approved by the Omani Ministry of Oil and Gas. Well spudding is scheduled for Q4 2012.

The current phase of exploration expired in mid-2012; however, it was extended by the Ministry until the end of 2013.

MOL's partner, Mari Gas, officially declared in May 2012 that it does not want to participate in the drilling operation. As per the joint operating agreement the decision of MOL's partner will result in MOL covering 100% of the expenditures relating to the drilling operation.

## **Syria**

In INA's Hayan Block, Gas Treatment Plant (**GTP**) commissioning was carried out as part of the scheduled work programme, resulting in significant increases in gas and condensate production and the commencement of LPG production. The provisional acceptance certificate was issued on 6 March 2011, after which the Hayan Petroleum Company took over the plant and the guarantee period commenced. Thanks to the successful drilling programme, the GTP operated at maximum capacity and production increment was higher than expected. As a result of high crude oil prices cost reimbursement was also higher.

Oil and condensate output in 2011 amounted to 6.8 mboepd on average, while gas production reached 13.5 mboepd.

In INA's Aphia Block, two exploration wells drilled in 2010 have encouraged further exploration activities. INA entered the second two-year extension of the initial exploration phase on 11 November 2010. The Beer As Sib-2H well was planned to confirm the commercial viability of the already-proven saturated hydrocarbon structures. Well drilling was originally scheduled for 2011 but had to be postponed due to the security situation and the sanctions against Syria.

INA signed a production sharing agreement for the Hayan Block in 1998 and a production sharing agreement for the Aphia Block in 2004 (the **Syrian Production Sharing Agreements**). Due to the six major

discoveries in the first part of the last decade in the Hayan Block, INA invested more than U.S.\$1 bn in Syria mainly in connection with intensive field developments. INA started hydrocarbon production in 2005; however, production increased significantly in 2011 as the third stage of the development programme was finalised with the start up of the gas treatment plant. The Group's Syrian operation represented more than 10% of the total production of MOL's Upstream Division in 2011. Starting in approximately September 2011, MOL encountered significant obstacles in the collection of receivables from its Syrian partner for its share of hydrocarbon production.

As a result of the security situation in Syria, INA resolved to reduce its staff in Syria in early 2012 and withdrew many of its employees who were not required for the continuation of the daily operations in Syria. Subsequently, due to (a) EU Council Decisions and Regulations imposing restrictive measures against Syria, (b) the Croatian Government Decision dated 23 February 2012 imposing similar restrictive measures, as well as (c) the overall security situation in Syria, INA determined that it was not able to continue performing its regular business operations and activities in Syria. Therefore INA delivered a *force majeure* notice to its Syrian partner, General Petroleum Corporation, relating to the Production Sharing Agreements on 26 February 2012 and suspended all business activities in Syria until the *force majeure* circumstances cease to exist. Declaration of *force majeure* is a legal term stipulated in the Syrian Production Sharing Agreements and gives the parties to the Syrian Production Sharing Agreements the right to suspend or temporarily adjourn their obligations and activities under the Syrian Production Sharing Agreements due to events that are beyond their reasonable control. Announcing "*force majeure*" does not mean termination of the Syrian Production Sharing Agreements. It instead allows a party to suspend performance without incurring liability for damages in the event of unforeseeable circumstances beyond the reasonable control of the parties.

Based on the Croatian Government Decision, as well as the overall security situation in Syria, INA is not able to continue performing its regular business operations and activities in Syria. Neither INA nor the Group expect to receive any revenues from Syria nor realise their production share from Syria until the circumstances giving rise to the force majeure cease to exist.

## **Pakistan**

### *Exploration and Production*

In Pakistan, the Group has interests in four blocks, namely the Tal Block (in the exploration/development/production phase), the Karak Block (in the appraisal phase), and the Margala and Margala North Blocks (both in the exploration phase).

Exploration licences expired in 2012. Tal Block licences were extended in H1 2012 with the following conditions: (i) the Tal exploration licence is valid until 2014; (ii) the Manzalai Development and Production licence is valid until 2032; and (iii) the Makori Development and Production licence is granted for a period of 23 years. The Margala Block and Margala North exploration licence extension is pending with the Pakistani Authorities until mid 2013.

During 2011 exploration, appraisal and development operations continued in Pakistan's Tal Block. The Group's share of 2011 production from the Tal Block amounted to 4.8 mboepd of gas and 0.7 mboepd of condensate. At the end of 2011, ten producing wells were operating in the block. The Tolanj X-1 well was the sixth independent discovery. Early production from the Maramzai-1 and Mamikhel-1 wells is in progress, while the tie-in works of the Makori East-1 discovery to the Makori Early Production Facility were scheduled for mid 2012. The drilling of the first appraisal well, Makori East-2, started in July 2011. The processing and interpretation of the three-dimensional seismic survey (carried out in 2010) were carried out successfully and located two appraisal wells on the Mami Khel and Maramzai structures, along with one new exploration well (MardanKhel-1). In the second half of 2011 one new development well, Manzalai-9, was successfully drilled.

In the Karak Block, the first exploration well, Halini-1, was spudded in January 2011 and drilled successfully to a final depth of 5,350 metres. In September 2011, the well was declared to be an oil discovery with two reservoir layers and has been considered for immediate completion so that early production can commence. The consortium of MOL Pakistan and its partner Mari Gas plans to acquire three-dimensional seismic surveys of the structure in 2012 and, upon its interpretation, to drill additional wells to delineate the exact potential extent, size and reserves of the discovery.

In the Margala and Margala North Blocks, after the negative results of the Margala-1 well, the main purpose of subsequent exploration work was to explore the block's remaining potential. The second planned task includes potential concentrations mainly in the Margala North Block. A new two-dimensional seismic survey of 150 km began in October 2011 along targeted areas to confirm drillable prospects.

Pakistan production in H1 2012 amounted to 5.8 mboepd.

100% of production from the Tal Block at 30 June 2012 amounted to approximately 300 MMcfd gas and 8500 bbld condensate. Test production in the Karak Block has commenced in January 2012 and the average total daily production was approximately 800 bbld at 30 June 2012.

During the first half of 2012, in the Tal Block, the tie-in works of the Manzalai-9 well to CPF were ongoing. First production of the well is expected in November 2012. The tie-in works of the Makori East-1 well to the Makori EPF plant were finished on 28 June and the well is producing at a curtailed rate. A new exploration well location has been accepted in Tal Block, but due to the security situation in the area, the spud date of the MardanKhel-1 well is postponed to Q3 2013. A new 2D seismic (205 km) survey started on 28 February 2012 in the Eastern area of Tal Block and completed on 5 May 2012. This was followed by acquisition of a 398 km<sup>2</sup> new 3D seismic survey in the Tolanj area, which is currently ongoing. The location of two appraisal wells on the Mamikhel and Maramzai structures has been finalised. Drilling of the Mamikhel-2 appraisal well started on 11 June 2012 and the Maramzai-2 appraisal well was spudded on 28 June 2012. An additional 191 km 2D seismic survey has been acquired in the Margala and Margala North Blocks. The seismic acquisition programme was finished by the end of February 2012 but the processing for the surveys is still ongoing.

### *Regulatory*

In Pakistan, a new Petroleum Policy was introduced in 2009. The Petroleum Policy applies to future discoveries. For the Group's existing Development and Production Leases in the Tal Block, the 2001 Policy is still valid. However, in respect of the exploration blocks, the Group applied for the conversion of licences to the 2009 Petroleum Policy. Under the 2009 Petroleum Policy the royalty rate is 12.5% on sales and the corporate income tax rate is 40% with an implied windfall levy on oil and condensate sales. Under the 2001 rule the royalty rate is 12.5% on wellhead value and the corporate income tax rate is 52.5% with no windfall levy applied. Gas sales by the producers are made at regulated prices in Pakistan. The effective gas price was approximately 3 U.S.\$/MMBTU for the fields of the Tal Block (under the 2001 Petroleum Policy) and approximately 5 U.S.\$/MMBTU for the Karak and Margala Blocks (under the 2009 Petroleum Policy) in 2011.

### **India**

In India's Himalayan Foothills, the Kasauli-1 well on the HF-ONN-2001/1 Block was spudded in March 2010 and reached its targeted depth in July 2011. The well encountered no reservoir and was declared dry, then plugged and abandoned. Relinquishment of the block is ongoing.

## **Africa**

In Africa, the Group has a diverse portfolio with assets in Egypt, Cameroon and Angola. It recorded SPE 2P reserves of 7 MMboe at the end of 2011 and an average production of 3.4 mboepd during 2011. Average production in H1 2012 amounted to 3.5 mboepd.

### **Egypt**

In Egypt, INA is the operator of the Sidi Rahman and Rizk development leases of the East Yidma concession, and it also has non-operator status in three other concessions, Ras Qattara, West Abu Gharadig and North Bahariya. Its share of production in Egypt was around 1.8 mboepd in 2011 (a 9% decrease compared to 2010). Investment in 2011 primarily focused on drilling activities with nine wells drilled in total. Five development wells produced oil. The Zarif Deep-1 exploration well was drilled in the Ras Qattara concession to find possible hydrocarbon accumulations at deeper levels but the well was plugged and abandoned when found to be dry. The Abrar South-1 exploration well in the North Bahariya concession was put into production in July. In addition, a water injection well was also drilled in the West Abu Gharadig concession to optimise the production rate.

Egyptian production in H1 2012 amounted to 1.9 mboepd.

In H1 2012, on the North Bahariya Block one unsuccessful exploration well was drilled (Rawda SE-1), three successful development wells were drilled, completed and put in production; and drilling of a further development well was started. Workover operations were also completed. On Ras Qattara and West Abu Gharadig Blocks workover operations were performed to optimise production levels.

### **Angola**

Production from non-operated offshore blocks in Angola contributed 1.6 mboepd to the Group's results in 2011, remaining at approximately the same level as the previous year. Operations in 2011 focused on well interventions to improve performance; in addition, some major new development projects were commenced. However, annual maintenance activities were postponed to 2012 due to excellent well performance. The Block 3/05A exploration period expired on 30 April 2011. Field development plans for Caco-Gazela and Punja fields in Block 3/05A were submitted for approval by the authorities.

Angolan production in H1 2012 amounted to 1.6 mboepd.

### **Cameroon**

Activities in Cameroon's Ngosso Block in 2011 included the acquisition and interpretation of a two-dimensional seismic survey and the completion of other geological and geophysical studies. The current exploration phase of the licence expires in January 2014.

### **Technological considerations**

To maintain operations at the highest possible level and to remain up-to-date with industry developments the Group places strong emphasis on developments in technology. In 2011, the company made significant strides in the area of ultra-high resolution two-dimensional seismic acquisitions. In addition, the first micro seismic monitoring survey was carried out during hydraulic fracturing operations on the Beru-4 well in Hungary. As a result of the Group's commitment to applying the best available technology, new coring and well-site coring processing technology was put into practice in the Group's operations in the Kurdistan Region of Iraq.

Also during 2011, the Group joined an international consortium to develop the next generation of seismic sequence stratigraphic software. Intensive training programmes began so as to maintain the Group's engineers' technical and geo-knowledge. The first 'Ultra High Temperature High Pressure' well hydraulic

fracturing design was installed in the Derecske basin, a unique operation in continental Europe. The Group also supported the design and tendering of extended well test surface technology for the Bijeel-1 well in the Kurdistan Region of Iraq.

The Group also began using reservoirs with high inert content (CO<sub>2</sub>) hydrocarbon fields primarily at Mezőcsokonya and Inke in Hungary which involved power plant investment.

Based on the Group's 2011 research and development successes it is clear that the Group increased production capacity of oil and gas production wells and technologies in low productivity fields through the efficiency and reserve-enhancing operations of its Upstream Division. Several domestic reserve grading and classification reports were prepared as well as two international reports for Rozhkovsky in Kazakhstan and Baitugan in Russia. It is expected that the successful outcome of these activities will help pave the way for the Group's successful operations in years to come.

### Overview of the Upstream Division's results in 2011

The Upstream Division's strong cash generation is demonstrated by a 21% increase in EBITDA (excluding special items) in 2011. Operating profit (excluding special items) increased by 16% compared to 2010. This profit growth is due to the positive effects of: (i) an increase of 26% in higher realised hydrocarbon prices in line with increasing international quotations and (ii) higher average hydrocarbon production, driven by increased volumes from Syria, though note the suspension of operations in Syria more fully described in *"Risk Factors – Compliance with EU and U.S. sanctions could threaten the Group's economic interest"*. Profit growth was moderated by the negative effects of: (i) the Hungarian imposition of a regulated natural gas price for domestic consumers which had a major impact in the fourth quarter, (ii) a slightly weaker U.S.\$ and (iii) higher depreciation due to asset capitalisations in Syria. As discussed above and in the Risk Factors neither INA nor the Group INA is currently able to continue performing its regular business operations and activities in Syria.

The Upstream Division's expenditure, excluding special items, increased by HUF 46 bn to HUF 479 bn. Royalties on Hungarian production amounted to HUF 102 bn, which represented an annual increase of 14% as a result of increased hydrocarbon prices. There was an automated royalty rate increase to 18% from 12% due to Brent quotation being over U.S.\$90/bbl in 2011. Mining tax and export duty paid in Russia increased by HUF 8 bn to HUF 53 bn. Unit operating expenditure in 2011 was maintained at 6.3 U.S.\$/boe in line with the Group's efforts to increase overall efficiency.

Average daily hydrocarbon production increased by 3%, to 147.4 mboepd as a result of higher international gas and condensate production mostly driven by significantly higher Syrian contribution. Pakistani production from Tal Block contributed positively as well.

Hydrocarbon Production (mboepd)	FY 2010 Restated	FY 2011	Ch. %
<b>Crude oil production</b>	<b>49.4</b>	<b>46.4</b>	<b>(6)</b>
Hungary	13.4	12.4	(7)
Croatia	9.7	9.1	(6)
Russia	19.7	18.7	(5)
Syria	3.1	2.8	(10)
Other International	3.5	3.4	(3)

<b>Hydrocarbon Production (mboepd)</b>	<b>FY 2010 Restated</b>	<b>FY 2011</b>	<b>Ch.%</b>
<b>Natural gas production</b>	<b>80.5</b>	<b>85.6</b>	<b>6</b>
Hungary	34.3	31.6	(8)
Croatia	37.6	35.7	(5)
<i>o/w</i> : Croatia offshore	22.7	21.8	(4)
Syria	4.4	13.5	207
Other International	4.2	4.8	14
<b>Condensate</b>	<b>13.7</b>	<b>15.4</b>	<b>12</b>
Hungary	6.0	4.8	(20)
Croatia	6.8	6.0	(12)
Syria	0.4	4.0	900
Other International	0.5	0.7	40
<b>Average daily hydrocarbon production</b>	<b>143.5</b>	<b>147.4</b>	<b>3</b>

#### **Natural gas and crude oil reserves of the Group**

The Group's SPE proved figures plus probable figures were 682 MMboe at the end of 2011, which represents an increase of 63 MMboe compared to the previous year. A reserve replacement ratio of 217% boosted SPE 2P reserves as a result of earlier exploration success in Kazakhstan and extensive field development in Russia.

<b>Yearly hydrocarbon production, MMboe</b>	<b>FY 2011</b>
Hungary	18.1
Croatia	18.5
Russia	6.8
Syria	7.4
Pakistan	2.0
Other international	1.2
<b>Total</b>	<b>54.1</b>

The annual production in 2011 reduced the Group's gross proved plus probable reserves by 54.1 MMboe (including 0.3 MMboe MMBF Ltd's production), while the total reserves addition was 117 MMboe.



<b>SPE 2P reserves, MMboe</b>	<b>FY 2010</b>	<b>FY 2011</b>
Hungary	172.5	170.5
Croatia	250.9	234.3
Russia	129.8	185.6
Syria	45.7	37.0
Kazakhstan	0	36.7
Other	19.9	18.2
<b>Total</b>	<b>618.8</b>	<b>682.3</b>

### **Overview of the Upstream Division's results in H1 2012**

EBITDA, excluding special items decreased compared to the base period. The main reason behind the decrease was the lack of any revenue from Syria since October 2011. Beyond that, Group performance was negatively affected by lower production due to natural decline, maintenance activities and the lower entitlement of INA to Adriatic-offshore fields. This could be only partly offset by the positive effects of increased average realised hydrocarbon prices and favourable foreign exchange rate changes.

Operating profit was reduced further by HUF 21.1 bn on special items, the majority of which related to the additional payment for the Angolan concessions and provisions for an abandoned project in Iran. (See Note 10. to the interim condensed consolidated financial statements).

Average daily hydrocarbon production decreased compared with the first half of 2011. Average daily production was 150.2 mboepd in H1 2011 and 123.9 mboepd in H1 2012 representing a 17% decrease. This was mostly due to the cessation of operations in Syria, which occurred on 26 February 2012 following the force majeure notice, and the natural decline of the fields. Other key reasons include a water cut and lower entitlements in production sharing agreements which resulted in lower Adriatic offshore gas production and a reduction in Croatian condensate which was due to abandoned C2+ production. In addition capital expenditure savings, a delay to the Russian ZMB field and some maintenance activities in the CEE also had a negative impact on production, the latter may be moderately offset later this year. However, in H2 2012 average daily hydrocarbon production is expected to be around that of H1 2012, excluding the Syrian contribution which was 6.2 mboepd.

Average realised prices increased mainly in line with international quotations; however, Hungarian gas price regulation had a damaging effect on this.

Upstream expenditures, excluding special items, increased by HUF 42 bn to HUF 265 bn compared to H1 2011. MOL's royalties on Hungarian production, which amounted to HUF 48 bn, decreased by 1% due to the impact of lower regulated gas prices and production; however, this was almost fully offset by the unfavourable changes in FX rate. Mining tax and export duty paid in Russia increased by HUF 5 bn, compared to H1 2011, to HUF 30 bn. Unit operating expenditure (excluding Depletion, Depreciation and Amortisation) amounted to 6.4 U.S.\$/boe in H1 2012.

## **DOWNSTREAM DIVISION**

### **Highlights**

In 2011 the Group's Downstream Division suffered as a result of the negative economic environment. However, the Group's two largest refineries performed relatively well, highlighting the strength of the Group's complex asset structure. It is the Group's aim to maintain the top position in relation to core assets and improve its overall profitability within this division. MOL plans on utilising its assets on a group level, implementing selective organic growth projects and restructuring less efficient assets. MOL also plans to improve the on-demand flexible operation of the refineries and short-term efficiency.

### **Overview**

In 2011, the Group increased the Downstream Division's integration to take advantage of sequential and interactive business processes. The Group also focused on operating efficiency whilst alleviating the negative effects of the economic climate.

The newly-formed Downstream Division operates five refineries, two petrochemicals units and more than 1,600 filling stations under seven brands in 11 CEE countries, all supported by a far-reaching logistics system and driven by supply chain management. With this new divisional structure the Group's aim is to increase the Group's profitability through improved cost efficiency and more flexible operations by seeking global utilisation of the integrated Downstream Division value chain rather than focusing only on local results. The Group's Bratislava and Danube refineries continue to enjoy the advantages of their complex asset structure while major efforts to increase INA's Downstream Division performance have been made.

