

# GLOSSARY

## Average realised hydrocarbon price

Total revenue realised on hydrocarbon sales per barrel

## Biofuels

Biofuels means liquid or gaseous fuel for transport produced from biomass, where "biomass" means the biodegradable fraction of products, waste and residues from biological origin from agriculture (including vegetal and animal substances), forestry and related industries including fisheries and aquaculture, as well as the biodegradable fraction of industrial and municipal waste.

## Barrel (bbl)

Anglo-Saxon unit of measurement applied in the oil industry, one ton crude oil is nearly equal with 7-7,5 barrel. (Conversion rate applied onto crude oil grades in Hungary is 7,55 bbl/ton). One cubic metre is equal to 6.29 barrel.

## 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, 6000 cubic feet (about 170 normal m<sup>3</sup>) of gas.

## Boepd

Barrel of oil equivalent per day

## Brent type crude oil

Mix of North Sea crude oils whose quoted price is considered as a benchmark in the international crude oil market.

## Brent-Ural Spread

Difference between Brent and Ural crude oil's international price. The price of Ural type crude oil is quoted in Rotterdam (FOB ROT) and Mediterran (CIF MED) region.

## Butadiene (1,3 - butadiene)

1,3-Butadiene is a simple conjugated diene with the formula C<sub>4</sub>H<sub>6</sub>. Butadiene is produced as a byproduct of the steam cracking process used to produce ethylene and other olefins. Typically isolated from C<sub>4</sub> fraction. Colourless gas, flammable, irritative, carcinogen. It is an important industrial chemical used as a monomer in the production of synthetic rubber.

## Company

MOL Hungarian Oil and Gas Public Limited Company

## Condensates

General term for a group of liquid phase hydrocarbons in which light components dominate and which are extracted at the surface by natural gas separation.

## Crack Spread

Difference between product's quoted price and crude oil price. The crack spread figures change according to global oil market trends (like consumption seasonality, refinery supply, changes of stocks).

## Downstream

Refining and Marketing, Retail and Petrochemicals

## Enhanced oil recovery (EOR)

Processes/technologies that can be used to recover more oil relative to the primary and secondary methods.

## Field development

Process of implementing underground and aboveground facilities necessary for the recovery of hydrocarbon reserves.

## FPSO (Floating Production Unit and Offloading)

This unit is a floating vessel used by the offshore oil and gas industry for the production and processing of hydrocarbons, and for the storage of oil. An FPSO vessel is designed to receive hydrocarbons produced by itself or from nearby platforms or subsea template, process them, and store oil until it can be offloaded onto a tanker or, less frequently, transported through a pipeline.

## Gross production

Total quantity of crude oil and natural gas from hydrocarbon fields prior to the deduction of royalties.

## HDPE

High density polyethylene

## Liquefied Propane Gas (LPG)

Hydrocarbon gas compound mainly consisting of propane and butane, liquefied under high pressure, which is sold in cylinders for household purposes. These days the motoric usage of LPG spreads. This fuel is the „autogas“.

## LDPE

Low density polyethylene

## mboepd

Thousand barrel of crude oil equivalent per day

## MCM

Million cubic feet

## MMbbl

Million barrel

## MMboe

Million barrel of crude oil equivalent

## Monomers

Basic compounds of polymers (plastics, rubbers), basic elements (links) of polymer chains in high-molecular-weight materials. Nowadays the most important monomers, the basic petrochemicals are short-chained olefins (ethylene, propylene, 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 production

Total crude oil and natural gas quantity from the hydrocarbon fields following the deduction of mining royalties.

## Olefin

This is 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 so-called steam cracker (olefin plant), which converts naphtha, chemical gasoil and other light hydrocarbons to key products as ethylene and propylene by cracking and dehydrogenation.

## Polimer

A complexity of repeating units of organic or inorganic macromolecules

## Polypropylene (PP)

A thermoplastic produced by polymerisation of propylene. Has a significant - and increasing - share among commodity plastics. Parameters (such as pressure, temperature, applied additives and catalysts) of industrial processes aiming at PP production show significant differences, consequently a wide range of products with different characteristics can be produced. Addition of ethylene into the polymerisation process as co-monomer leads to PP copolymers. PP can be used in a wide variety of application sites 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 kilogram of a substance for a million kilogram (one kiloton) of a liquid.

## Production Sharing Agreement (PSA)

Agreement for sharing the production of an oil field or a gas field between the State and the Investors, having the production license for the field.

## Propylene

The second member of the alkene homologous series, empirical formula: C<sub>3</sub>H<sub>6</sub>. There is a single double bond between two carbon atoms.

## Proved reserves (SPE 1P)

Proved reserves are those quantities of petroleum claimed to have a reasonable certainty (normally at least 90% confidence) of being recoverable under existing economic and political conditions, with existing technology.