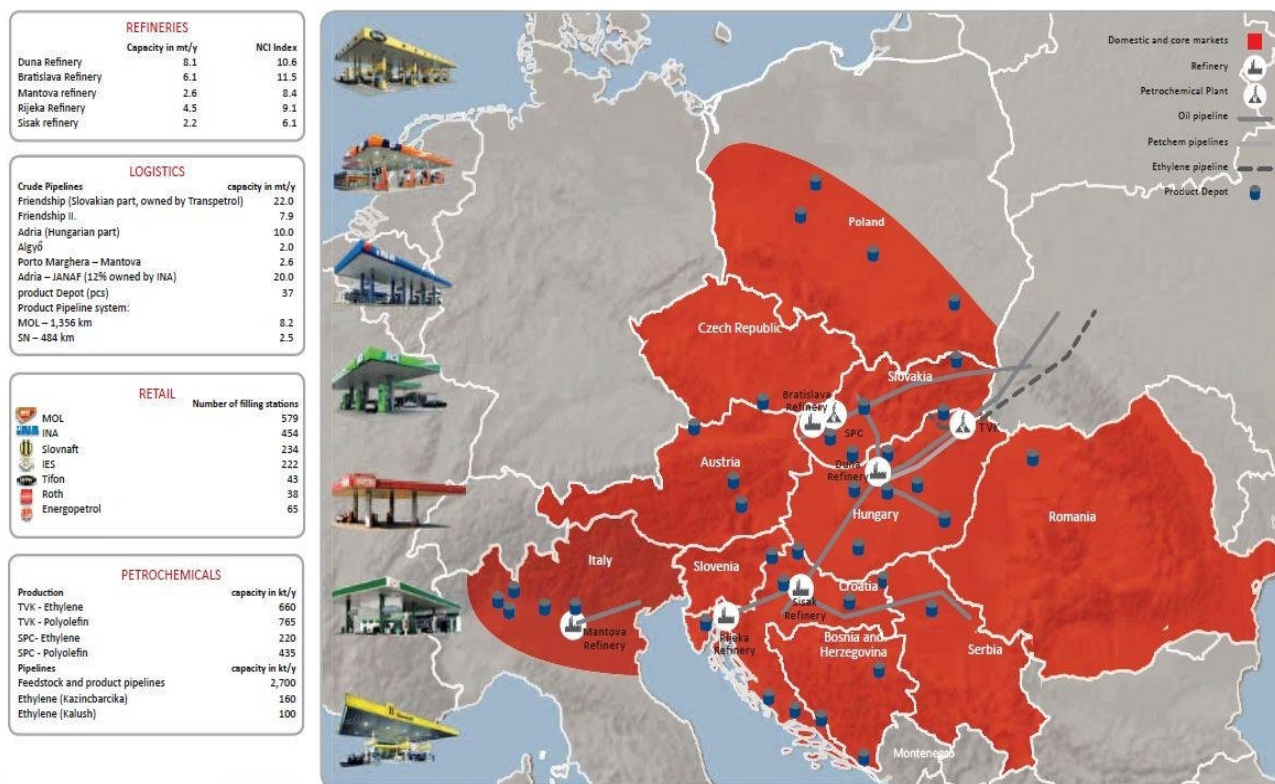
In its core markets, the Group Retail organisation performed better than its competitors resulting in increased shares of declining markets. The Group's petrochemicals business is a leading polymer player in Central Europe and delivers flexibility and captive markets for the Group's refineries.

### **Downstream Division Logistics**

The Group owns and operates approximately 850 kilometres of crude oil transportation pipelines in Hungary, which supply refineries with raw material. This network has a total throughput capacity of approximately 26.0 million tonnes per year. The crude oil pipeline system in Croatia is operated by JANAf d.d., an independent pipeline operating company in which INA has a 12% stake.

Wholesale and retail activities are supported by a diverse logistics network. The Group operates approximately 1,800 kilometres of product pipeline system in Hungary and Slovakia, which ensures cost efficient primary distribution in both countries, approximately 4,000 of its own and rented rail tank cars and contracted barges ensure the continuous and smooth supply of an extensive network of 37 product depots in nine countries. The secondary distribution activity is covered by a mixture of the Group's own road tanker fleets in Hungary, Slovakia and Croatia and external road transportation companies.

High quality polymer supply to European plastic markets is managed by TVK Plc, located in Tiszaújváros and by Slovnaft Petrochemicals s.r.o. located near the Bratislava refinery. These integrated petrochemical units support the Downstream Division as they provide a captive market for it.



## Competitive advantage

The Group's strength is supported by its geographical position, competitive asset base, well-balanced product, customer portfolio and the "7 production unit model" (a Group level project focusing on raw materials and product transfers at five refineries and two petrochemical units within the MOL Group), which are all optimised by supply chain management to take advantage of synergies available in regional markets. The Group relies on its skilled sales and engineering staff as the main internal drivers of this complex system.

The two most complex refineries in Százhalombatta and Bratislava enjoy central positions in landlocked markets and have high net cash margins. There is an improved crude selection with refineries continuously supplied with Russian crude through a cost-effective direct pipeline system. Refineries with seaborne crude benefit from the crude cargo trade and related optimisation. A region-wide logistics network including an extensive pipeline system and increased depot coverage ensure competitive crude and raw material supply and low-cost product distribution. The refurbishment of less efficient and sophisticated assets enables all of the Group's refineries to produce Euro V quality motor fuels. The Group's aim to enhance customer value is a key element of retail strategy aimed at retention of customers and gaining market share. Finally integration between petrochemical plants and refineries improves the competitive position of the value chain.

## Downstream competitors

The Group is a significant player in the Downstream Division in the CEE region with a refinery capacity of 470,000 bpd, integrated with two petrochemical plants and over 1,600 filling stations. The Group's competitors in the Downstream Division consist of eight European players which are OMV AG (the only integrated company), Tupras Turkiye Petrol Rafinerileri AS, Hellenic Petroleum SA, Saras SpA, Polski Koncern Naftowy Orlen SA, Grupa Lotos SA, Neste Oil OYJ and ERG SpA.

Since the financial crisis the Group has maintained a stable downstream performance as compared with its competitors. Refining and Marketing unit EBITDA (excluding one-off items and based on the current cost of supply) was U.S.\$4.4 per barrel of crude processed volume. The Group has two flagship refineries (Duna

and Bratislava) among the top ten refineries in Europe with crude distillation capacities of 287,000 barrels per day. MOL (excluding INA) significantly outperformed its competitors during this period. However, improving the performance of INA is one of the Group's key priorities.

The unfavourable economic environment affected the operations of the Group and also that of its competitors in the last year. However, the retail sector provided stability. The retail performance of the MOL Group has been above average amongst its competitors since the global financial crisis; however, consolidation with the performance of INA considerably increased seasonality. With INA's 18% retail coverage ratio and its share of refinery throughput sold via its own retail network, the Group was slightly below the average amongst its competitors. (*Source: MOL analysis based on publicly available company reports analyses.*)

### **Downstream Division – integrated operation**

In 2011 the profitability of the Downstream Division decreased significantly, resulting in several units closing down and many industry players experiencing financial difficulties. However, even in this environment, the Group's complex asset structure performed relatively well. A unified shift is required to increase the overall efficiency of the portfolio as the outlook for 2012 is even worse when compared to 2011. In addition to ongoing efficiency improvement programmes MOL is launching the New Downstream 2012 – 2014 Programme, which comprises various initiatives to improve the Downstream Division's profitability, with contribution from subsidiaries in 15 countries and various business areas. Within the New Downstream Programme four focus areas have been defined:

1. 'Value Chain' optimisation to take advantage of the division's extended value chain. Focal points include profit driven raw material selection, moving towards on-demand production through optimising capacity, setting minimum quality targets to ensure product value in the most profitable way and sustaining petrochemical integration.
2. 'Asset Management' initiatives to ensure more effective and cost efficient use of assets. The programme will focus on energy, costs and the optimisation of consumption-driven products and logistical assets. Additional focus will be placed on selective organic growth investments, the implementation of more effective maintenance policies, the minimisation of fuel losses and discrepancies, the improvement of production flexibility and the Group's petrochemicals product portfolio.
3. 'Market Management' for satisfying market needs on a wider geographical scale, mainly by taking advantage of Wholesale – Retail synergies and polymer, monomer and chemical sales opportunities which are all supported by strong logistics. The initiatives will aim to increase sales of LPG, lubricants, fuel cards and implement a profitable local market supply concept. A combination of global product lines and local country marketing strategies will facilitate an increase in the sales margin.
4. 'Resource and Process' efficiency programmes for taking advantage of unrecognised possibilities. In the short term the Group's goal is to split global and local responsibilities, activities, operations, review tasks and responsibilities and to analyse resource productivity and review full time employee requirements and business processes. In the long term, the Group is committed to the 'lean thinking' concept which will help eliminate waste.

### **Selective investments to maintain leading position and improve profitability**

In the CEE there remains a potential for GDP growth accompanied by a significant increase in the demand for diesel and it is expected that there will also be an increase in diesel shortages. Meanwhile, flexible handling of the gasoline-naphtha pool remains crucial in order to mitigate the effects of a sustained gasoline surplus in Europe. These tendencies provide room for some selective long-term investments either focusing on increased diesel output or maintaining refining-petrochemical integration.

## **Strengthening the Croatian Downstream Division**

MOL expects that there will be a gradual improvement in the Croatian Downstream Division as a result of the flexible operation of assets and short-term efficiency actions. Actions include rationalisation of logistics and retail networks, cutting back operating expenditures and setting up on-demand refinery operations. The planned new pipeline connection of the Group's Croatian refineries will further facilitate synergic operations and flexibility. In parallel, the Group is planning a residue upgrade project at its Rijeka refinery. As part of this project a new coker unit is to be built to produce a higher proportion of valuable 'white' products such as diesel and gasoline which are key drivers of the Downstream Division's competitiveness.

With synchronised improvement of the Group's logistics and retail networks the Group's aim is to generate a larger end-user market. To ensure better market reach the Group's commercial activity is to be supported by new logistics depots. The Group's organic retail investments focus on growth markets and sites with favourable positions in order to increase market share and sales volumes. Reconstruction works and capacity increases are planned on the Adria and Friendship I pipeline to further increase the Group's supply security for Hungary and Slovakia.

## **Petrochemical Developments**

In order to maintain synergies from the Refining – Petrochemicals integration, MOL has launched a reconstruction of steam cracker and is planning a new 220 kt/year capacity LDPE unit in Bratislava. Substituting three old subscale units, the new competitive scale asset will increase flexibility and ensure higher naphtha off-take from refineries.

In line with the Group's strategic aim of improving olefin co-product value, MOL has decided to enter the favourable butadiene market by investing in a new 130 kt/year capacity plant. The start of butadiene production provides MOL with the option of entering the attractive synthetic rubber market sector. A decision has been made on the location of the formerly approved butadiene extraction unit. The plant will be built at Tiszaújváros, Hungary. Construction will start in 2013 and production is expected to commence in 2015. The plant has EUR 100 million capital expenditure requirements and is expected to significantly improve petrochemical profitability.

## **Refining**

The Group's refineries are located in Hungary, Slovakia, Italy and Croatia.

The consolidation of INA into the Group during 2010 and 2011 expanded the Group's refinery pool significantly, adding to a portfolio of refineries including the coastal Rijeka and the landlocked Sisak refineries. In 2011 the Upstream Division supplied 6% of the processed crude oil and feedstock to the Group's refineries, 82% of processed crude oil feedstock was imported from Russia and 12% was imported from Mediterranean sources. In 2011 the total amount of processed feedstock was 21.3 million tonnes and from this the crude oil processed in the five refineries was 18.2 million tonnes.

The refineries table in the Downstream Division Logistics map on page 115 above, represents the Group refineries' capacity to process mainly heavier, sour crude oil raw material, which provides a cost advantage through the cycle as urals tend to be cheaper than sweet blends. Moreover, high refinery complexity provides a broad range of products (valuable light products and low-sulphur middle distillates), which tend to command higher prices. The ability of the Group's complex refineries to convert cheaper crude oil blends into high-quality, valuable products is beneficial to the Group.

### *The Duna refinery*

The Duna refinery is close to Budapest and its first unit was installed in 1965. Its crude oil distillation capacity is 8.1 mtpa and its complexity ratio is 10.6 NCI. In 2011 the distillation capacity utilisation ratio of

the refinery was 89.3%. The Duna refinery is a complex refinery with deep conversion units, allowing the high yield of motor fuels from heavy and sour crudes. Gasoil and gasoline desulphurisers were installed during 2005 to comply with the EURO V motor fuel regulation.

The crude oil processed at the Duna refinery mainly comes from Russian imports via the Friendship pipelines and in smaller amounts from the Group's own production in Hungary via a domestic pipeline. In 2011 the total throughput of crude oil and other feedstock was 8.71 million tonnes, the same level as in 2010. The Duna refinery's white product yield was more than 78% in 2011.

#### *The Bratislava refinery*

The Bratislava refinery, operated by Slovnaft, is the second largest refinery in the Group. It started operations in 1896 and its crude oil distillation capacity is 6.1 mtpa, with a complexity ratio of 11.5 NCI. In 2011 the distillation capacity utilisation ratio of the Bratislava refinery was 98.3%. It is a complex refinery with deep conversion units, allowing for a high yield of motor fuels from heavy and sour crudes. A high capacity hydrogenation middle distillates facility (**HRP 7**) was put into operation in 2004 and a new strategic polypropylene production unit (**PP3**) was started in 2005. These investments in the first half of the decade enabled Slovnaft to produce the total fuel quantity of EURO V. The Bratislava refinery processes only Russian Export Blend crude oil. This refinery's white product yield is 87%, and its throughput was almost 7.01 million tonnes in 2011 compared with 6.50 million tonnes in 2010.

#### *The Mantova refinery*

The Mantova refinery was constructed in 1946 and is now operated by IES in North Italy. It has a crude oil distillation capacity of 2.6 mtpa and a complexity ratio of 8.4 NCI. In 2011 the distillation capacity utilisation ratio of the Mantova refinery was 87.7%. Its white product yield is 69%. It is a medium complexity, thermal cracking type refinery, focusing on diesel and bitumen production. The Mantova refinery is designed to mainly process heavy crude oils. The crude oil is transferred to the refinery through its own 124km pipeline from the Mediterranean via Porto Marghera (Venice). In 2009 EURO V motor fuel quality was introduced in Italy and the refinery's products comply with these regulations. Its throughput was 2.60 million tonnes of crude oil and other feedstock in 2011, approximately the same quantity as in 2010.

#### *The Rijeka refinery*

The Rijeka refinery is operated by INA in Croatia. It has a 4.5 mtpa nominal crude oil distillation capacity and its complexity ratio is 9.1 NCI. Its white product yield is 71%. The refinery is located in Rijeka, next to the Adriatic Sea. Production at this refinery is focused on white products, including gasoline and diesel motor fuel (EURO V), kerosene, LPG and heating oils; however, the refinery still produces a considerable amount of fuel oils. The reconstruction of the Isomerisation unit was finished in 2008. There is an ongoing upgrading project at the Rijeka refinery which aims both to comply with the relevant EU environmental and product quality standards and improve the profitability of the refinery through product yield, efficiency improvement and an increase in operational capacity. The aim of Phase 1 of the programme was to produce EURO V quality gasoline and diesel fuels, this phase was successfully carried out by mid 2011. The aim of Phase 2 is to establish a residue upgrade unit which converts heavy fuel oil into motor fuels. The Rijeka refinery imports and refines both sweet and sour crudes supplied from the Mediterranean Sea and Russian and Middle Eastern sources. The refinery receives crude oil via the Janaf pipeline from the Omisalj terminal from the Mediterranean Sea or directly from the seaport of Urinj, which is part of the refinery.

#### *The Sisak refinery*

The Sisak refinery is operated by INA in Croatia. It has a 2.2 mtpa nominal crude oil distillation capacity and its complexity ratio is 6.1 NCI. Its white product yield is 74%. The Sisak refinery is located close to the Croatian oil fields. The refinery's main products are motor fuels, naphtha, fuel oils, bitumen and coke. In parallel with the Rijeka modernisation programme, there is also an upgrade project ongoing at the Sisak

refinery. This aims to (i) achieve compliance with EU environmental and product quality standards; and (ii) improve refinery profitability through product yield, increased efficiency and increased operational capacity. Under the framework of Phase 1 of this upgrade project, the refurbishment of the Coker Gasoil Hydrodesulphurisation unit was completed in 2007. The new Claus plant and new FCC-gasoline Hydrodesulphurisation unit were completed in 2008 and came on stream in mid-2009. In December 2009 EURO V quality of unleaded gasoline and diesel fuel was achieved. The Sisak refinery currently processes Russian Export Blend and domestic crude oil. The JANAF pipeline is connected both to the Mediterranean Sea and to Russian crude oil sources via Hungary. Domestic crude oil is transferred mainly by a local pipeline from the Moslavina oil fields. Nearly 13% of total processed crude oil in 2011 came from domestic production.

In 2011 the distillation capacity utilisation ratio of INA refineries was 57.9%.

The following table describes the Group's major refineries with their total feedstock in the periods indicated.

<b>(thousand tonnes)</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Duna Refinery	8,762	8,847	8,252	9,033	9,104	8,634	8,652
Bratislava Refinery	7,085	6,572	6,927	6,928	7,079	6,716	6,444
Mantova Refinery	2,636	2,521	2,447	2,395	298		
INA refineries*	3,781	4,285	2,409				
<b>Total (th tonnes)</b>	<b>21,802</b>	<b>21,834</b>	<b>19,700</b>	<b>18,141</b>	<b>16,303</b>	<b>15,110</b>	<b>15,054</b>

Source: MOL

The following table sets out the product yields of the Group refineries in 2011.

<b>Production yields (%)</b>	<b>Duna Refinery</b>	<b>Bratislava Refinery</b>	<b>Mantova Refinery</b>	<b>INA refineries</b>
LPG	1.0	3.2	1.9	5.3
Naphtha	14.6	7.6	3.2	2.4
Motor gasolines	14.7	21.0	15.5	25.6
Middle distillates	42.0	49.6	48.0	35.2
Fuel oils & Bitumens	8.7	6.2	24.6	15.7
Others	9.7	4.5	1.0	1.0
Own use + losses	9.3	7.9	5.8	14.8

Source: MOL

## Overview of the Downstream Division's results in 2011

2011 was a challenging year for the Downstream Division characterised by extraordinarily unfavourable developments in the regional and global economic outlook and some unplanned refinery stoppages in Croatia. After a rebound in 2010 refining margins have fallen back to 2009 levels which were among the worst in ten years. An increase in gasoil spread as against 2010 could not offset the weaker crack spreads of naphtha and fuel oil. The crude oil price increased significantly and consequently energy prices compared rose more than 25% in 2011.

	FY 2010	FY 2011	Ch.%
Brent dated (U.S.\$/bbl)	79.5	111.3	40
Brent Ural spread (U.S.\$/bbl)	1.38	1.67	21
Crack spread – premium unleaded (U.S.\$/t)	133.9	142.9	7
Crack spread – gasoil 10ppm (U.S.\$/t)	87.1	117.1	34
Crack spread – naphtha (U.S.\$/t)	88.8	63.6	(28)
Crack spread – fuel oil 3.5 (U.S.\$/t)	(164.8)	(238.1)	(44)
Crack spread – premium unleaded (U.S.\$/bbl)	8.8	6.9	(21)
Crack spread – gasoil 10ppm (U.S.\$/bbl)	12.9	17.4	35
Crack spread – naphtha (U.S.\$/bbl)	(2.0)	(9.6)	(390)
Crack spread – fuel oil 3.5 (U.S.\$/bbl)	(10.5)	(15.9)	(51)
Integrated petrochemical margin (EUR/t)	323	279	(14)

The annual average of the integrated petrochemical margin reached its lowest level to date, demonstrating the general situation in the European petrochemical markets.

The operating profit of the Downstream Division, excluding special items, showed a loss of HUF 0.5 bn compared with the previous year's profit of HUF 59 bn. External conditions and refinery stoppages had a negative effect on the Group's reported results compared to FY 2010:

Negative effects included: (1) the higher volume of self-consumption and loss due to refinery stoppages (HUF 10 bn); (2) the increased price of purchased energy as well as the higher price of crude oil which is utilised by MOL; (3) the lower average crack spread; (4) the lower integrated petrochemical margin and (5) the fact that the HUF was stronger against U.S.\$.

These negative effects were partially moderated by (1) the higher light-heavy crude differentials; (2) the improving product slate (increasing diesel production while decreasing fuel oil output); and (3) the efficiency improvement programmes.

The reported operating profit dropped by HUF 74 bn as a result of the need to include a HUF 35 bn impairment on the IES goodwill reflecting the deteriorating Downstream Division outlook and the HUF 26 bn crisis tax imposed on the energy sector.



<b>CCS-based Refining and Marketing operating profit/(loss) excl. special items<sup>(1)</sup></b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Ch.%</b>
<b>Group</b>	<b>20.9</b>	<b>(19.9)</b>	<b>n.a</b>
MOL excl. INA	63.8	51.6	(19)
INA	(42.9)	(71.5)	n.a

<sup>(1)</sup> Special items listed in Summary of 2011 Results

The Refining and Marketing segment's current cost of supply based operating performance became less profitable, in the deteriorating economic environment. MOL refineries, excluding INA's contribution, remained profitable, even on a 'clean' basis (HUF 52 bn), which emphasises the strength of the Group's complex assets.

The weak performance at Group level, which was mainly due to INA's Downstream HUF –72 bn contribution was primarily a result of (1) the higher volume of self consumption and loss due to operational challenges at the new plants in Rijeka and a fire incident in the Sisak refinery; and (2) the lower sales in domestic markets in line with deteriorating market demand.

The Petrochemical business's operating result (excluding special items) was negative during the second half of 2011 resulting in HUF 10.9 bn losses in 2011 as integrated margins dropped to historically low levels. Profitability was also adversely affected by increasing energy costs.

The total refinery throughput remained constant in 2011. Utilisation of the Group's most complex assets was increased further but the utilisation of Croatian refineries remained under pressure.

<b>Refinery processing (kt)</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Ch.%</b>
Own produced crude oil	1,146	1,027	(10)
Imported crude oil	17,109	17,168	0
Condensates	297	276	(7)
Other feedstock	3,282	3,331	1
Total refinery throughput	21,834	21,802	(0)
Purchased and sold products	1,135	1,193	5

<b>External refined and petrochemical product sales by product (kt)</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Ch.%</b>
<b>Total refined products</b>	<b>19,005</b>	<b>19,011</b>	<b>0</b>
o/w Motor gasoline	4,151	4,211	1
o/w Diesel	9,025	9,392	4
o/w Fuel oil	943	740	(22)
o/w Bitumen	1,293	1,275	(1)
<b>o/w Retail segment sales</b>	<b>3,545</b>	<b>3,507</b>	<b>(1)</b>
o/w Motor gasoline	1,260	1,183	(6)
o/w Gas and heating oils	2,187	2,231	2
<b>Total petrochemicals product sales</b>	<b>1,415</b>	<b>1,504</b>	<b>6</b>
o/w Olefin products	270	341	26
o/w Polymer products	1,145	1,163	2
<b>Total refined and petrochemicals product sales</b>	<b>20,420</b>	<b>20,515</b>	<b>0</b>

With improved refinery product yields, the Group successfully decreased the loss making fuel oil sales and increased the share of valuable motor fuels within total sales.

The Group's total motor fuels sales in the CEE increased by 4% year on year, while the core market remained the same. Accordingly, the Group's market share increased slightly to 21% in the CEE region. The Group successfully maintained and strengthened its market position on the domestic front and on the most important and neighbouring export markets. In Hungary wholesale fuel market share increased. Despite the worsening Slovakian market Slovnaft was able to increase its wholesale fuel market share in that region. Rationalisation of Croatian sales activity continued in 2011: A new customer-based approach resulted in the Group retaining its position amongst its competitors.

	<b>Change in % 2011/ 2010</b>	<b>Market demand<sup>1</sup></b>			<b>Group Sales</b>		
		<b>Gasoline</b>	<b>Diesel</b>	<b>Motor Fuels</b>	<b>Gasoline</b>	<b>Diesel</b>	<b>Motor fuels</b>
Hungary		(5.7)	(0.8)	(2.4)	(3.3)	4.5	2.0
Slovakia		(9.4)	0.2	(2.6)	(1.0)	3.9	2.4
Croatia		(11.4)	(8.1)	(9.1)	(9.4)	(6.4)	(7.4)
Other		(4.8)	2.8	0.8	8.8	9.9	9.6
<b>CEE 10 countries</b>		<b>(5.4)</b>	<b>2.0</b>	<b>(0.0)</b>	<b>0.2</b>	<b>5.0</b>	<b>3.6</b>

Demand for diesel in regional areas has increased due to the strengthening of the export activity in regional economies, especially in the first half of 2011, as well as the increase in agricultural consumption resulting from favourable weather conditions. Consumption stagnated during the second half of 2011 due to slower economic growth in some countries and the "base-effect" with strong demand in H2 2010. Gasoline consumption dropped significantly due to weaker purchasing power and record high fuel prices.

Within the region, the Group's key domestic markets performed poorly, especially in Croatia, following stagnating GDP and reduced spending. This weak performance put stress on the industries, in particular the construction and transport industries.

Demand for diesel grew above the regional average in Slovenia, supported by transit consumption in Poland and infrastructure investments in Serbia.

MOL continued to implement its retail strategy to increase coverage within the supply radius of refineries, heightening the captive market and increasing the overall efficiency of the network. The Group doubled the number of its Slovenian filling stations by taking over 19 filling stations from TUS Holding.

The Group's retail sector operates a widespread filling station network of over 1,600 sites in 11 countries. The sites are operated by different brand names, three of which are international brands and four are country-specific local brands. The stations in Hungary, Romania, Slovenia, Serbia and Austria operate under the MOL brand, stations in Croatia, Bosnia and Montenegro operate under the INA brand, and stations in Slovakia and the Czech Republic operate under the Slovnaft brand. In addition, stations operate under the Tifon brand in Croatia, Energopetrol in Bosnia, Roth in Austria and IES in Italy operate under the Tifon brand. In July 2012 MOL signed agreements with the owners of Bohemia Realty Company s.r.o. and Pap Oil Cerpaci Stanice s.r.o. to acquire the two companies. These companies own and operate a country-wide filling station network under the Pap Oil brand in the Czech Republic. The acquisition will include 124 fuel stations. Closing of the transaction is subject to the fulfilment of certain conditions precedent, including obtaining anti-monopoly clearance.

The Group's retail segment also focuses on enhancing customer satisfaction via refurbishing the filling stations, developing the high-quality fuel portfolio and improving the wide range of convenience services (including refurbishing customer areas). MOL's new 'Retail Visual Identity' is consistently introduced at newly-built and re-branded filling stations. Renovation of the Bosnian network is also underway where more than 20 stations have already been refurbished. In core markets such as Hungary, Slovakia and Romania there have been approximately 150 refurbishments and shop reconstruction projects to enhance customer satisfaction and to promote new services. As a flagship of the Group's sustainable approach, a zero emissions filling station was built in Hungary comprising all the latest technologies and services including: solar power; high-speed recharging for electric car batteries; furniture from recycled materials and economically efficient LED-based lighting.

	Total retail product sales (kt)	FY 2010	FY 2011	Ch.%
Hungary		812	804	(1)
Slovakia		467	452	(3)
Croatia		1,274	1,226	(4)
Romania		433	451	4
Other		559	574	3

<b>Total retail product sales (kt)</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Ch.%</b>
<b>Total retail product sales</b>	3,545	3,507	(1)

In Hungary, gasoline sales dropped due to extremely high fuel prices. Diesel and LPG volumes increased in accordance with export driven economic growth. The volume of the Group's retail fuel sales remained constant; however, its market share increased to 36.4%.

In Slovakia, MOL more than doubled its capital expenditure (in accordance with the refurbishment programme). According to SAPPO (the Slovakian Oil Association), this helped to keep market share in Slovakia above 36%. In Croatia, the volume of sales decreased. There were 22 less filling stations at the end of the year as a result of the closure of the non-profitable filling stations.

In Romania, market share increased by more than 12% and revenue from shop sales went up by 8% as a result of intensive promotional activity.

In the Petrochemical business olefin and polymer production volumes have slightly increased. Sales of olefin products have notably improved while the volume of polymer sales has increased as a result of the favourable market conditions experienced during the first half of 2011.

#### **Power – Joint Venture with CEZ**

In 2007 MOL Group and CEZ Group agreed to establish a joint venture to leverage opportunities in the electricity market in Central and South-Eastern Europe. CEZ is a leading electricity producer and distributor in the Czech Republic and one of the largest electricity companies in Central and South-Eastern Europe.

The first phase of investment in the combined cycle gas turbine technology unit (CCGT) at the Duna Refinery (Százhalombatta) commenced in October 2011. MOL-CEZ European Power Hungary Ltd. (MCEPH), the joint venture of MOL Group and CEZ signed a contract with Tecnicas Reunidas S.A on 27 October 2011 for the construction of the CCGT power plant and signed a long-term service agreement with Siemens Zrt. for the CCGT. MCEPH possesses all permits required to start construction. The construction phase is subject to an additional investment decision of MOL Group and CEZ. Due to the current unfavourable regional power market outlook the final investment decision was postponed and a joint venture level renegotiation of the main project contracts (EPC and LTSA) is necessary to extend their validity period.

#### **Overview of the Downstream Division's results in H1 2012**

<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q2 2011</b>	<b>Ch. %</b>	<b>Segment IFRS results (HUF bn)</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>Ch. %</b>
47.2	(12.6)	39.3	-	EBITDA	99.1	34.5	(65)
<b>53.3</b>	<b>(5.6)</b>	<b>45.7</b>	-	<b>EBITDA excl. spec. items</b>	<b>112.5</b>	<b>47.6</b>	<b>(58)</b>
<b>22.2</b>	<b>45.9</b>	<b>39.6</b>	<b>16</b>	<b>CCS-based R&amp;M EBITDA</b>	<b>56.4</b>	<b>68.1</b>	<b>21</b>
15.4	(44.0)	5.4	-	Operating profit/(loss) reported	37.5	(28.7)	-
<b>21.4</b>	<b>(37.0)</b>	<b>17.3</b>	-	<b>Operating profit/(loss) reported excl. spec. items</b>	<b>56.3</b>	<b>(15.6)</b>	-
<b>31.9</b>	<b>(29.8)</b>	<b>16.3</b>	-	<b>o/w R&amp;M profit/(loss) excl. spec. items</b>	<b>52.6</b>	<b>2.1</b>	<b>(96)</b>
(26.9)	39.9	(2.5)	-	Replacement modification gain (-) / loss (+)	(28.3)	13.0	-
(1.0)	2.6	5.6	(54)	Impairment gain (+) / loss (-) on inventories	5.6	1.6	(71)
(9.0)	6.1	(4.0)	-	FX gain (-) / loss (+) on debtors and	(21.1)	(2.9)	(86)

Q1 2012	Q2 2012	Q2 2011	Ch. %	Segment IFRS results (HUF bn)	H1 2011	H1 2012	Ch. %
				creditors			
(5.0)	18.8	15.3	23	CCS-based R&M operating profit/(loss)	8.8	13.8	57
(10.5)	(7.2)	1.0	-	o/w Petrochemicals profit/(loss) excl. spec. items	3.7	(17.7)	-
15.4	33.9	14.9	129	CAPEX	31.3	49.3	57

### *First half 2012 results*

In H1 2012 Downstream EBITDA excluding special items amounted to HUF 48 bn (this is less than the amount generated in the same period last year, which was boosted by significant inventory and FX gains.) In a mixed environment the Refining and Marketing segment's 'clean' CCS-based operating result improved slightly.

The positive effects of (a) higher average crack spreads of motor fuels; (b) improved product slate due to the implementation of the new units at the Rijeka refinery and further refinery utilisation; and (c) a weaker HUF exchange rate against U.S.\$ were mostly offset by (i) halved Brent-Ural spread and shrunken crude spread of the Mantova refinery; (ii) a significant drop in the regional product demand due to weak economic conditions and high fuel prices; and (iii) rising energy prices.

Excluding INA's contribution, the Group's 'clean' CCS-based operating profit remained flat. While the environment margin improved to some extent, the depressed regional demand and the higher maintenance activity compared to the last year resulted 0.6 Mt lower sales year-on-year.

INA's 'clean' CCS-based operating loss was slightly lower than a year ago. 'Clean' EBITDA improved to an even higher extent, primarily as a result of the improved yield of the Rijeka refinery, due to improved feedstock selection and higher vacuum gas oil processing in the new hydrocracker unit. However, higher volumes and prices of purchased energy depressed the overall result.

In H1 2012 the operating result of the Petrochemical segment was negative compared to H1 2011. The integrated petrochemical margin was very weak (it decreased by 32% to 246 EUR/t compared to the same period of the last year), especially at the beginning of the year. This was due to high energy prices, lower demand on polymer products and the general turnaround.

### *Market trends and sales analysis*

The consumption of motor fuels in the CEE region decreased further due to the worsening economic outlook which affected the diesel consumption and high prices negatively impacted gasoline consumption.

Change in regional motor fuel demand 2012 H1 vs. 2011 H1 in %	Market			MOL Group		
	Gasoline	Diesel	Motor fuels	Gasoline	Diesel	Motor fuels
Hungary	(5.1)	(5.6)	(5.4)	(5.7)	(6.6)	(6.3)
Slovakia	(1.4)	(1.3)	(1.3)	(0.1)	0.6	0.4
Croatia	(7.2)	(4.3)	(5.2)	(1.0)	2.5	1.4
Other	(1.6)	(1.9)	(1.8)	(15.1)	(5.5)	(8.1)
<b>CEE 10 countries</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(8.2)</b>	<b>(4.2)</b>	<b>(5.4)</b>

*Source: Company estimates*

The MOL Group's total refined product and petrochemical sales decreased by 11% due to a depression in market demand and the maintenance activities at key refineries during the period.

Total retail sales volume (incl. LPG and lubricant volume) decreased by 4% to 1.586 kt in H1 2012 compared to H1 2011.

<b>Total retail sales (kt)</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>Ch. %</b>
Hungary	385	367	(5)
Slovakia	220	205	(7)
Croatia	570	520	(9)
Romania	208	220	5
Other	273	274	1
<b>Total retail sales</b>	<b>1,656</b>	<b>1,586</b>	<b>(4)</b>

In Hungary, Slovakia and Croatia retail fuel sales volumes decreased as a result of the economic slowdown and higher retail fuel prices.

In Romania, H1 2012, retail fuel sales volumes increased in line with our network development, pushing MOL's market share above 12.5%. The shop sales revenue went up by 12% as a result of intensive promotional activity.

## **GAS MIDSTREAM DIVISION**

There has been a structural modification of what was formerly referred to as the Gas and Power business. Since the second half of 2011 it has been referred to as the Gas Midstream Division. Energy generation was transferred to the Downstream Division, while INA's gas wholesale trading subsidiary was transferred to the Gas Midstream Division.

The three main subsidiaries in the Gas Midstream Division are:

- (a) FGSZ Ltd. (natural gas transmission – the Guarantor has 100% ownership)
- (b) MMBF Ltd. (natural gas storage – the Guarantor has 72% ownership)
- (c) Prirodni Plin d.o.o (Croatian gas trading company – the Guarantor has 49% ownership)

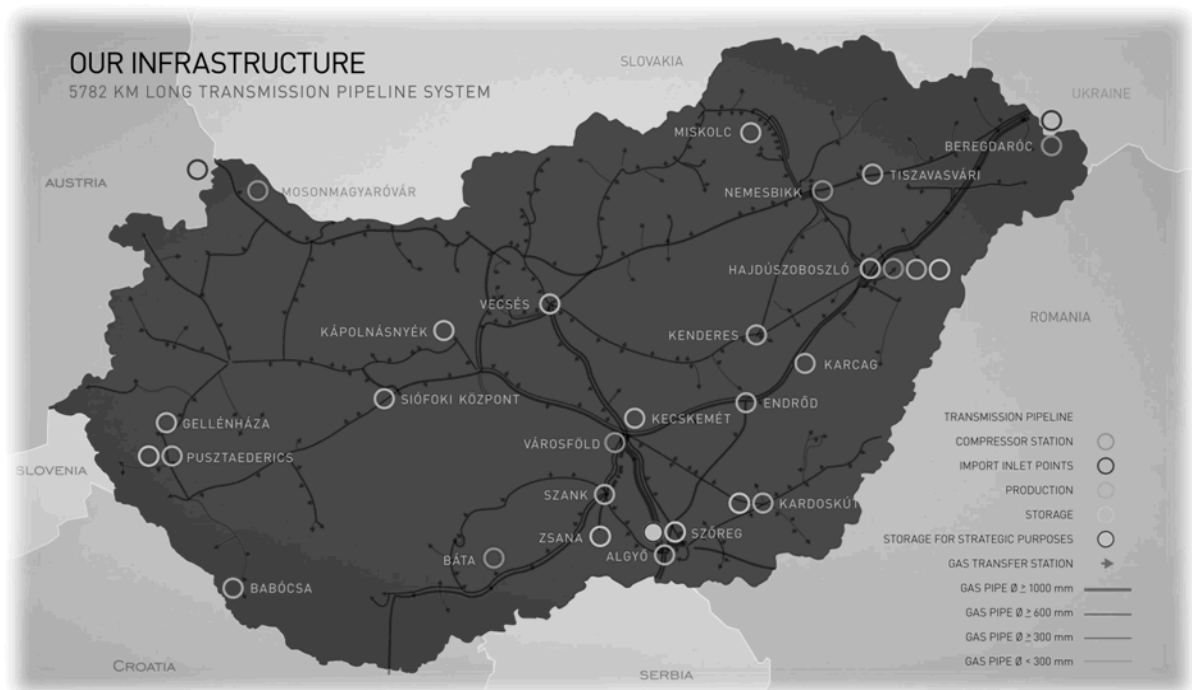
The Gas Midstream Division's operating profit, excluding special items, increased by 25% to HUF 66 bn in 2011. FGSZ remained the most important profit contributor; however, the temporary freeze on gas tariffs from 1 July 2010 had a negative effect during the first half of 2011 on the gas transmission business.

## **Overview**

In Hungary FGSZ is the only company currently carrying out natural gas transmission and system operation activities. Both activities are carried out under market conditions regulated by law. The company owns and operates the high-pressure natural gas system covering all of Hungary. Aside from domestic natural gas transmissions, FGSZ is also engaged in transit activities to Serbia, Bosnia and Herzegovina, as well as transfers to Romania and Croatia. FGSZ's pipeline network represents the highest international technological standards.

The pipeline developments carried out by FGSZ in recent years have secured the company's role as a regional distributor as well as a safe, environmentally friendly and competitively priced gas supplier for Hungary. FGSZ will face the challenges, tasks and requirements which result from the establishment of a market which is liquid, integrated and diversified in terms of its resources and which is also supported by the European Union. The Group's strategic goals require further efficient and well-planned infrastructure developments. According to the Hungarian regulatory framework, FGSZ, as system operator, is required to prepare and submit a ten year network development plan to the regulator (Hungarian Energy Office). The development plan is to be based on the future demands of all Hungarian network users, including large

industrial customers, natural gas storage and distribution network operators. The Hungarian Energy Office approved the ten year development plan submitted on 9 May 2012. The plan includes development projects between 2013 and 2022. If these development projects are not approved by the Supervisory Board of FGSZ, as part of the annual business plan, Magyar Energia Hivatal is obliged to issue a tender invitation for the realisation of the planned developments.



## Competitive advantages

*Geographic location:* FGSZ has a key role in terms of regional transit.

*Quality assurance:* Since 1997, FGSZ has been operating a quality assurance system in compliance with the ISO 9001 standards, which has been audited by a certifying agency. The certification was issued by SGS Hungária Kft. which is a highly acclaimed certification company in the oil and gas industry. The operation of the quality assurance system is reviewed semi-annually by SGS and annually by the Hungarian Office of Mining and Geology.

*Stable cash flow:* The operation of FGSZ's high-pressure natural gas transmission grid of approximately 5,800 km, covering the entire territory of Hungary and the non-discriminatory sale of its capacity and supplementary services provides a stable cash-flow for the group.

*The Best Employer:* For the last three years FGSZ has been awarded the title of best employer in Hungary and the CEE. The research has been carried out by Világgazdaság (World Economy magazine) and Aon Hewitt jointly. The survey is based on the opinion of employees, 80% of whom participated in all three years, showing a stable 85% loyalty and satisfaction rate that is significantly higher than the Hungarian average.

FGSZ has received an Independent Transmission Operator licence.

In line with Directive 2009/73/EC, natural gas suppliers must operate independently of both their holding companies and subsidiaries. FGSZ has taken the necessary measures to bring its system operation and gas transmission activities within the framework of the new model. Therefore, FGSZ received the Independent Transmission Operator licence in 2012 becoming the second company in the European Union to do so.

### **Stable operating profit contribution**

The operating profit for FGSZ in 2011 was HUF 47 bn. This represents a 7% increase compared to the previous year as higher revenues compensated for any increase in expenditures.

Revenue from domestic transmission was HUF 74 bn, which was 10% higher than 2010. In the financial year 2011, 81% of total domestic transmission revenue was generated from capacity booking fees while 19% came from turnover fees, proportional to the transmitted volumes. This was mainly due to surplus daily and monthly capacity bookings, the recognition of Croatian interconnector pipeline and the fact that from July 2011, new tariffs were calculated by virtue of actual capacity bookings (in accordance with the tariff amendment principles specified by law).

FGSZ Ltd.'s operating profit was higher compared to H1 2011 due to the increase in revenues. The realised revenue of domestic transmission was HUF 43 bn. This was positively influenced by extreme cold weather conditions in February 2012. The revenue in relation to the transmission to Serbia and Bosnia & Herzegovina was HUF 11.5 bn in 2012 H1. This is HUF 2.9 bn (33%) higher than the same period last year. The increase of transmitted volumes and the foreign movements resulted in a positive effect on transit revenues during the period.

The operating cost figures were higher by 18% compared to the base period, mainly due to the higher cost of purchased energy and the increased depreciation as a result of projects capitalised in the previous year.

### **Significant increase in transmission volumes**

Revenue from Serbian and Bosnian natural gas transmission was HUF 19.6 bn in 2011 demonstrating a 12% increase compared to the base period. This increase is due to the southerly transmission volumes increasing by 4% and a favourable change in the foreign exchange rate. Revenue from capacity bookings on the Hungarian-Romanian interconnector increased by 51% compared to 2010 as capacity booking in accordance with the tariff amendment started from July 2010.

### **Higher gas price, depreciation of the Hungarian-Croatian interconnector and increased costs**

Operating costs were HUF 7.1 bn higher than in 2010 mainly due to the increase in natural gas consumption of the transmission system, the increased price of natural gas and the depreciation on the Hungarian-Croatian interconnector which was recently capitalised.

### **Changes in the gas transmission regulatory environment**

The rate of return on the regulated asset base (**RAB**) for domestic regulated transmission activity was 8.78% between 1 January 2010 and 3 December 2010.

However, from 4 December 2010 a dual tariff system was introduced in which the transmission tariffs were calculated by virtue of the 4.5% return on the RAB for the consumer group entitled to universal service. The 8.78% return on the RAB remained for other consumers who purchased natural gas through the competitive market. This dual transmission tariff system has not changed since its introduction. Another significant step is that from 1 January 2011 the regulatory authority included the RAB of the Croatian interconnector pipeline into the tariff. In order to determine the current tariffs, new actual capacity bookings for the new gas year, as well as an increase in gas price, were being taken into account from 1 July 2011.

In 2011 the average yield of the natural gas system was around 6.5% taking into account the rates used to calculate the transmission charges published by the Hungarian Energy Office. From 1 August 2012, the average yield slightly decreased to around 6.2% (effective from 1 August 2012 until 31 July 2013), as the Hungarian Energy Office approved a greater number of consumers group who were entitled to universal



service within the portfolio of the natural gas traders, which should be reflected in the transmission tariffs in the upcoming period.

The carry-over effect of frozen tariffs during the first half of 2011 was compensated by extraordinary savings and measures to increase revenues, therefore the regulated profit of FGSZ in 2011 became slightly higher than the regulated profit cap according to the regulations in force in 2011. Nevertheless, profit after tax did not reach the level of 2010.

### **Approval of the 10 year development plan**

On May 9, 2012 the Hungarian Energy Office approved the 10 year development plan for the entire natural gas infrastructure network of Hungary submitted by FGSZ Ltd, as transmission system operator, in accordance with the Hungarian legal framework. The plan contemplates the construction of nearly 240 km of high pressure natural gas transmission pipelines and significant additional compressor capacities of 5.7 MW. The development plan significantly improves the security of supply for domestic natural gas consumers, especially in Western Hungary, and enables the stable supply of existing and planned gas fired power plant capacities. By the development of FGSZ Ltd's transmission system, supported by its parent company, Hungary became a regional gas hub. Due to the significant increase of transit volumes a future decrease of domestic transmission tariffs would be possible as well.

### **Overview of gas storage activity: MMBF Ltd. (MMBF)**

With two years' operational experience the underground gas storage facility has proved to be a reliable part of Hungary's domestic gas infrastructure which guarantees security of supply.

Operating profit, excluding special items of MMBF was HUF 13.5 bn in 2011. The company accounted for capacity booking fees on the 1.2 bn cm strategic gas storage and on 700 mcm commercial gas storage. In addition to storage activity, MMBF has sold the oil and condensate production of Szőreg-1 field at a profit.

Operating profit, excluding special items of MMBF Plc. was HUF 3.4 bn in Q2 and HUF 9.1 bn in H1 2012. The company accounted for capacity booking fees on the 1.2 bn cm strategic gas storage and on 700 mcm commercial gas storage. In addition to storage activity MMBF has sold the oil and condensate production of Szőreg-1 field at a profit.

### **Overview of the gas trading activity: Prirodni Plin d.o.o. (Prirodni)**

Prirodni, the gas trading company of INA, concluded a contract for natural gas supply with Italian ENI, ensuring that Prirodni has the required quantities of natural gas supply for the domestic market, so improving the stability of energy supply in Croatia.

Prirodni reported a loss of HUF 4.1 bn EBIT in 2011 as a result of increasing imports, natural gas prices and the price freeze.

Prirodni reported HUF 9.9 bn losses in Q2 and HUF 24.9 bn loss in H1 2012, due to the increasing import price and the application of the maximum level of the natural gas price for eligible customers and for household customers. Moreover, the amount of natural gas imports increased as well. In spite of the higher import price, which reflects the volatility and trends in the international crude oil market, management was determined to ensure the stability of supply for the Croatian market even in the terms of prolonged gas price cap.

### **Changes in the Croatian natural gas trading business environment**

The application of the maximum level of the natural gas price for eligible customers of HRK 2.13 per cm was valid until 30 June 2012. As of 1 July 2012 this price was increased to 2.75 HRK per cm – this

regulation is valid until 30 September 2012. However, regulated gas price for households was lifted as of 1 May 2012 to HRK 2.2 per cm from the previous level of HRK 1.7 per cm.

## CAPITAL EXPENDITURE PROGRAMME

Capital expenditures	2010 (HUF bn)	2011 (HUF bn)
Upstream Division	123.0	111.8
Downstream Division	123.2	110.7
Gas Midstream Division	79.7	18.3
Corporate	6.9	33.4
Intersegment	0.5	0.6
<b>Total</b>	<b>332.8</b>	<b>274.9</b>

The Group's capital expenditure in 2011 was HUF 275 bn which was 17% lower than the previous year and above operating cash flow. The investments focused on growth projects such as exploration and developments in the Kurdistan Region of Iraq and Russia. For the Downstream Division the modernisation of the Rijeka refinery and the Thermal Power Plant refurbishment in the Bratislava refinery were the main projects.

### The Upstream Division's Capital Expenditure

2011 (HUF bn)	Hungary	Russia	Kurdistan an Region of Iraq	Syria	Croatia	Pakistan	Other	Total (HUF bn)
Exploration	15.6	2.5	12.5	0.6	1.0	3.3	Kazakhstan: 2.2 Cameroon: 0.9 India: 0.7 Other: 0.7	<b>40.0</b> <b>(36% of total)</b>
Development	14.9	24.0	1.1	10.5	4.4	0.5	Egypt: 2.3 Angola: 0.5 Kazakhstan: 0.1	58.2 (52%)
<b>Other projects</b> (upgrade, maintenance, service companies)	2.4				11.2			13.6 (12%)
<b>Total</b> Exploration and	32.9	26.5	13.6	11.1	16.6	3.8	7.3	111.8 (100%)

2011 (HUF bn)	Hungary	Russia	Kurdistan an Region of Iraq	Syria	Croatia	Pakistan	Other	Total (HUF bn)
Development								

The Upstream Division's capital expenditure has decreased by approximately 9% compared with the previous year, to HUF 111.8 bn in 2011. This decrease is primarily due to the reduction in spending in Syria which followed the construction of the gas treatment plant there in 2010 and the political upheaval of 2011. However, the Group's exploration costs remained constant as MOL allocated increased capital expenditure to its activities in the Kurdistan Region of Iraq. MOL's focus in relation to development has moved away from Syria and is now on Russia. Spending in Hungary also increased during 2011.

Upstream capital expenditure increased by 35% year on year, primarily as a result of increased spending in Russia and the Kurdistan Region of Iraq, expenditure was suspended in Syria due to the political situation there.

H1 2012 (HUF bn)	Hungary	Russia	Kurdistan Region of Iraq	Croatia	Pakistan	Other	Total (HUF bn)
<b>Exploration</b>	6.5	1.8	9.7	3.3	1.5	0.2 Kazakhstan 0.2 Oman 0.8 Other	<b>23.6 48%</b>
<b>Development</b>	4.0	11.9	2.1	3.3	0.0	0.8 Egypt 0.3 Angola 0.2 Other	<b>24.0 48%</b>
<b>Upgrade maintenance, service companies</b>	0.8			2.3			<b>2.3 4%</b>
<b>Total</b>	<b>11.3</b>	<b>13.7</b>	<b>11.8</b>	<b>8.9</b>	<b>1.5</b>	<b>2.2</b>	<b>49.5 100%</b>

#### The Downstream Division's Capital Expenditure

HUF bn	FY 2010	FY 2011	Ch. %	Main projects in 2011
Refining & Marketing	92.2	63.3	(31)	Finalisation of Rijeka Modernisation Phase I VGO hydrocrack
Retail	11.7	21.9	86	26 new filling stations, 174 filling station refurbishments
Petrochemicals	9.8	7.2	(26)	Maintenance projects
Power	9.5	18.3	93	Thermal PP in Bratislava
<b>Total</b>	<b>123.2</b>	<b>110.7</b>	<b>(10)</b>	

The Downstream Division's capital expenditure was HUF 111 bn, representing a decrease of 10% from the previous year after Phase I of the Rijeka refinery upgrade was finished during the first half of 2011. MOL's biggest project in 2011 was the Thermal Power Plant investment in the Bratislava refinery. MOL's Retail Division acquired 19 new filling stations from Slovenian TUS. In Petrochemicals, the vast majority of projects were maintenance projects.

<b>CAPEX</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>Ch. %</b>	<b>Main projects in H1 2012</b>
R&M CAPEX and investments, excluding retail	15.1	27.1	79	• Maintenance projects
Retail CAPEX and investments	3.7	4.6	24	• 3 new sites • 44 filling station modernisations
Petrochemicals CAPEX	1.4	9.5	579	• General turnaround, maintenance • Sustain CAPEX
Power and other	11.1	8.1	(27)	• Thermal PP in Bratislava
<b>Total</b>	<b>31.3</b>	<b>49.3</b>	<b>57</b>	

#### The Gas Midstream Division's Capital Expenditure

<b>HUF bn</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Ch.%</b>	<b>Main projects in 2011</b>
FGSZ Zrt.	74.7	16.4	(78)	Maintenance type projects
MMBF	2.5	1.1	(56)	Cushion gas replacement
Other	2.3	0.8	(67)	
<b>Total</b>	<b>79.7</b>	<b>18.3</b>	<b>(77)</b>	

The total capital expenditure of the Gas Midstream Division was HUF 18.3 bn representing a substantial drop from the HUF 80 bn spent in 2010 when the Hungarian-Croatian cross border pipeline was implemented.

<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q2 2011</b>	<b>Ch. %</b>	<b>Segment IFRS results (HUF bn)</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>Ch. %</b>
<b>0.9</b>	<b>0.7</b>	<b>0.7</b>	<b>6</b>	<b>CAPEX and investments</b>	<b>1.6</b>	<b>1.7</b>	<b>4</b>

#### Corporate & Other segments' Capital Expenditure

The capital expenditures of the Corporate and Other segments was HUF 33.4 bn in 2011 versus HUF 6.9 bn in 2010. The majority of this increase can be accounted for by the acquisition of INA shares.

#### SPECIAL ITEMS IN OPERATING PROFIT AND EBITDA (IN HUF MILLION)

	<b>H1 2011</b>	<b>H1 2012</b>	<b>Ch. %</b>
<b>MOL GROUP</b>			
Total impact of special items on operating profit	20,278	36,297	79
Total impact of special items on EBITDA	12,423	36,297	192

UPSTREAM	4,319	21,119	389
Crisis tax imposed by the Hungarian state on domestic energy sector	1,227	1,304	6
Provision for redundancy at INA	711	336	(53)
Impairment on INA Egyptian receivables	-	1,930	n.a.
Impairment on Croscos Group's Libyan exploration equipment	2,381	-	n.a.
Recognition of expenses and provision for penalty in Angola	-	9,600	n.a.
Provision for contract termination in Iran	-	7,949	n.a.
DOWNSTREAM	18,841	13,095	(30)
Impairment related to the treatment of gas bottles at Proplin which needed to be harmonised with the current situation	5,474	-	n.a.
Crisis tax imposed by the Hungarian state on domestic energy sector	11,679	12,670	8
Provision for redundancy at INA	1,688	425	(75)
GAS MIDSTREAM	98	147	50
Crisis tax imposed by the Hungarian state on domestic energy sector	98	147	50
CORPORATE and OTHER	(2,890)	1,936	n.a.
Crisis tax imposed by the Hungarian state on domestic energy sector	270	190	(30)
Recognition and release of provision made for tax penalty at INA	(4,053)	-	n.a.
Provision for redundancy at INA	803	1,746	117

## SUSTAINABILITY

In 2011, the Group was included in the Dow Jones Sustainability World Index for the second time. The Group is the first and only company from the region to be included and is in the top 10% of oil and gas producers which is a significant acknowledgement of the efforts invested in recent years. In 2011, all business divisions defined a detailed set of sustainability objectives based on the six Sustainable Development Focus Areas to be achieved by 2015. This is intended to ensure that the Group remains among the top performers globally.

The Group focused on improving its CO<sub>2</sub> emissions. On aggregate, the Group's energy efficiency efforts resulted in a 3% reduction of CO<sub>2</sub> emissions compared to 2010 or approximately 200 kt as an absolute figure.

In order to achieve its strategic target to decrease its VOC emissions, the Group developed a 'leak detection and repair' programme and started pilot projects at sites in Hungary. These projects will contribute not only to air quality improvement in local neighbourhoods, but will also lower the levels of hydrocarbon losses.

The Group has a set a challenging long-term target in respect of work safety of a maximum of one lost-time injury per one million hours worked (**LTIF**). In 2011 the LTIF was 1.23 (excluding the INA Group) which represents an improvement of 21% compared to 2010. INA's LTIF dropped to 2.6 which represents a 24% improvement.

All of the main projects were continued and have been adopted by other companies in the Group, for example Contractor Safety, Process Safety Management or the Workplace Health Promotion programme.

By 2011 the Group had established strategic partnerships with a total of 17 universities in all key countries of operations. The Group's 'Growww' Programme offers one year employment opportunities for graduates. In 2011, as in previous years, approximately 300 new positions were advertised group-wide. More than 20,000 applications were received from 7,500 candidates. A total of 279 positions were filled by applicants from seven countries (Croatia, Hungary, Iraq, Italy, Romania, Russia and Slovakia).

## **REGULATION**

The Group conducts its operations in compliance with all material regulatory requirements of the relevant countries in which it operates. It is subject to the general laws and no exemptions apply.

The European Union provides a general legal framework for the Group's operations in EU member countries. This includes guarantees of property rights, rule of law and protection against arbitrary state action, enforcement of contracts and, in the absence of explicit price regulation, free market pricing.

The most important legal regulations affecting the Group's operations are taxation legislation, including general corporate taxes as well as targeted sector-specific fiscal terms (applicable to areas such as mining royalties); labour laws and employment regulations; competition policy; energy regulatory decisions; product quality regulations; fuel standards; transportation and energy laws and policies; and the environmental and safety regulations applied to the Group's facilities.

As the Group fulfils fundamental responsibilities in the modern economy, it pays particular attention to maintaining good relations and effective co-operation with legislative assemblies, government institutions, professional associations and local authorities. The Group's relations with the principal regulators are based on communication, the sharing of information, credibility and the fact that the Group's representatives, leaders and experts are often involved in round-table discussions and other forums to establish dialogue between businesses and the governments.

The Group is determined to provide technical assistance to governments in order to fulfil regulatory requirements and to ensure compliance with environmental regulations, so enabling sustainable growth for the economy.

The most important licences, authorisations and approvals to enable the Group to conduct its business in the countries in which it operates are:

- (a) mining licences of the relevant mining leases;
- (b) technical and environmental licences of the refineries; and
- (c) natural gas transmission, transmission system operator, independent transmission operator, natural gas storage and natural gas trading licences, issued in accordance with the applicable requirements of the relevant laws.

Mining licences can be suspended and/or terminated by the licensing authorities if a member of the Group is deemed to have violated their terms or to have repeatedly violated the relevant provisions of law. Licences for mining activities are updated according to their expiry date.

A number of authorisations and licences for the refineries dealing with environmental or technological issues are regulated at an international and national level. In general the most important authorisations are the Integrated Pollution Prevention and Control licence, water laws, carbon dioxide emissions licences, the waste management plans and environmental certificates. The renewal of authorisations and licences is dependent on several circumstances. Some of them have unlimited validity and some of them require renewal only in the case of a serious event occurring. Others have definite renewal dates and some of them have to be renewed annually.

In the case of Hungarian operations, licences for the transportation of natural gas are valid for an indefinite period of time and the licence for acting as transmission system operator is valid until 30 January 2019. Due to changes in the relevant regulations, these licences will be replaced by the Independent Transmission Operator licence.

## LITIGATION

### MOL Litigation

#### *Creditor Procedures*

Creditor Gama s.r.o. (**Creditor Gama**) has initiated a claim for compensation against MOL which was served on MOL by the Bratislava I. Court on 12 January 2011. In its pleadings, Creditor Gama claims compensation in connection with the acquisition of Slovnaft shares by MOL in the amount of circa. SKK 380 million (EUR 12.6 million), plus delay interest at 14.75% per annum from 28 November 2007. Creditor Gama alleges that MOL's offer to buy shares in Slovnaft was in breach of the Slovak Bonds and Investment Services Act because the lawful price per share should have been higher. MOL refutes this claim relying on the fact that the offer to buy the shares was approved by the Slovak financial authority. The first hearing was held on 20 September 2011, at which time the court ordered the taking of evidence without setting the date of the next hearing.

Creditor Beta s.r.o. (**Creditor Beta**) has also begun a claim in the Bratislava I. Court against MOL. This claim alleges that MOL's offer to buy shares in Slovnaft was not approved by the Slovak financial authority and as a result, it was not able to receive consideration for its shares for 213 days. It claims compensation for damages suffered in connection with this delay (circa EUR 3 million plus delay interest 10.48% p.a. from 28 June 2007). The court of first instance accepted the claimant's arguments and awarded the claim. MOL filed an appeal against this judgment. The court of second instance set aside the appealed judgment and referred the case back to the court of first instance and the court of first instance then ordered an expert to be appointed. Preparation of the expert's opinion is ongoing; the court has not set the date of the next hearing yet.

#### *Paraffin Cartel Infringement*

The European Commission commenced an investigation in April 2005, based upon the alleged cartel activity of paraffin producers and traders in Europe. The investigation affected some ten major paraffin producers and traders throughout Europe. In October 2008 the European Commission decided that the companies had harmonised their commercial activities in the European (European Economic Area) paraffin market and had acted as a cartel. MOL received a fine of EUR 23.7 million which it paid in early 2009.

As a result of the European Commission's decision the former paraffin customers may have the right to claim private damages from the paraffin cartel participants. This could affect MOL. Other paraffin producers that were also subject to the investigation are currently appealing against the decision of the European Commission in the European Court of Justice. Accordingly, for the time being MOL is not currently able to make any legal or financial estimate about potential claims, if any.

Several former paraffin customers claimed private damages before an English court in 2010 and a Dutch court in 2012. In these proceedings the above-mentioned buyers made a claim for all damages suffered as a result of having had to pay artificially high prices imposed by a cartel. Certain arguments have been put forward in relation to the basis and the extent of the damages and, as such, MOL is not in a position to comment on the strength of the proceedings.

## *Competition Claims*

The Group faces several claims based on alleged breaches of competition law. In Slovakia, the Anti-Monopoly Office lodged a claim against Slovnaft based on an alleged manipulation of the price of gasoline and diesel between 2005 and 2006. The Anti-Monopoly Office sought to impose a fine of EUR 9 million.

The Regional court in Bratislava decided the case at first instance on 22 March 2012 and recalled the first and second instance decisions. The case was sent back to the Anti-Monopoly Office for new proceedings and a revised decision. The Regional Court in Bratislava alleged several serious breaches of law during the proceedings held in front of the Anti-Monopoly Office. The Anti-Monopoly Office appealed the judgment of the Regional court of Bratislava on 9 May 2012. The case is on appeal proceeding at the Supreme Court of Slovak Republic.

In 2008 MOL Romania ie. (**MOL Romania**) withdrew unleaded gasoline pre-mixed fuel from the Romanian market. As a result of this the Romanian Competition Council are seeking to fine MOL Romania the equivalent of EUR 18.5 million (based on the exchange rate as at 31 December 2011), which is 3% of MOL Romania's 2010 turnover. The judgment is not effective and final as MOL Romania has challenged it through an appeal.

## **INA Litigation**

### *Ljubljanska Banka*

INA is the subject of litigation with Ljubljanska Banka which dates back to the 1990s. Ljubljanska Banka originally made a claim for court proceedings for HRK 60.5 million (EUR 8 million) with default interest in relation to two short-term foreign currency loan contracts. Following a series of appeals and a retrial, Ljubljanska Banka's claim was rejected by the final and enforceable court decision. However, Ljubljanska Banka applied for an extraordinary review of the decision.

The outcome of these proceedings is still uncertain due to the complexity of the legal matter; however, it is now likely that the Supreme Court will adopt the same view as the High Commercial Court. As such, no provision has been made for this case in the accompanying consolidated financial statements.

### *GWDF*

GWDF Partnership Gesellschaft buergerlicher Rechts and GWDF Limited, Cyprus have bought a EUR 7.9 million claim against INA- and INA-Naftaplin before the Commercial Court in Zagreb, following the collapse of a joint venture agreement made with JSC Saknavtobi (Georgian National Oil Company). It is currently too early to make an assessment of the strength of the respective cases of each party to the dispute.

### *Edison International S.p.A*

Edison International S.p.a (**Edison**) has initiated arbitration proceedings against INA before the Vienna International Arbitral Centre. According to the Statement of Claim delivered to INA on 20 February 2012 Edison is claiming that INA has failed substantially to comply with a material obligation under the production sharing agreement and is requesting EUR 102.3 million together with Croatian default interest at the rate applicable from time to time as from 20 February 2012 until full payment is made as well as reimbursement of the costs of arbitration. On 25 May 2012 INA submitted its Statement of Defence and Counterclaim. INA contests the jurisdiction of the arbitral tribunal. However, should the tribunal establish jurisdiction, INA requests that the tribunal declare that Edison is liable for breach of the production sharing agreement and INA claims from Edison, by way of a counterclaim, the amount of EUR 8.6 million together with Croatian default interest and reimbursement of costs of arbitration. INA also requests the arbitral tribunal to order Edison to perform the production sharing agreement. A hearing has been scheduled for the period between 10 and 19 December 2012. The outcome of this dispute is currently uncertain.



## Concessions

On 29 July 2011 the Ministry handed down three decisions depriving INA of the licence to explore hydrocarbons in the "Sava", "Drava" and "North-West Croatia" exploration areas. The Ministry alleges that INA has not complied with its obligations regarding the provision of regular information to the Ministry on its exploration works.

Given that the complaint against these decisions was not allowed, on 29 August 2011 INA filed three administrative lawsuits against the Ministry's Decisions.

In its lawsuits, INA claimed that the reasons why the Ministry handed down the decisions are neither factually nor legally sound, and that INA had regularly performed exploration works and had duly informed the Ministry thereof. For this reason, INA requested that the Administrative Court of the Republic of Croatia annuls the stated decisions on the suspension of licences for the exploration of hydrocarbons handed down by the Ministry. Lawsuits are currently pending.

### *Ministry of Finance*

Upon inspection by the financial police, the Tax Administration issued a report (the **Report**). The Report determined that INA is obliged to pay VAT, profit tax and loss reduction with the pertaining interest in the total amount of HRK 123,613,362.09. This was determined for the tax period from 1 January 2008 to 31 December 2009. The tax inspection stated that INA produced less LPG, gasoline, diesel fuel, and Virgin naphtha and excessive amounts of blue diesel fuel, avio fuels and heavy oils than reported. INA filed an objection against the Report, but on 29 June 2012 INA received a tax inspection report issued by the Ministry of Finance (the **Tax Inspection Report**) stating that INA's objection to the establishment and tax recognition of deficit set out in the Report was not accepted. INA submitted an appeal to the second instance body on 27 July 2012 against the results of the Tax Inspection Report. The deadline for the response of the Tax administration to the appeal is 60 days.

## General

None of the litigation described above has any impact on the accompanying consolidated financial statements except as explicitly noted. Group entities are parties to a number of civil actions arising in the ordinary course of business. Currently, no further litigation exists that could have a material adverse effect on the financial condition, assets, results or business of the Group.

As at 31 December 2011 the value of litigation where members of the Group act as defendants is HUF 34,725 million (EUR 120.5 million<sup>2</sup>) for which a provision of HUF 24,484 million (EUR 84.9 million) has been made.

## CORPORATE AND SHAREHOLDER INFORMATION

The Articles of Association currently in force were accepted at the Annual General Meeting held on 26 April 2012.

On 30 June 2012, MOL had 104,518,484 registered "A" series ordinary shares with a par value of HUF 1,000 each, one registered "B" series preferred share with a par value of HUF 1,000 with special preferential rights attached and 578 registered "C" series ordinary shares with a par value of HUF 1,001 each.

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<sup>2</sup> In converting HUF financial data into EUR, the following MNB rate was used: 288.22 HUF/EUR as of 29 June 2012 (Source: Magyar Nemzeti Bank Official Daily Exchange Rates)

## Ownership Structure:

	31.12.2011		30.06.2012	
	Par value of shares (HUF th)	%	Par value of shares (HUF th)	%
Foreign investors	26,674,429	25.5	30,343,952	29.0
Hungarian State	25,717,982	24.6	25,717,982	24.6
Surgutneftegas OJSC	0	0.0	0	0.0
CEZ MH B.V.	7,677,285	7.3	7,677,285	7.3
Oman Oil (Budapest) Limited	7,316,294	7.0	7,316,294	7.0
Magnolia Finance Ltd.	6,007,479	5.7	6,007,479	5.7
ING Bank N.V.	5,220,000	5.0	5,220,000	5.0
Crescent Petroleum	3,161,116	3.0	3,161,116	3.0
Dana Gas PJSC	3,161,116	3.0	3,161,116	3.0
OTP Bank Plc.	5,617,866	5.4	5,636,249	5.4
Hungarian institutional and private investors	8,171,602	7.8	5,130,057	4.9
MOL Plc. (treasury shares)	5,793,895	5.5	5,147,533	4.9
<b>Total</b>	<b>104,519,064</b>	<b>100.0</b>	<b>104,519,064</b>	<b>100.0</b>

Please note, that the data above does not fully reflect the ownership structure in MOL's share register (**Share Register**). The data above is based on the applications received requesting registration of the shares and the published shareholders notifications. Registration in the Share Register is not mandatory. In order for shareholders to exercise their rights as shareholders of MOL, they must be registered in the Share Register. According to the Articles of Association no shareholder or shareholder group may exercise more than 10% of the voting rights in MOL.

## Share Information

The following table shows trading data on MOL's shares for each quarter of 2011 and the first two quarters of 2012.

Period	BSE volume (no. of shares)	BSE closing price (HUF/share)
2011 1st quarter	9,500,135	23,980
2011 2nd quarter	8,386,344	21,000

2011 3rd quarter	12,954,844	14,900
2011 4th quarter	9,706,475	17,350
2012 1st quarter	6,049,543	18,400
2012 2nd quarter	5,295,961	16,300

#### *Treasury shares*

During 2011 and 2012 the following treasury shares transactions occurred:

<b>Reasons for change</b>	<b>Number of "A" series shares</b>	<b>Number of "C" shares</b>
Number of Treasury shares on 31 December 2010	<b>7,434,737</b>	<b>578</b>
Share purchase and share option agreement with UniCredit Bank A.G.	-2,914,692	
MOL shares that had been lent to MFB Invest were transferred back	1,273,271	
<b>Number of Treasury shares on 31 December 2011</b>	<b>5,793,316</b>	<b>578</b>
New option agreement with UniCredit Bank A.G.	-646,361	
<b>Number of Treasury shares on 30 June 2012</b>	<b>5,146,955</b>	<b>578</b>

#### *Option agreements with ING Bank and UniCredit*

MOL and ING Bank N.V. (**ING**) signed a share option agreement on 11 March 2010 under which ING received a put option from MOL and MOL received a call option from ING for the 5,220,000 "A" series MOL ordinary shares held by ING. The maturity was one year and the strike price was EUR 75.3628 per share for both options. On 4 January 2011 MOL exercised its call option settlement.

MOL and ING signed a second share option agreement on 4 January 2011 for the same number of shares as the first but with a strike price of EUR 78.6 per share. This was exercised on 30 November 2011 and settled on 5 December 2011.

MOL and ING signed a third share option agreement on 30 November 2011 for the same number of shares as the second but with a strike price of EUR 59.52 per share.

MOL entered into a share sale and a share option agreement with UniCredit Bank A.G. (**UniCredit**) on 8 February 2011. As a result of this agreement, UniCredit owns a total number of 2,914,692 MOL series "A" ordinary shares. Pursuant to the share option, MOL has a call option and UniCredit a put option in relation to such shares. Both options mature in one year; however, maturity may be extended by one year at a time, subject to a maximum aggregate extension of three years. The strike price for both the call and the put options was EUR 86.7.

The option rights under the share option agreement in relation to the 2,914,692 MOL series "A" Ordinary shares, concluded between UniCredit and MOL on 8 February 2011, was settled in cash in respect of all the shares on 13 February 2012.

MOL and UniCredit concluded a share purchase agreement in respect of 646,361 shares and a share option agreement in respect of 3,561,053 shares on 13 February 2012. As a result of these transactions, MOL received an American call option and UniCredit received a European put option regarding the 3,561,053 shares. The maturity of both options is one year, such maturity being subject to yearly extensions of one year, up to a total tenor of three years. The strike price of both call and put options is EUR 70.20394 per share.

Put options are attached to all the shares held by the abovementioned entities. As such they were treated as financial liabilities in the consolidated balance sheet for 31 December 2011. Upon exercising the call or put options, the corresponding liability was settled (where applicable).

#### *Strategic Alliance with CEZ*

On 20 December 2007, CEZ and MOL agreed to set up a joint venture to leverage opportunities in a steadily growing electricity market in Central and South-Eastern Europe. To strengthen the strategic alliance, CEZ purchased 7,677,285 series "A" MOL shares at HUF 30,000 (representing a 7% stake). This purchase was settled on 23 January 2008. MOL also purchased a call option for the shares with a strike price of EUR 78.7 per share which can be exercised until 2014. When approval was received by the relevant competition authorities on 18 June 2008 the transaction became unconditional. The call option has been recorded as a derivative financial asset, measured at its fair value and determined by applying the binomial valuation model. The fair value of the option as at 31 December 2011 was a HUF 16,864 million financial liability (see Note 22 to the 2011 audited financial statements). The fair value of the option as at 31 December 2010 was HUF 28,858 million (see Note 15 to the 2010 audited financial statements).

#### *Share swap agreement with OTP*

After the share lending agreement between MOL and OTP (relating to 5,010,501 MOL shares) was terminated on 16 April 2009, MOL and OTP entered into a share exchange and a share swap agreement (the **16 April 2009 Share Exchange and Share Swap Agreement**). Under this agreement MOL transferred 5,010,501 "A" series MOL ordinary shares to OTP in return for 24,000,000 OTP ordinary shares. The 16 April 2009 Share Exchange and Share Swap Agreement would have expired on 11 July 2012, but on 10 July 2012 OTP and MOL amended the 16 April 2009 Share Exchange and Share Swap Agreement. The expiration of the amended agreement is 11 July 2017 and until that time each party can initiate a cash or physical settlement of the deal. The agreements do not have any impact on the ownership of MOL treasury shares.

As at 31 December 2011, the fair value of the 16 April 2009 Share Exchange and Share Swap Agreement was HUF 4,585 million. This was recorded as a derivative financial liability (see Notes 22 and 34 to the 2011 audited financial statements). As at 31 December 2010, the fair value of the swap was HUF 227 million, which was also recorded as a derivative liability (see Notes 22 and 34 to the 2010 audited financial statements).

After several changes to the share lending agreement between MOL Plc. and OTP Bank Plc. originally dated 22 June 2007, OTP Bank currently owns 371,301 "A" series MOL ordinary shares lent by MOL.

#### *Issuance of exchangeable capital securities*

On 13 March 2006, MOL signed a share purchase agreement to sell 6,007,479 Series "A" ordinary shares of MOL held in treasury to Magnolia Finance Limited (**Magnolia**) incorporated in Jersey, which thereby acquired a 5.58% stake in MOL.

Magnolia issued EUR 610 million of perpetual exchangeable capital securities (the **Capital Securities**), exchangeable into Series "A" ordinary shares of MOL between 20 March 2011 and 12 March 2016 (the **Exchange Period**), to international financial investors outside the United States, Canada, Jersey, Japan, Hungary and Poland. Capital Securities were sold at nominal value and with a fixed coupon payment of 4% per annum for the first ten years, based on an exchange rate of HUF 26,670 per share.

MOL, concurrently with the sale of ordinary shares, has entered into a swap agreement with Magnolia that gives MOL a call option to buy back all or some of the series "A" ordinary shares of MOL in certain limited circumstances at a volume-weighted average price during a certain period before exercising the option right and if the Capital Securities holders do not exercise, or have partially exercised, their conversion right upon expiration of the Exchange Period and quarterly afterwards for the Series "A" ordinary shares which have not yet been exchanged. If Magnolia redeems the Capital Securities after 2016 and the market price of ordinary MOL shares is below EUR 101.54 per share, then MOL will pay the difference.

MOL does not have any direct or indirect equity interest in or control rights over Magnolia, but consolidates Magnolia for IFRS purposes in line with the requirements of SIC 12 – Consolidation: Special Purpose Entities.

The fair valuation impact of the option was a HUF 10,548 million gain and a HUF 5,381 million loss in 2011 and 2010, respectively. This was recorded as a financial gain/expense in the accompanying consolidated income statement.

## **ACQUISITIONS AND DISPOSALS**

### **INA Group**

In 2011 MOL increased its ownership stake in INA to 49.1% by acquiring shares from minority shareholders for HUF 24,921 million. As MOL has already obtained control over INA, the increase in ownership qualifies as a transaction with non-controlling interests.

### **Roth Group**

In June 2011 MOL paid an additional HUF 393 million contingent consideration for the acquisition of the Roth Group pursuant to obtaining the remaining 25% minority shareholding in 2009. This subsequent consideration has been accounted for as an adjustment to goodwill.

### **Crobenz**

The Croatian Competition Agency approved the First Amendment to the Shareholders Agreement between the Croatian Government and MOL on 30 January 2009, under which MOL gained operational control of INA, subject to certain conditions which included the sale of INA's 100% ownership in Crobenz d.d. (**Crobenz**). On 21 July 2010, INA signed a sale agreement with Lukoil for the disposal of its 100% interest in Crobenz and completed the transaction on 30 September 2010.

## **EMPLOYEES**

The table below shows the number of employees of the Group between 2007 and 2011:

2007: 15,058  
2008: 17,213  
2009: 34,090 (out of which 16,304 are employees of INA)  
2010: 32,394 (out of which 14,703 are employees of INA)  
2011: 31,471 (out of which 14,217 are employees of INA)  
H1 2012: 31,112 (out of which 13,716 are employees of INA)

Despite several recent acquisitions, staffing levels within the Group have been managed to date so as to maintain efficiency. Approximately 50% of MOL's employees, 45% of Slovnaft's employees and 95% of INA's employees are represented by trade unions. The Group's management has a good working relationship with the trade unions who represent the employees of MOL and Slovnaft. As a result of the agreement concluded with the trade unions that represent INA's employees at the end of 2009, there is also a steady relationship with those trade unions.

There is no employee share scheme at any of the Group's companies.

The employee's health and safety are ensured by the following:

- Every employee has the benefit of life and accident assurance;
- MOL has implemented mandatory medical examinations for employees on an annual basis (or more regularly depending on the hazard classification of the site/plant);
- MOL has implemented Health and Safety and Environmental (**HSE**) policies which are strictly monitored in the plants;
- MOL has implemented mandatory HSE learning and testing for employees;
- In accordance with the Group's STEP programme, different types of health examinations are offered to the employees either free of charge or at a significant discount;
- lost time due to injury is taken into consideration by managers when setting their objectives; and
- MOL provides annual health screening for all managers, and top managers are also entitled to extra medical care.

## **CORPORATE GOVERNANCE AND MANAGEMENT**

MOL's corporate governance practice meets the requirements of the regulations of the Budapest Stock Exchange, the recommendations of the Hungarian Financial Supervisory Authority and the relevant regulations of the Hungarian Capital Market Act. MOL also subjects its policies to regular review to ensure that they take into account the continually evolving international best practice in this area. MOL's Corporate Governance Code, containing the main corporate governance principles of the company, was adopted in 2006 and updated in 2010. This Code summarises MOL's approach to shareholders' rights, main governing bodies, remuneration and ethical issues. The Corporate Governance Code has been published on the homepage of the company.

Adding to the previous year's success, the Group has been included in the Dow Jones Sustainability World Index in 2011. MOL was the only company from the CEE region to be included and held to be in the top 10% of oil and gas producers. The independent assessment focuses on the three dimensions of sustainability: the long-term economic, environmental and social performance. Other criteria include stakeholder management, environmental efficiency and customer relationship management.

### **Board of Directors**

MOL's Board of Directors act as the highest managing body of the company and, as such, has collective responsibility for all corporate operations.

The Board's key activities are focused on achieving increased shareholder value whilst considering the interests of other stakeholders; improving efficiency, profitability and ensuring transparency in corporate

activities as well as sustainable operations. It also aims to implement appropriate risk management frameworks, environmental protection and adequate conditions to ensure safety at work.

Given that MOL and its subsidiaries effectively operate as a single unit, the Board is also responsible for enforcing its aims and policies and for promoting the MOL culture throughout the entire Group.

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders. The composition of the Board reflects this with eight of the eleven members being non-executive directors.

The members of the Board of Directors and their independence status:

Zsolt Hernádi, Chairman-CEO	non-independent
Dr. Sándor Csányi, Vice Chairman	independent
Mulham Al-Jarf	independent
Dr. Miklós Dobák	independent
Dr. Gábor Horváth	independent
Zsigmond Járai	independent
József Molnár	non-independent
Dr. László Parragh	independent
Iain Paterson	independent
Dr. Martin Roman	independent
Oszkár Világi*	non-independent

\*György Mosonyi was replaced by Oszkár Világi as a non-independent member of the Board of Directors on 30 April 2011.

The directors confirm that there is no conflict of interest between their duties as director of the Guarantor and their principal and/or other outside activities.

### **Operation of the Board of Directors**

The Board acts and makes resolutions as a collective body.

The Board adopted a set of rules (Charter of the Board of Directors) to govern its own activities when the company was founded in 1991. These rules were updated in October 2010 to ensure continued adherence to best practice standards.

The Board Charter covers:

- the scope of the authority and responsibilities of the Board
- the scope of the committees operated by the Board

- the scope of the information required by the Board and the frequency of reports
- the main responsibilities of the Chairman and the Vice Chairman
- the order and preparation of Board meetings and the permanent items of the agenda
- the decision-making mechanisms and the manner in which the passing and implementation of resolutions is monitored

Members of the Board have signed a declaration on conflicts of interest and they have reported their position as members of the Board to their employer or principal in relation to other key management positions.

The Board of Directors prepares a formal evaluation of its own performance and it continuously reviews its activities on a yearly basis. The performance of the Board is also evaluated by the Committees of the Board of Directors (the **Committees**).

### **Report of the Board of Directors on its 2011 activities**

In 2011, the Board of Directors held six meetings with an average attendance rate of 85%. The following items are regularly on the agenda of meetings: reports by the Committees' chairmen on the activities pursued since the last Board meeting, updates on key strategic issues and an overview of capital market developments. Furthermore, the Board of Directors often evaluates the performance of each of the company's business units.

### **Committees of the Board of Directors**

The Board operates committees to increase the efficiency of its operation and to provide the appropriate professional background for decision making.

Currently there are three standing Committees:

- Corporate Governance and Remuneration Committee
- Finance and Risk Management Committee
- Sustainable Development Committee

The scope of responsibilities of the Committees operated by the Board of Directors is primarily defined in their respective Charters. The Board is responsible for appointing committee members. The majority of the committee members consist of non-executive and independent members.

### **Relationship between the Board and the Executive Management**

The governance of the Group is carried out in line with standardised corporate governance principles and practice. Within this framework, the Board of Directors will meet its targets for integrated corporate governance by defining the responsibilities and accountabilities of the Executive Board (**EB**). The role of the EB is to ensure that the corporate operative activities, operating and organisational procedures, as well as standardised systems for target-setting, reporting and audit are implemented.

A continually updated document prescribes the distribution of decision-making authorities between the Board of Directors and the company's organisations, defining the key control points required for efficiently developing and operating the Group's processes. Control and management of the Group is implemented through business and functional organisations and the EB is responsible for harmonising their activities.



The EB is a forum for preparing decisions and its role is to provide a direct link between the Board of Directors and the Company's staff and, at the same time, to streamline the matters submitted to the full Board. The EB renders preliminary opinions on certain proposals submitted to the Board and is also responsible for overseeing the execution of the Board's resolutions.

At EB meetings, each member has an obligation to express their opinion on the basis of which the final decision is made by the Chairman and Chief Executive Officer (**CEO**). In case of a difference of opinion between the Chairman-CEO, GCEO or GCFO (as defined below), the decision shall be made by the Board of Directors.

The EB members are:

Zsolt Hernádi	Chairman-CEO (C-CEO)
József Molnár	Group Chief Executive Officer (GCEO)
Zoltán Áldott	President of the Management Board, INA d.d.
Sándor Fasimon*	Executive Vice President, Exploration and Production
Ferenc Horváth	Executive Vice President, Downstream Division
József Simola	Group Chief Financial Officer (GCFO)
Oszkár Világi	Chief Executive Officer, Slovnaft a.s.

\* From 1 June 2011.

The members of the EB confirm that there is no conflict of interest between their duties as members of the EB of the Guarantor and their principal and/or other outside activities.

### **Incentives provided to the Board of Directors**

In addition to fixed remuneration, the Group operates an incentive scheme for the members of the Board. This enhances the commitment of the directors by taking the MOL share price into consideration. By doing this the incentive scheme ensures that the interests of the directors coincide with those of the shareholders.

The incentive scheme for directors was approved by the Annual General Meeting on 23 April 2008 and has been effective since 2009.

#### *Elements of the incentive scheme*

On 26 April 2012, at the Annual General Meeting of MOL, the proposal of the Supervisory Board on the new remuneration and incentive scheme in relation to the MOL Board of Directors was approved. The previous scheme known as the "value added method" was repealed.

In accordance with the newly adopted "share allowance system" members of the Board of Directors are entitled to the following benefits:

- (a) 100 series "A" ordinary shares per month for each member of the Board of Directors; and
- (b) an additional 25 of series "A" ordinary shares per month for the chairman of the Board of Directors.

If the Chairman is an executive director, the deputy chairman (a non-executive director) will be entitled to the benefit in subparagraph (b) above. In addition to the share allowance, the Board of Directors receive the following fixed net remuneration, following each Annual General Meeting:

Directors EUR 25,000 /year

Chairmen of the Committees EUR 31,250 /year

Directors who are not Hungarian citizens and who do not have a permanent address in Hungary are provided with gross EUR 1,500 for each Board or Committee meeting they attend up to a maximum of 15 times and for which they have to travel to Hungary.

Other non-financial benefits include travel and liability insurance.

### **Incentive scheme for the top management**

#### *Bonus*

The maximum bonus amount is 60-100% of the annual base salary. It is paid in cash on the basis of the evaluation following the AGM.

#### *Complex long-term managerial incentive system*

The complex long-term managerial system was implemented across the Group from 1 January 2010. This system amends and supplements the previous system which was a solely stock option-based system.

The purpose of the new incentive system is to maintain the management's long-term interest in the increase of MOL's stock price.

The incentive system consists of 50% stock options and 50% profit-sharing.

#### *Other Fringe Benefits*

These include company cars (also used for private purposes), life insurance, accident insurance, travel insurance, liability insurance, and an annual medical check-up.

### **Supervisory Board**

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders. The Supervisory Board of MOL has nine members. In accordance with the Act IV of 2006 on Business Associations, one third of the members shall be representatives of the employees, accordingly three members of the MOL Supervisory Board are employee representatives with the other six external persons appointed by the shareholders.

The members of the Supervisory Board and their independence status:

György Mosonyi, Chairman*	non-independent
John I. Charody	independent
Dr. Attila Chikán, Deputy Chairman	independent
Slavomír Hatina	independent
Attila Juhász	non-independent (employee representative)

Žarko Primorac*	independent
József Kohán**	non-independent (employee representative)
Dr. Sándor Puskás*	non-independent (employee representative)
István Töröcskei	independent

\*Before Žarko Primorac until 26 April 2012 Dr. Sándor Lámfalussy was the member of the Supervisory Board.

\*\* From 12 October 2012 Andrea Hegedűs will be one of the employee representative members in the Supervisory Board replacing József Kohán.

The Chairman of the Supervisory Board is a permanent invitee to the meetings of the Board of Directors and the Finance and Risk Management Committee.

Regular agenda issues of the Supervisory Board include the quarterly report of the Board of Directors on the Group's operations, the reports of 'Internal Audit' and 'Corporate Security'. The Supervisory Board is also informed of other relevant issues and topics. The Supervisory Board reviews the proposals for the Annual General Meeting as well as the Company's annual activity during the year.

In 2011 the Supervisory Board held five meetings with an 89% attendance rate.

The members of the Supervisory Board confirm that there is no conflict of interest between their duties as members of the Supervisory Board of the Guarantor and their principal and/or other outside activities.

### **Remuneration of the members of the Supervisory Board**

The General Meeting held on 27 April 2005 approved the remuneration scheme for the Supervisory Board. Under this scheme, the members of the Supervisory Board receive remuneration of EUR 3,000/month, while the Chairman of the Supervisory Board receives remuneration of EUR 4,000/month. In addition to this monthly fee, the Chairman of the Supervisory Board and the Chairman of the Audit Committee are entitled to receive gross EUR 1,500 for participation in the Board of Directors or Board Committee meetings, up to a maximum of 15 times per annum. In addition to the monthly remuneration, the Chairman and all the members of the Supervisory Board are entitled to receive a further EUR 1,500 for each extraordinary meeting that is held, in addition to the ordinary annual meetings that are in the schedule. This remuneration is provided on a maximum of two occasions per year.

The members of the Supervisory Board are entitled to receive further non-financial benefits, including travel and liability insurance.

### **Audit Committee**

The Audit Committee was appointed at the 2006 General Meeting. The Audit Committee is comprised of independent members of the Supervisory Board. The existence of the Audit Committee strengthens the independence of the financial and accounting policy of MOL.

## **INTEGRATED RISK MANAGEMENT**

The Group has developed a risk management function as an integral part of its corporate governance structure. This was confirmed by SAM Research AG in its 2011 benchmarking report for the Dow Jones Sustainability Index that ranked MOL's risk management as one of the best in the sector with 94% performance (30% above the sector's average).

Enterprise Risk Management (**ERM**) incorporates the broadest variety of risks into one long-term, comprehensive and dynamic system and is conducted at group level for all divisions. ERM integrates financial and operational risks along with a wide range of strategic and compliance risks. The ERM process identifies the most significant risks to the performance of the company and calls for a decision to be made regarding which risks should be retained and which should be mitigated and how.

Generally, risks are aggregated, measured and mitigated at group level. Some of the risks are managed centrally while some are dealt with by the divisions overseen by nominated risk owners.

To ensure the profitability and the financial stability of the Group, Financial Risk Management (**FRM**), as part of the ERM, has been put in place to handle short-term, market related risks. Commodity price, foreign exchange and interest rate risks are measured by using a complex model and are managed, if necessary with risk mitigation tools (such as swaps, forwards and options). This function concentrates on a 12-month period.

The Group has insurance to cover the most relevant operational and liability exposures. The major insurance types are: 'Property Damage', 'Business Interruption', 'Liability', and 'Control of Well Insurance'. Due to the peculiarity of the insurance business, most insurance programmes are renewed on an annual basis.

Business continuity management is the process of preparing for unexpected disruptions that have low probability but high impact. Crisis management (**CM**) processes, incident management, disaster recovery, business continuity plans (**BCP**) and other risk control programmes are crucial in such a business where operational risk exposure is significant as a result of the chemical and physical processes underlying most of the Group's operations. The quality of BCP and CM is often measured in financial terms when dealing with insurance agencies and may result in decreasing insurance premiums.

### **Decision making support of capital allocation**

In addition to providing information on the most significant risks that the Group faces, the role of ERM is also to enable senior management and the Board of Directors to make more prudent decisions on investments, taking into consideration the risk profile of each project. In order to serve this purpose the Group's risk management involves the evaluation of each major project and potential acquisitions and divestment to utilise its ERM capabilities, and to provide an opinion on capital allocation and financing headroom. The potential effects on the risk profile of the Group are analysed by assessing whether the acquisition/divestment is suitable on a risk-return basis.

### **Relationship with the shareholders, prohibition of insider trading**

The Board is aware of its commitment to represent and promote shareholders' interests, and recognises that it is fully accountable for the performance and activities of the Group. To help ensure that MOL can meet shareholders' expectations in all areas, the Board continually analyses and evaluates developments, both in the broader external environment as well as at an operational level.

Formal channels of communication with shareholders include the Annual Report and Accounts and the quarterly results reports, as well as other public announcements made through the Budapest Stock Exchange (primary exchange) and the Warsaw Stock Exchange. Regular extraordinary announcements are published on PSZÁF (The Hungarian Financial Supervisory Authority) publication site and on MOL's homepage. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting. Regular roadshow visits are also made to various cities in the UK, U.S. and Continental Europe where meetings are held with representatives of the investment community, including MOL shareholders and holders of MOL's DRs. Furthermore, investors are able to raise questions or make proposals at any time during the year, including the company's General Meeting. Feedback from investors is regularly reported to the Board of Directors.

In 2011, MOL participated in 13 roadshows and investor conferences, five in the U.S. and eight in Europe having over 220 meetings with potential and existing shareholders.

MOL has an investor relations department (**Investor Relations Department**) which is responsible for the organisation of the above activities as well as for the day-to-day management of MOL's relationship with its shareholders. The Investor Relations Department had its website redesigned at the beginning of 2011. MOL has always taken care to provide a wide range of information to the capital markets in line with international best practice.

The Group is committed to the fair marketing of publicly-traded securities. Insider dealing in securities is regarded as a criminal offence in most of the countries in which the Group carries out business. Therefore, the Group requires not only full compliance with relevant laws but also the avoidance of even the appearance of insider securities trading and consultancy.

## **THE BOARD OF DIRECTORS**

### **Mr. Zsolt Hernádi (51)**

#### ***MOL Group positions:***

- *Chairman of the Board of Directors since 7 July 2000.*
- *Chairman & Chief Executive Officer since 11 June 2001.*
- *Member of the Board since 24 February 1999.*
- *Member of the Corporate Governance and Remuneration Committee.*

Between 1989 and 1994 Mr Hernádi occupied various posts at the Kereskedelmi és Hitelbank Plc. and between 1992 and 1994 he was its Deputy General Manager. Mr Hernádi was Chief Executive Officer of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001 and member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was a Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrialists.

In September 2009 he became an honorary citizen of the Corvinus University of Budapest. Furthermore he has been a member of the Board of Directors at OTP Bank since 2011 April.

### **Mr. József Molnár (56)**

#### ***MOL Group positions:***

- *Group Chief Executive Officer since 1 May 2011.*
- *Member of the Board of Directors since 12 October 2007.*
- *Member of the Supervisory Board of INA d.d. since April 2010.*
- *Member of the Supervisory Board of FGSZ Zrt. since May 2011.*

From 1978 to 2001 Mr Molnár held various management positions at BorsodChem Plc, including Head of the Pricing Department from 1982 to 1987 and Head of the Controlling Department from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the Chief Executive Officer he contributed to the crisis management and reorganisation of the company, and later to creating the company's vision and fulfilling its subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was Chief Executive Officer of TVK between 2001 and 2003, Group Planning & Controlling Director from 2003 and from 2004 until his appointment as Group Chief Executive Officer in

May 2011 he was Group Chief Financial Officer of MOL. Within MOL Group he was a Board member of Slovnaft a. s. between 2004 and 2008, and a Board member of TVK between 2001 and 2011.

**Dr. Sándor Csányi (58)**

***MOL Group positions:***

- *Member of the Board of Directors since 20 October 2000.*
- *Vice Chairman since 2001.*
- *Chairman of the Corporate Governance and Remuneration Committee.*

Specialising in finance at university, he completed a doctorate, later became a licensed pricing specialist and a chartered accountant, and his first job was at the Ministry of Finance. He also worked for the Ministry of Food & Agriculture and at the Hungarian Credit Bank. From 1989 to 1992, he was Deputy Chief Executive Officer of the Commercial & Credit Bank (K&H), and since 1992, he has been the Chairman & Chief Executive Officer of the National Savings and Commercial Bank Plc. (**OTP Bank Plc**). On 29 April 2011, the annual shareholders meeting re-elected him for another five-year term as Chairman & Chief Executive Officer of OTP Bank Plc. He is a European Advisory Board member of MasterCard, one of the world's leading payment systems, and co-chairman of the National Association of Entrepreneurs & Employers (VOSZ). He is also Chairman of the Supervisory Board of OTP Bank Group and DSK Bank in Bulgaria. He has been an honorary professor of the University of Western Hungary since 2004. He is a member of the International Association of Business Leaders, and of the Institut International d' Études Bancaires. He has also been the President of the Hungarian Football Federation since July 2010. In January 2012 he was elected the Co-Chairman of the Chinese-Hungarian Business Council.

**Mr. Mulham Al-Jarf (41)**

***MOL Group positions:***

- *Member of the Board of Directors since 24 April 2008.*
- *Member of the Corporate Governance and Remuneration Committee.*

Mr. Mulham Al-Jarf is a graduate of International Business and Finance from the U.S. and he is also a Barrister-at-Law of the Bar of England & Wales and a member of Grays Inn. He has been the deputy Chief Executive Officer of Oman Oil Company since 2004. He is also a member of the Board of Directors in the following companies: Sohar Aluminium Co LLC (Chairman), Oman Arab Bank SAOC, Oman Oil Marketing Co SAOG (Vice Chairman), Takamul Investments SAOC (Chairman), China Gas Holdings Ltd, and Gulf Energy Maritime PSC (Vice Chairman). Mr. Mulham Al-Jarf has work experience at Oman Gas Company SAOC, Ministry of Oil and Gas, and General Telecommunications Company (now Omantel) in Oman and he is a citizen of Oman.

**Dr. Miklós Dobák (56)**

***MOL Group positions:***

- *Member of the Board of Directors since 29 May 1996.*
- *Chairman of the Finance and Risk Management Committee.*

Dr. Miklós Dobák is Chairman of the Institute of Management and a Professor of the Department of Management & Organisation at Corvinus University. He is also Chairman of the Supervisory Board of IFUA Horváth & Partners Consulting Company.

**Dr. Gábor Horváth (55)*****MOL Group positions:***

- *Member of the Board of Directors since 24 February 1999.*
- *Member of the Corporate Governance and Remuneration Committee.*

Dr. Gábor Horváth has headed up an independent attorney's office since 1990. His main activities cover corporate, corporate financial and company organisations law. He is also the Vice President of the Supervisory Board of OTP Bank Plc.

**Mr. Zsigmond Járαι (60)*****MOL Group positions:***

- *Member of the Board of Directors from 29 April 2010.*
- *Member of the Finance and Risk Management Committee.*

Mr. Zsigmond Járαι occupied various managerial positions in the State Development Bank from 1976-1986. He was a consultant in the Ministry of Water Supply of Mongolia from 1977 to 1978, a director and then a Deputy General Manager in Budapest Bank Plc. between 1987 and 1989, and was appointed as a deputy minister in the Ministry of Finance and a Director of State Bank Supervision (1989-90). Between 1990 and 1992, he became a Director of East-Europe in James Capel & Co, London. Between 1993 and 1995 he was the Managing Director of Samuel Montagu Financial Consultant and Securities Company. Between 1995 and 1998, he was the Chief Executive Officer, then Chairman & Chief Executive Officer of ABN AMRO Bank Rt. (formerly Hungarian Credit Bank Ltd). Meanwhile, he was serving as Chairman of the Budapest Stock Exchange in 1996-1998. Between 1998 and 2000 he held the position of the Minister of Finance, and subsequently became the Chairman of the National Bank of Hungary from 2001 until 2007. As the founder of CIG Pannonia Life Insurance Ltd in 2007, he has also been the Chairman of the Supervisory Board since its inception. Since 2010, he has also been the Chairman of the Supervisory Board of the National Bank of Hungary.

**Dr. László Parragh (49)*****MOL Group positions:***

- *Member of the Board of Directors from 29 April 2010.*
- *Member of the Sustainable Development Committee.*

Since 1989, Dr. László Parragh has been the Chairman of Parragh Trade and Holding Ltd and, since 1993, he has also been a member of the Presidium of the Confederation of Hungarian Employers and Industrialists (MGYOSZ), and was Vice President between 1994 and 2000. He was a Member of the Advisory Committee for Economic Affairs of the Prime Minister between 1998 and 2002 and since 2000, Dr. Parragh has also been President of the Hungarian Chamber of Commerce and Industry. Between 2003 and 2010 he was Vice President of GYSEV Plc and, since 2009, he has been Chairman of KAVOSZ Garantiqa Plc. Between 2003 and 2011, he was Chairman of the Economic and Social Council and, since 2011 he has been Chairman of the National Economic and Social Council. Between 2002 and 2010 he was a member of the Board of Directors at MEHIB Ltd, at EXIM Bank Plc and at GYESEV Plc. Between 2010 and 2011 he was a member of the Board of Directors of MALEV. Since 2003 he has been Chairman of the Supervisory Board of KAVOSZ Financial Services Trading Close Co and since 2009 he has been an honorary professor of the University of West Hungary and the Budapest Business School, where he is also a member of the Economic Council. He is President of the National Economic and Social Council's Economic sector.

## **Mr. Iain Paterson (64)**

### ***MOL Group positions:***

- *Member of the Board of Directors since 24 February 1999.*
- *Chairman of the Sustainable Development Committee.*
- *Member of the Finance and Risk Management Committee.*

From 1970 onwards, Mr. Iain Paterson held various positions at British Petroleum Plc in Great Britain, U.S. and the Middle East. Between 1984 and 1998, he was with Enterprise Oil Plc, serving from 1991 as a main Board member with responsibility for international activities. He is currently Chairman of AnTech Limited and a non-Executive Director of Enteq Upstream Plc. Mr. Paterson is a British citizen.

## **Dr. Martin Roman (42)**

### ***MOL Group positions:***

- *Member of the Board of Directors from 29 April 2010.*
- *Member of the Corporate Governance and Remuneration Committee.*

Martin Roman started his professional career as a sales director of the Czech branch of Wolf Bergstrasse. In 1994 he became CEO of Janka Radotín where, after the appointment of a strategic partner, the U.S. Company LENNOX, he was appointed Chairman of the Board. Between 2000 and 2004 he restructured a traditional Czech mechanical engineering company, becoming Chairman and Chief Executive Officer of the new ŠKODA HOLDING. From February 2004 until mid-September 2011, Mr. Roman was the Chairman of the Board and CEO of ČEZ. Mr Roman is currently Chairman of the Supervisory Board of ČEZ and has been since mid-September 2011.

Besides his board membership of ČEZ and MOL, Mr. Roman is also a member of the Supervisory Board of the Prague Stock Exchange, a member of the Board of Directors of Akenerji Elektrik Üretim A.S. (he served as a member of the Supervisory Board of Czech Railways between 2007 and 2009 and as Vice President of the Confederation of Industry and Transport of the Czech Republic from 2007 to 2011). In 2010, he became a member of the Supervisory Board of the Vienna Insurance Group. In addition, Mr Roman is a member of governing or supervisory bodies in several foundations and academic institutions. He is a Czech citizen.

## **Mr. Oszkár Világi (48)**

### ***MOL Group positions:***

- *Member of the Board of Directors since 1 May 2011.*
- *Chairman of the Board of Directors and CEO of Slovnaft.*
- *Member of the Supervisory Board of INA d.d.*

Mr. Világi graduated from the Faculty of Law at the Comenius University of Bratislava in 1985 and achieved the academic title of D.C.L. During 1990 to 1992, he was member of the Czechoslovak Parliament in Prague. From 1996 he participated in the governing bodies of several Slovak companies including former Poľnobanka, Slovenská poisťovňa, CHZP Apollo and Slovak Railways (ŽSR). He has been the legal adviser for several foreign investors in big restructuring projects of Slovak industry (U.S. Steel, France Telecom, OTP, and MOL). Since 2002 he has been a member of the strategic partnership and integration team of Slovnaft and MOL. Before becoming a member of the Board of Directors in Slovnaft a.s. in 2005, he was a member of its Supervisory Board. In March 2006, Mr. Világi was appointed as CEO of Slovnaft. In April 2010, he became Member of the Executive Board of MOL.



## **EXECUTIVE BOARD**

### **Mr József Simola (46)**

#### ***MOL Group positions:***

- Group Chief Financial Officer since 1 May 2011.
- Member of the Board of Directors of IES S.p.A.

From 1991 to 1992 he was employed as an SAP expert at General Electric – Tungsram. He subsequently joined Arthur Andersen as an auditor and consultant. In 1996 he continued his career at Boston Consulting Group, where he held various managerial positions in Hungary, Germany and Australia. Mr. Simola joined MOL Plc. in 2003 and has been a member of the Executive Board since April 2006. He served as Chairman of the Supervisory Board of Slovnaft a. s. until 2011 and he was member of the Supervisory Board of INA d.d. until 2012. He was also appointed as Corporate Centre Executive Vice President of MOL Plc. between 2006 and 2011.

### **Zoltán Áldott (44)**

#### ***MOL Group positions:***

- President of the Management Board of INA d.d. since 1 April 2010.

Between 1990 and 1991, he was an associate at Creditum Financial Consulting Ltd. Afterwards, between 1992 and 1995, he held various positions at Eurocorp Financial Consulting Ltd. From 1995 to 1997, he was the Manager of MOL's Privatisation Department and from 1997 until 1999 he was Director of Capital Markets. In 1999, Mr. Áldott served as Director of Strategy & Business Development. From November 2000, he acted as Chief Strategy Officer and then, since June 2001, as Group Chief Strategy Officer. He was the Executive Vice President of MOL Exploration & Production Division between September 2004 and June 2011.

### **Ferenc Horváth (52)**

#### ***MOL Group positions:***

- Executive Vice President of MOL Refining & Marketing Division since November 2003. From 1 May, 2011 Executive Vice President of MOL Downstream.
- Member of the Board of Directors of TVK since 1 May 2011.
- Chairman of the Board of Directors of IES Mantua since November 2007 and he has been a member of the Board of Directors of Slovnaft since 2003 and member of the Supervisory Board of INA d.d. since 2012.
- Member of the Board of Directors of TVK since May 2011.

From 1984 until 1991, he worked for Mineralimpex, the Hungarian Foreign Trade Company for Oil & Mining Products, in the fields of crude oil and natural gas imports, and crude oil product exports. Between 1991 and 1997, he was Managing Director of Allcom Trading Co., the Hungarian Mineralimpex-Phibro Energy joint venture, dealing with the European trading of crude oil and crude oil products. He joined MOL Plc in 1998 as Director of LPG Business Unit, and worked from January 2001 onwards as Sales Director, being responsible for the sales of MOL's entire product range (petrol, diesel, petroleum products, bitumen, LPG, lubricants, and so on). Between 2002 and 2003 he was Commercial Director and his activities have broadened with the purchase of crude oil and raw materials necessary for the refining of crude oil.

## **Sándor Fasimon (46)**

### ***MOL Group positions:***

- Executive Vice President of Exploration and Production since 1 June 2011.
- Member of the Board of Hungarian Hydrocarbon Stockpiling Association.
- Member of the Board of MOL Energy Trade Limited.

From 1991 Mr. Fasimon held various management positions at Mineralimpex Hungarian Foreign Trade Company for Oil & Mining Products. Between 1996 and 1997 he served as Head of the Tripoli (Libya) Hungarian Commercial Section. From 1999 to 2003 Mr. Fasimon worked for MOL as Supply Director in the field of crude oil and crude oil products and from 2002 he acted as Managing Director of Moltrade-Mineralimpex Co. Ltd. Between 2003 and 2006 he was the Managing Director of Natural Gas Division of MOL Plc. From 2006 until 2009 he acted as General Director of MOL-Russ LLc. Between 2009 and 2011 he worked as Senior Vice President of Supply & Trading Division.

## **SUPERVISORY BOARD**

### **Mr. György Mosonyi (62)**

### ***MOL Group positions:***

- *Member of MOL Supervisory Board since 1 May 2011 and Chairman since 8 June 2011.*
- *Chairman of the Sustainable Development Committee.*
- *Chairman of the Board of Directors of TVK Plc.*
- *Chairman of the Supervisory Board of Slovnaft a.s.*
- *Vice President of the Supervisory Board of INA d.d.*

From 1974 onwards, Mr Mosonyi worked for the Hungarian Agency of Shell International Petroleum Co. (Shell) and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters in London. Between 1992-1993 he was a managing director of Shell-Interag Ltd and from 1994-1999 he was Chairman & Chief Executive Officer of Shell Hungary Rt. Also in 1997 he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998. He was also Vice Chairman of the Hungarian Chamber of Commerce & Industry, Vice President of Confederation of Hungarian Employers and Industrialists, a member of the Joint Venture Association's Presidium and President of the World Petroleum Council Hungarian National Committee. He has also been a member of the Board of Directors of Hungarian Telekom Plc. since April 2012.

He was Group-Chief Executive Officer and a member of the Board of Directors of the Group between 1999 and 2011. He was Chairman of the Sustainable Development Committee between 2006 and 2011.

### **Dr. Attila Chikán (67)**

### ***MOL Group positions:***

- *Member of the Supervisory Board since 30 April 2004, Deputy Chairman of the Supervisory Board since 5 December 2005.*
- *Chairman of the Audit Committee since 8 June 2011.*

Since 1968 Dr. Chikán has been working for Budapest University of Economic Sciences (the predecessor of Corvinus University of Budapest). Between 1989 and 1998 he was Head of the Business Economics Department. In 1998 and 1999 he held the office of Minister of Economic Affairs. Between 2000 and 2003

he was Rector of Budapest University of Economic Sciences. Since then, Dr. Chikán has been a Director of the Competitiveness Research Centre of the University. He is a Corresponding Member of the Hungarian Academy of Sciences. At present he holds several positions in Hungarian and international professional organisations and membership of the editorial boards of several international journals. He is also Chairman of the Supervisory Board and Chairman of the Audit Committee of Richter Gedeon Plc.

**Mr. John I. Charody (84)**

***MOL Group positions:***

- *Member of the Supervisory Board since 11 October 2002.*
- *Member of the Audit Committee.*

Mr. Charody worked in the Geophysical Institute of the Oil Exploration and Development Company between 1953 and 1956. Following this he held leading positions in various companies operating in Australia including Bridge Oil Ltd., Aurora Minerals and Project Mining. He was also Chief Executive Officer of Winton Enterprises Pty. Ltd. and Galina Investment International Consulting Company. He has been a fellow of the Institute of Australian Directors since 1971, the Australian Institute of Management since 1967 and a Justice of the Peace since 1972. In 1973 he was awarded the M.B.E. by H.M. the Queen for his services to Australia. In 1990 he was appointed Minister of Commerce in Budapest by the Federal Government of Australia with regional responsibilities in 12 countries. In 1997, the President of the Republic of Hungary awarded him the Officer Cross of the Republic of Hungary for his services in fostering Australian-Hungarian financial and commercial relationships. Currently he is a Board Member of Pick Zrt. and Csányi Foundation, as well as being a consultant of MFB Invest Zrt.

**Mr. Slavomír Hatina (64)**

***MOL Group position:***

- *Member of the Supervisory Board since 11 October 2002.*

Mr. Hatina joined Slovnaft in 1970, working in various positions after joining. From 1994 to December 2001 he worked for Slovnaft a.s., Bratislava (1994-1998 as CEO, 1998-2001 as President). From 1994 to February 2005, Mr. Hatina was Chairman of the Board of Slovnaft, a.s. Mr. Hatina was awarded a Doctorate Honoris Causa by the Slovak University of Technology in 2001. He is Chairman & Chief Executive Officer of Slovintegra a.s., Chairman of the Board of Directors of BIATEC GROUP, a.s., and member of the Administrative Board of the Slovak University of Technology in Bratislava. Mr. Hatina is a citizen of Slovakia.

**Mr. Attila Juhász (48)**

***MOL Group position:***

- *Member of the Supervisory Board since 12 October 2007 as a delegate of the employees.*

Mr. Juhász joined the Company in 1986. During his employment he held various positions in the Exploration and Production Division. He has been Vice Chairman of MOL Trade Union of Production Workers and a member of the Workers Council since its foundation. Currently he is acting as an observer in the Workers Council.

**Mr. József Kohán (60)**

***MOL Group position:***

- *Member of the Supervisory Board since 1 May 2009 as a delegate of the employees.*

Mr Kohán has been employed by MOL as a chemical engineer, M.Sc., since 1977. He has held various positions in the Refining business. He has been responsible for preparing development projects in the area of refining since 1998. He is an author of several technical publications, a member of the Society of Hungarian Chemists and a member of MOL Plc's Oil Industrial Trade Union.

**Dr.sc. Zarko Primorac (74)**

***MOL Group position:***

- *Member of the MOL Supervisory Board since 27 April 2012.*

Dr. Primorac graduated in 1964 and obtained PhD in 1976 in Economics at the Faculty of Economics Sarajevo. Between 1968 and 1981 he was assigned to different managerial positions in Energoinvest, Sarajevo. In the same period Dr. Primorac was a member and Chairman of the Board of leading Yugoslav banks and other companies such as: Privredna banka Sarajevo, Yugoslav Bank for Foreign Trade Beograd /JUBMES/, FAMOS, Sarajevo, PETROLINVEST Sarajevo. He was a member of Bosnia and Herzegovina Parliament in the period of 1967-1974. From 1981 to 1984 he worked as the President of the Chamber of Economy in Sarajevo. Between 1984 and 1992 he was appointed to the position of Vice President and later on Deputy President of the Governing Board of Energoinvest. In 1992 he was the Minister of Finance of the Republic of Bosnia and Herzegovina. From 1993 to 1997 he worked as the director of Inzenjerski biro-revizija in Zagreb. Between 1997 and 2002 he was a senior adviser and then a member of the Management Board of PricewaterhouseCoopers, Zagreb office.

From 2002 Dr. Primorac worked as the regional, honorary Chairman of Deloitte, Zagreb and from 2012 he has been a member of the Supervisory Board of Hrvatska elektroprivreda d.d. (HEP). Currently he is a member of the Council for International Relations of the President of the Republic of Croatia, a member of the Presidency of the Croatian Association of Economists, a member of the Supervisory Board of HŽ (Croatian Railway) and a member of the Business Advisory Council for South East Europe (BAC).

**Dr. Sándor Puskás (50)**

***MOL Group position:***

- *Member of the Supervisory Board since 28 April 2011 as a delegate of the employees.*

Dr. Puskás has been employed by MOL as a Petroleum Engineer, M.Sc., since 1985. Currently he is a Petroleum Engineer and holds a R&D Senior Expert position at the New Technologies and R&D Department at the Exploration and Production Division of MOL, in Szeged-Algyő, Hungary. He has 26 years of experience as a field, research and development engineer in crude oil production. Dr. Puskás holds a Dipl. Eng. degree in petroleum engineering from Moscow State Gubkin Oil and Gas University and a Dr. Univ. degree in colloid chemistry from Jozsef Attila University Szeged, Hungary. He holds a postgraduate degree in Research and Development Management and Human Management from Budapest University of Economic Sciences and State Administration, Management Development Centre. Dr. Puskás is the author and co-author of several technical papers. He is member of the MOL Trade Union of Production Workers.

**Mr. István Töröcskei (62)**

***MOL Group positions:***

- *Member of the Supervisory Board since 29 April 2010.*
- *Member of the Audit Committee since 1 May 2011.*

Mr. Töröcskei held senior positions in the following banks between 1973 and 1989: National Bank of Hungary, HIB London Magyar Hitelbank Zrt. Kultúrbank Zrt., and Interbanka Prague. Between 1997 and 2007 he was Chief Executive Officer of Equilor Investor Ltd., then from 2007 Adviser in T and T Ltd. He is

Chairman of the Supervisory Board in Hír TV and Gresco Ltd, and a member of the Board of Directors in PannErgy Ltd., Pro-Aurum Ltd. He is also Chairman of the Széchenyi Credit Cooperative and Széchenyi Commercial Bank Ltd.

## SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The following table sets out the structure of the Group with shareholdings of MOL in each subsidiary:

Company name	Country (Incorporation /Branch)	Range of activity	Ownership 2011	Ownership 2010
<u>Integrated subsidiaries</u>				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	49%	47%
<u>Upstream Division</u>				
Adriagas S.r.l.	Italy	Pipeline project company	49%	47%
BHM OIL-Invest Ltd.	Cyprus	Exploration investment management	100%	100%
Surgut Trading Ltd.	Russia	Trade of crude oil	50%	50%
BMN Investment Ltd.	Cyprus / India	Exploration and production activity	100%	100%
CEGE Közép-európai Geotermikus Energia Termelő Zrt. (joint venture)	Hungary	Geothermal energy production	50%	b)
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	49%	47%
CorteCros d.o.o.	Croatia	Production of anticorrosion products	29%	28%
Crosco B.V.	Netherlands	Oilfield services	49%	47%
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	49%	47%
Crosco International d.o.o. (Slovenia)	Slovenia	Oilfield services	49%	47%
Crosco International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	49%	47%
Crosco International Ltd.	United Kingdom	Oilfield services	49%	47%
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	47%
Geotechnika International LLC	United Arab Emirates	Oilfield services, drilling wells	24%	23%
Mideast Integrated Drilling & Well Services Company LLC	Oman	Integrated drilling and completion services	24%	23%
Rotary Zrt.	Hungary	Oilfield services	49%	47%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	47%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
GES Kft.	Hungary	Geophysical surveying and data processing	100%	100%
		Geophysical surveying and data processing		
		Geophysical surveying and data processing		
Geophysical Services Middle-East LLC	Oman	processing	70%	70%
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd	United Kingdom	Exploration and production activity	49%	47%
Kalegran Ltd.	Cyprus / Iraq	Exploration investment management /	100%	100%
		Exploration and production activity		
		Exploration and production activity		
MOL Caspian Oil and Gas Ltd	Cyprus / Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd. (joint venture)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil Group Ltd. (joint venture)	Kazakhstan	Exploration and production activity	28%	28%
MOL Oman Ltd. (former Lamorak Enterprises Ltd.)	Cyprus / Tunisia Netherlands / Syria /	Exploration and production activity	100%	100%
MOL Central Asia Oil and Gas Co. B.V.	Kazakhstan	Exploration and production activity	100%	100%
MOL Pakistan Oil and Gas Co. B.V.	Netherlands / Pakistan	Exploration and production activity	100%	100%
MOL-RUSS Oo.	Russia	Management services	100%	100%
MOL Yemen Oil and Gas (Cyprus) Ltd	Cyprus / Yemen	Exploration and production activity	100%	100%
Panfora Oil and Gas s.r.l.	Romania	Exploration and production activity	100%	c)
Platounko Investments Ltd.	Cyprus	Exploration financing	100%	100%
Pronodar Ltd.	Cyprus / Cameroon	Exploration and production activity	100%	100%

<b>Company name</b>	<b>Country (Incorporation /Branch)</b>	<b>Range of activity</b>	<b>Ownership 2011</b>	<b>Ownership 2010</b>
Pyrogol Ltd.	Cyprus	Exploration and production activity	100%	100%
RUSI Services Ltd	Cyprus	Exploration financing	100%	100%
Theathola Ltd.	Cyprus	Exploration investment management	100%	c)
Greentrade Ltd.	Cyprus	Exploration investment management	100%	100%
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
MOL CIS Oil and Gas Ltd.	Cyprus	Exploration investment management	100%	100%
ZMB Ltd (joint venture)	Russia	Exploration and production activity	50%	50%
SHM Seven Investments Ltd.	Cyprus	Exploration investment management	100%	100%
MOL Western Siberia LLC	Russia	Exploration and production activity	100%	100%
USI Ltd.	Cyprus	Exploration investment management	100%	100%
BaiTex LLC	Russia	Exploration and production activity	100%	100%
UBA Services Ltd.	Cyprus / Russia	Exploration investment management	100%	100%
<u>Gas Midstream</u>				
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
MMBF Földgázraktározó Zrt.	Hungary	Strategic natural gas storage	72%	72%
Prirodni plin d.o.o.	Croatia	Natural gas trading	49%	47%
<u>Downstream Division</u>				
CM European Power International B.V. (joint venture)	Netherlands	Power plant investment management	50%	50%
CM European Power International s.r.o. (joint venture)	Slovakia	Power plant investment management	50%	50%
CM European Power Slovakia s.r.o.	Slovakia	Operation of thermo-power plant	50%, a)	50%, a)
MOL-CEZ European Power Hungary Kft. (joint venture)	Hungary	Steam and hot water supply, electricity production	50%	50%
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	50%	49%
FPC Ltd.	United Kingdom	Trading of oil products	49%	47%
Holdina (Guernsey) Ltd	United Kingdom	Trading of oil products	49%	47%
Inter Ina (Guernsey) Ltd	United Kingdom	Trading of oil products	49%	47%
Holdina (Cyprus) Ltd	Cyprus	Intermediate holding company	49%	47%
Holdina (Ireland) Ltd	Ireland	Supply of technical services	e)	47%
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	47%
IES SpA	Italy	Refinery and marketing of oil products	100%	100%
Greengas S.r.l.	Italy	Hydrogen plant operation	49%, a)	49%, a)
Nelsa S.r.l.	Italy	Marketing of oil products	74%	74%
Panta Distribuzione S.r.l.	Italy	Marketing of oil products	100%	100%
INA d.o.o.	Serbia	Trading of oil products	49%	47%
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	49%	47%
INA BL d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	47%
INA Crna Gora d.o.o	Montenegro	Trading of oil products	49%	47%
INA Hungary Kft.	Hungary	Trading of oil products	49%	47%
INA Kosovo d.o.o	Kosovo	Trading of oil products	49%	47%
INA-Osijek – Petrol d.d.	Croatia	Trading of oil products	38%	36%
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	49%	47%
Interina d.o.o. Skopje (under liquidation)	Macedonia	Trading of oil products	49%	47%
Inter Ina Ltd (under liquidation)	United Kingdom	Trading of oil products	49%	47%
Intermol d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
Maziva Zagreb d.o.o.	Croatia	Lubricants production and trading	49%	47%
		Wholesale trade of lubricants and oil products		
MOL Austria GmbH.	Austria		100%	100%

<b>Company name</b>	<b>Country (Incorporation /Branch)</b>	<b>Range of activity</b>	<b>Ownership 2011</b>	<b>Ownership 2010</b>
MOL Tankstellen GmbH.	Austria	Retail trade	f)	100%
Roth Heizöle GmbH.	Austria	Trading of oil products	100%	100%
Rumpold Festbrennstoffe GmbH.	Austria	Trading of solid fuels and other products	100%	100%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o	Slovakia	Financial services	100%	c)
MOL Germany GmbH (former MK Mineralkontor GmbH)	Germany	Trade of oil products	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL-LUB Russ. Llc.	Russia	Production and trade of lubricants	100%	c)
		Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Romania PP s.r.l.	Romania		100%	100%
MOL Slovenija d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
		Importing and exporting energetical products	100%	100%
MOLTRADE-Mineralimpex Zrt.	Hungary		100%	100%
Petrol d.d.	Croatia	Trading of oil products	41%	39%
Polybit d.o.o. (under liquidation)	Croatia	Production and trading	49%	47%
Proplin, d.o.o.	Croatia	Production and LPG trading	d)	47%
Rossi Biofuel Zrt. (joint venture)	Hungary	Biofuel component production	25%	25%
		Refinery and marketing of oil and petrochemical products	98%	98%
SLOVNAFT a.s.	Slovakia		98%	98%
Apollo Rafinéria s.r.o.	Slovakia	Wholesale and retail trade	98%	98%
		Production of bio-diesel component (FAME)	25%	25%
Meroco a.s. (joint venture)	Slovakia		25%	25%
MOL Slovensko spol s.r.o.	Slovakia	Wholesale and retail trade	98%	98%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	98%	98%
Slovnaft Trans a.s.	Slovakia	Transportation services	98%	98%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	98%	98%
Slovnaft VÚRUP a.s.	Slovakia	Research & development	98%	98%
Slovnaft Petrochemicals s.r.o.	Slovakia	Petrochemical production and trading	98%	98%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail	100%	100%
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
TVK Plc.	Hungary	Petrochemical production and trading	95%	95%
Tisza-WTP Kft.	Hungary	Feed water and raw water supply	0%, a)	0%, a)
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	25% a)	25%, a)
TVK France S.a.r.l.	France	Wholesale and retail trade	95%	95%
TVK Inter-Chemol GmbH	Germany	Wholesale and retail trade	g)	95%
TVK Polska Sp.Zoo.	Poland	Wholesale and retail trade	95%	95%
TVK UK Ltd	United Kindgom	Wholesale and retail trade	95%	95%
TVK Ukrajna t.o.v.	Ukraine	Wholesale and retail trade	95%	95%
TVK Italia Srl.	Italy	Wholesale and retail trade	100%	95%
<b>Corporate and other</b>				
		Gas-utility development and management	77%	77%
Balatongáz Kft. (under liquidation)	Hungary		77%	77%
EMS Management Services Ltd.	Cyprus	Management services	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Hungary	Fire service, ambulance service	92%	92%
Hermész Tanácsadó Kft.	Hungary	Consultancy	100%	100%
Hostin d.o.o.	Croatia	Tourism	49%	47%



<b>Company name</b>	<b>Country (Incorporation /Branch)</b>	<b>Range of activity</b>	<b>Ownership 2011</b>	<b>Ownership 2010</b>
I&C Energo a.s.	Czech Republic	Power plant engineering	100%	100%
ITR d.o.o.	Croatia	Car rental	49%	47%
Magnolia Finance Ltd.	Jersey	Financial services	0%, a)	0%, a)
MOL Reinsurance Ltd.	Cyprus	Captive insurance	100%	100%
MULTIPONT Programme Zrt.	Hungary	Marketing agent activity	81%	c)
Petrolszolg Kft.	Hungary	Maintenance services	100%	100%
Sinaco d.o.o.	Croatia	Security	49%	47%
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance	98%	98%
STSI integrirani tehnički servisi d.o.o.	Croatia	Technical services	49%	47%
Top Računovodstvo Servisi d.o.o.	Croatia	Accounting services	49%	c)
TVK Ingatlankezelő Kft.	Hungary	Real estate management	95%	95%

- a) Consolidated as required by SIC-12 Consolidation – Special Purpose Entities.  
b) Consolidated from 2011.  
c) Established in 2011.  
d) Merged into INA d.d. in 2011.  
e) Divested in 2011.  
f) Merged into MOL Austria GmbH. in 2011.  
g) Merged into MOL Germany GmbH (former MK Mineralkontor GmbH.) in 2011.

## **GLOSSARY**

### **2P**

Proved Reserves (1P) plus Probable Reserves (P2).

### **Three dimensional seismic surveys**

Used to map the subsurface structure of rock formations.

### **Barrel**

Unit of measurement applied in the oil sector – one ton of crude oil is almost the equivalent of 7-7.5 barrels. (Conversion rate applied to crude oil grades in Hungary is 7.55 bbl/ton.)

### **bbl**

Barrel of oil.

### **boe (barrel of crude oil equivalent)**

Volume equivalent obtained after conversion of the heating value of gas to crude oil on the basis of its thermal quantity. In its practical application, 1 boe is, in general, 6,000 cubic feet (about 170 normal m<sup>3</sup>) of gas.

### **CCS**

Current Cost of Supplies

### **CEE**

Central Eastern Europe, which includes the following countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey.

### **Clean CCS figures**

Estimated Current Cost of Supply based EBITDA and operating profit/(loss) excluding special items and foreign exchange gain or loss on debtors and creditors and impairment on inventories (not affecting the EBITDA) in Refining and Marketing. CCS methodology eliminates the effect of changing import crude oil prices from operating profit.

### **cm/mcm/bcm**

cubic metre/million cubic metre/billion cubic metre.

### **Company**

MOL Hungarian Oil and Gas Public Limited Company.

### **Complex Asset Structure**

Means the high complexity of the refining asset portfolio – represented by Nelson Complexity Index (NCI). A complex refinery is able to (i) produce more valuable and profitable so called 'white products' which are

drivers of MOL Group profitability; and (ii) diversify its product yield structure in order to react promptly to market trends (mainly to follow product demand changes) to produce high quality marketable products.

### **Condensates**

Liquid hydrocarbons of very light crude oil composition that occur as a gas under subsurface reservoir conditions (high temperature and high pressure) and condense into a liquid upon production and surface conditions.

### **Crack spread**

The difference between product's international quoted price and the actual market crude oil price.

### **Cracking**

Collective noun for operations/technologies aimed at the production of a mixture of lighter hydrocarbons (having a lower boiling point) by cracking longer carbon chains (through splitting carbon bonds) of heavier hydrocarbon molecules. Cracking can be purely a thermal process as well as catalytic (in this case, the cracking process is promoted by using catalysts). One of the most important methods of modern mineral oil processing is a cracking process, promoted by using catalysts, at a temperature of 480-540°C, during which hard distillates and distillate residues are used to produce 'high grade' motor oil, while other malleable gases arise.

### **Downstream Division**

Refining, Marketing, Petrochemical and Retail.

### **EBITDA – earnings before interest, tax, depreciation and amortisation**

Operating profit plus depreciation and amortisation.

### **Enhanced Oil Recovery (EOR)**

Processes/technologies that can be used to recover more oil relative to the primary and secondary methods.

### **EUR**

Euro.

### **Euro IV; V**

European regulations on automotive fuel (petrol, diesel) quality to determine, among other things, the maximum sulphur content of motor fuel. Euro IV took effect in the European Union from 2005 and Euro V from 2009. The maximum sulphur content of motor fuels according to Euro IV is 50ppm and, according to Euro V, 10ppm.

### **Feedstock**

Any raw material.

### **Field development**

The process of implementing underground and overground facilities necessary for the recovery of hydrocarbon reserves.

**GDP**

Gross Domestic Product.

**Group's complex assets**

This means a complex refining asset portfolio – represented by Nelson Complexity Index (NCI). A complex refinery is able to:

- produce more valuable and profitable 'white products' which are drivers of MOL Group's profitability;
- diversify the product yield structure in order to react promptly to market trends (mainly to follow product demand changes) and to produce high quality marketable products.

The Bratislava and Danube refineries are among the most complex refineries in the region. This provides an advantage compared to others in the region especially with the intense demand for diesel.

**HDPE**

High-density polyethylene.

**HRK**

Croatian kuna.

**HUF**

Hungarian forint.

**Hungarian Petroleum Product Association (MÁSZ)**

Association of important Hungarian crude oil product trading companies.

**IFRS**

International Financial Reporting Standards, formerly International Accounting Standards (IAS).

**LDPE**

Low-density polyethylene.

**Liquified Propane Gas (LPG)**

Hydrocarbon gas compound mainly consisting of propane and butane, liquefied under high pressure, which is sold in cylinders for household purposes. The motoric usage of LPG has recently increased. This fuel is known as "autogas".

**Middle distillate**

A general classification of fuels that includes heating oil, diesel fuel and kerosene.

**Mining royalty**

In accordance with international practice and the relevant provisions of the Mining Law, the Hungarian State requires the payment of a mining royalty on any and all crude oil and natural gas produced in Hungary (except production applying Enhanced Oil Recovery methods). The rate of this royalty has been 12% since 1 January 1998, except for the extra mining royalty payable on any natural gas produced from fields developed prior to 1998. The royalty rate was modified from 2006 with a multiplier of 1.02-1.05 as per the agreement between MOL and the Minister of Economy and Transport.

**MMboe**

Million barrel of crude oil equivalent.

**Monomers**

Basic compounds of polyolefins (plastics, rubbers) and basic elements (links) of polyolefin chains in high-molecular-weight materials. Nowadays, the most important monomers, the basic petrochemicals, are short-chained olefins (ethylene, propylene, and butadiene) along with their simple derivatives, and the simplest aromatic compound: benzene. Primary sources of all these monomers are the olefin plants.

**NCI (Nelson Complexity Index)**

The Nelson Complexity Index, developed by Wilbur Nelson in 1960, is a measure of the secondary conversion capacity of a petroleum refinery relative to the primary distillation capacity.

**Net cash margin**

Net cash margin represents the competitiveness and profitability of an individual refinery. It is calculated as gross margin less cash operating costs from crude oil procurement in relation to product sales. In this way, its meaning is similar to EBITDA.

**Net debt**

Long-term debt, net of current portion + short-term debt + current portion of long-term debt – short-term investments – cash and cash equivalents.

**Net Financial Expense or Income**

Means the net result derived from financing activities and financing measures (including but not limited to interest income/expense, FX gain/loss, derivatives, dividends, interest on provisions, etc.)

**NWE cracking**

Means the North-West Europe cracking

**Olefin**

This is the collective noun for open-chained hydrocarbons including unsaturated double carbon-carbon bond(s). The simplest representatives of these compounds, ethylene and propylene, are basic petrochemicals. The most important asset in olefin production is the steam cracker (olefin plant), which converts naphtha, chemical gasoil and other light hydrocarbons to key products such as ethylene and propylene by cracking and dehydrogenation.

## **Polyethylene**

This is a kind of thermoplastic produced by polymerisation of ethylene. Currently, polyethylene has the largest share among commodity plastics. Parametres (such as pressure, temperature, applied additives and catalysts) of industrial processes relating to the production of polyethylene show significant differences, and consequently a wide range of products with different characteristics can be produced. All of them can be classified into two groups according to their density: LDPE and HDPE. There are significant differences at the molecular level: LDPE shows inordinate structure, a mixture of heavily-branched components resulting in softer, more flexible material, while HDPE is a denser, harder and stronger (with higher-tensile strength) plastic due to its more structured hydrocarbon chains.

## **Polyolefins**

This is a collective noun for thermoplastics produced by polymerisation (polyaddition) of olefin monomers (e.g. ethylene and propylene). The most important commodity plastics, polyethylene and polypropylene, belong to this class.

The MOL Group polyolefin products are unimodal and bimodal HDPE, LDPE and polypropylene (homo-, random- and copolymers and PP).

Polyethylenes are used for blown film (e.g. plastic bottles) as well as for undergarments for wetsuits. Polyolefin elastomer polyethylene is used as a main ingredient in moulded flexible foam technology such as is used in the fabrication of self-skinned footwear, seat cushions, armrests and spa pillows.

## **Polypropylene (PP)**

A thermoplastic produced by polymerisation of propylene. It has a significant – and increasing – share among commodity plastics. Parametres (such as pressure, temperature, applied additives and catalysts) of industrial processes relating to PP production show significant differences, and consequently a wide range of products with different characteristics can be produced. The addition of ethylene into the polymerisation process as a co-monomer leads to PP copolymers. PP can be used in a wide variety of applications. It has good resistance to heat and low water absorption.

## **PPM**

PPM is a measure of the concentration of a substance in a liquid, used where low levels of concentration are significant. The ppm value is equivalent to the absolute fractional amount multiplied by one million. For example, 10 ppm equals 10 kilograms of a substance for a million kilograms (one kiloton) of a liquid.

## **PRMS**

Petroleum Resources Management System. The Society of Petroleum Engineers determines the classification of oil and gas reserves. This classification is used by oil and gas companies and the United States Securities and Exchange Commission in determining the reserves.

## **Production Sharing Agreement or PSA**

Agreement for sharing the production of an oil field or a gas field between a government and investors who hold the production licence for the field.

**Proved reserve**

Estimated quantity of crude oil, natural gas and liquefied gas products that can commercially be extracted from known reservoirs with a high degree of certainty (over 90%) under the prevailing economic and operating conditions.

**Recoverable resource potential**

This is the best estimate of the quantities of petroleum potentially recoverable, as of a given date, from the prospects and discoveries of MOL's exploration and appraisal portfolio.

**Refinery complexity – NCI**

Refinery complexity is a measure of the white product yield that can be achieved from one barrel of crude oil. The more complex the refinery, the higher the white product yield is from the same quality crude oil. One of the best measures for complexity is the NCI, which calculates complexity from a range of refinery plants and from the ratio of their capacity to distillation capacity.

**Reserve**

The estimated volume of crude oil, condensate, natural gas and other components that the MOL Group assumes can be extracted in commercial quantities by using known recovery methods from a known accumulation at a given point in time under the prevailing economic conditions and Government regulations.

**Reserves**

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations at a given point in time under defined conditions.

**Russian export blend**

Mix of Russian crude oils, the quoted price of which is considered as a benchmark in the international crude oil markets.

**SAPPO**

Slovak Association of Petroleum Industry and Trade.

**SPE**

Society of Petroleum Engineers, a not-for-profit professional organisation whose object is to collect, disseminate and exchange technical knowledge concerning the exploration, development and production of oil and gas resources.

**Spudded**

This means that the drilling of the well has been started.

**Steam Cracker (olefin plant)**

Technology for the production of key basic petrochemical products (olefins such as ethylene and propylene and aromatics such as benzene, toluene and xylene), on the basis of thermal decomposition (cracking) and dehydrogenation of petrochemical feedstocks (naphtha and chemical gasoil) produced by the refineries or lighter saturated hydrocarbons (ethane, propane and butane), in each case in the presence of steam. The main products of the process (ethylene and propylene) are the raw materials of polyethylene and polypropylene

production, while the by-products can be widely used in the organic chemical industry, plastics and rubber production or as gasoline-blending components.

### **Strategic gas storage**

The mobile natural gas reserve and the relevant peak withdrawal capacity aimed at implementing Hungarian Law XXVI of 2006 on the strategic storage of natural gas. This reserve and capacity can be exclusively used for ensuring the security of natural gas supply in the case of a supply crisis.

### **Transit**

Gas transmission through a pipeline, which crosses the border of one member of the European Economic Area with its starting or end-point being outside the European Economic Area.

### **Transmission pipeline**

This pipeline, including its accessories and fittings, is used for transmitting natural gas; its starting points are the national border of the country, inlet points of gas production facilities and inlet and outlet points of underground gas storage facilities, and the end or terminal points are the national border of the country, outlet points of gas transfer stations (city gates) and inlet and outlet points of underground gas storage facilities.

### **Unconventional exploration**

A programme aimed at the exploration of non-conventional hydrocarbon occurrences. A hydrocarbon occurrence can be non-conventional because of the reservoir quality (low permeability), the hydrocarbon quality (e.g. high viscosity oils) or a combination thereof. These occurrences cannot be considered as commercial reserves without well-stimulation techniques. Significant technical and economic risks are attributable to these projects in addition to the normal hydrocarbon exploration risks. The application of different well-stimulation techniques (e.g. hydraulic fracturing) materially increases the exploration costs compared to conventional exploration.

### **Upstream Division**

The Exploration and Production Business.

### **U.S.\$**

U.S. dollar.

### **White products**

Liquid light and middle distillates (gasolines, gas oils and jet/kerosene) produced from crude oil processing.

### **ZMB (Zapadno-Malobalyk) Ltd.**

A parity joint venture of MOL with Rosneft in Western Siberia's Khanty-Mansi region.



## TAXATION

### Hungarian Taxation

*The following is a general discussion of certain Hungarian tax consequences of the acquisition, ownership and disposition of Notes. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Hungary currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive effect.*

*Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country in which they are tax-resident. The acquisition of the Notes by non-Hungarian tax-resident Noteholders or the payment of interest under the Notes may trigger additional tax payments in the country of tax residence of the Noteholder, which is not covered by this summary but is where the provisions of the treaties on the avoidance of double taxation should be taken into consideration.*

#### *Taxation of non-Hungarian tax-resident Noteholders other than individuals*

Non-Hungarian tax-resident Noteholders other than individuals are not subject to Hungarian withholding tax on interest received in respect of the Notes.

Profits realised by non-Hungarian tax-resident Noteholders other than individuals in the form of interest or as capital gains on the sale of the Notes are not subject to corporate income tax in Hungary provided that the acquisition, ownership and disposition of the Notes are not attributable to any Hungarian permanent establishment of such Noteholders.

#### *Taxation of individual non-Hungarian tax-resident Noteholders*

Individual non-Hungarian tax-resident Noteholders are subject to tax in Hungary only with respect to their Hungarian source income or income that is otherwise taxable in Hungary if an international treaty or reciprocity so requires. Interest received with respect to the Notes is regarded as Hungarian source income if the Issuer/Guarantor obliged to pay the interest is Hungarian tax-resident. In general, such income is subject to a 16% withholding tax if the Notes are offered to the public and 16 to 20.32% withholding tax if the Notes are offered by way of a private placement in Hungary. However, the applicable international treaty may fully exempt Noteholders from withholding tax or may reduce the applicable withholding tax rate. Treaty benefits are only available on the basis of a tax residency certificate provided to the payor by the individual before the interest payment.

Interest, as defined in Schedule 7 of Act XCII of 2003 on the Rules of Taxation (**ART**) implementing certain provisions of the EU Savings Directive, realised on the Notes by citizens of any Member State of the European Union other than Hungary is not subject to Hungarian withholding tax where the payor (*kifizető*) of such interest provides data to the Hungarian state tax authority in accordance with Schedule 7 of the ART.

An individual non-Hungarian tax-resident Noteholder is not subject to tax in Hungary where such Noteholder realises capital gains income from Hungary since such income is not considered to be Hungarian source income.

#### *Taxation of Hungarian tax-resident Noteholders other than individuals*

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax (**Corporation Tax Act**), Hungarian resident, non-individual taxpayers are subject to full, all-inclusive corporate income tax liability. Resident

entities are those established under the laws of Hungary. Foreign persons having their place of management in Hungary are also considered to be Hungarian resident taxpayers. Taxable income is based on the pre-tax profit as shown in the financial statements and adjusted by certain increasing and decreasing items set forth by tax legislation. Taxable income includes all types of income realised during the financial year, such as interest income and income from capital gains. Hungarian tax resident Noteholders other than individuals are subject to the progressive corporate income tax rates of 10 and 19%.

#### *Taxation of individual Hungarian tax-resident Noteholders*

Individual Hungarian tax-resident Noteholders are subject to tax on their worldwide income. Interest received and capital gains realised with respect to debt securities, such as the Notes, are subject to tax at 16% if the Notes are offered to the public and 16 to 20.32% if the Notes are offered by way of a private placement.

Individual Hungarian tax residents are persons: (i) who are Hungarian citizens; (ii) whose stay in Hungary exceeds 183 days within a calendar year; (iii) who only have a permanent domicile (*állandó lakóhely*) in Hungary; or (iv) whose centre of vital interests (*létférdekek központja*) is in Hungary, if they do not have a permanent domicile in Hungary or have permanent domiciles both in Hungary and in any other country.

#### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

#### **Luxembourg Taxation**

The following summary is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

#### **Withholding Tax**

##### **(i) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the **Laws**), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is

any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws will be subject to a withholding tax at a rate of 35%.

**(ii) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law will be subject to a withholding tax at a rate of 10%.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 12 September 2012, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and
- the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Hungary

Each Dealer has represented and agreed that if the Notes are offered in a private placement in Hungary (i) all written documentation prepared in connection with a private placement in Hungary will clearly indicate that it is a private placement (ii) it will ensure that all investors receive the same information which is material or necessary to the evaluation of the Issuer's and the Guarantor's current market, economic, financial or legal

situation and its expected development, including that which was discussed in any personal consultation with an investor and (iii) the following standard wording will be included in all such written communication:

"PURSUANT TO SECTION 18 OF ACT CXX OF 2001 ON THE CAPITAL MARKETS, THIS [NAME OF DOCUMENT] WAS PREPARED IN CONNECTION WITH A PRIVATE PLACEMENT IN HUNGARY."

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **France**

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2, and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the subscription agreement or dealer accession letter relating to a particular issue of notes as relevant.

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 4 September 2012 and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 27 August 2012.

### **Listing of Notes and Admission to Trading**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### **Documents Available**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the constitutional documents (with an English translation thereof) of the Issuer and the constitutional documents (with an English translation thereof) of the Guarantor;
- (b) the audited consolidated annual financial statements of the Guarantor in respect of the financial years ended 31 December 2010 and 2011;
- (c) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (d) a copy of this Base Prospectus;
- (e) any future Base Prospectus, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (f) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Yield**

The yield relating to a particular issue of Notes will be stated in the Final Terms relating to those Notes and is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### **Significant or Material Change**

There has been no significant change in the financial or trading position and there has been no material adverse change in the financial position or prospects of the Issuer since it was incorporated on 10 August 2012.

There has been no significant change in the financial or trading position of the Guarantor since 30 June 2012 and there has been no material adverse change in the financial position or prospects of the Guarantor since 31 December 2011.

### **Litigation**

Save as disclosed in this Base Prospectus at pages 135-137 neither the Issuer nor the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

### **Auditors**

The statutory auditors of the Issuer are Ernst & Young S.A. having its registered office at 7, rue Gabriel Lippmann, L-5365 Munsbach and which belong to the Luxembourg institute of auditors (*Instituts des réviseurs d'entreprises*). The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Guarantor are Ernst & Young *Könyvvizsgáló Korlátolt Felelősségű Társaság* of Váci út 20. H-1132 Budapest, Hungary, who have audited the Guarantor's accounts, without qualification, in accordance with International Financial Reporting Standards for each of the two financial years ended on 31 December 2010 and 31 December 2011. The auditors of the Guarantor are members of *Magyar Könyvvizsgálói Kamara* (the Chamber of Hungarian Auditors). The auditors of the Guarantor have no material interest in the Guarantor.

The reports of the auditors of the Guarantor are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Base Prospectus. As far as the Issuer and Guarantor are aware and are able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Trust Deed provides that the Trustee may rely on certificates or reports of any experts in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Issuer, the Guarantor and/or the Trustee and such expert in connection therewith contains any limit on liability (monetary or otherwise) of such expert.

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Note.



**Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their affiliates in the ordinary course of business.

**Trustee's action**

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

## **ISSUER**

**MOL Group Finance SA**  
102, rue des Maraîchers,  
L-2124 Luxembourg  
Grand Duchy of Luxembourg  
R.S.C. Luxembourg B170861

## **DEALERS**

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

## **GUARANTOR**

**MOL Hungarian Oil and Gas Public Limited Company**  
Október huszonharmadika u.18  
1117 Budapest  
Hungary

## **TRUSTEE**

### **Citicorp Trustee Company Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
E14 5LB  
United Kingdom

## **ISSUING AND PRINCIPAL PAYING AGENT AND TRANSFER AGENT**

### **Citibank N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
E14 5LB  
United Kingdom

## **REGISTRAR**

### **Citigroup Global Markets Deutschland A.G.**

Reuterweg 16  
Frankfurt am Main D-60323  
Germany

## LEGAL ADVISERS

*To the Issuer and the Guarantor as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

*To the Issuer as to Luxembourg law*

**Allen & Overy Luxembourg**  
33 avenue J.F. Kennedy  
L-1855 Luxembourg

*To the Guarantor as to Hungarian law*

**Morley Allen & Overy Iroda**  
Madách Trade Center  
Madách Imre utca 13-14  
1075 Budapest  
Hungary

*To the Dealers and the Trustee as to  
English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

*To the Dealers and the Trustee as to Hungarian law*

**Andrékó Kinstellar Ügyvédi Iroda**  
Széchenyi rakpart 3  
1054 Budapest  
Hungary

## AUDITORS TO THE ISSUER

**Ernst & Young S.A.**  
7, rue Gabriel Lippmann  
L-5365 Munsbach  
Luxembourg

## AUDITORS TO THE GUARANTOR

**Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság**  
Váci út 20  
1132 Budapest  
Hungary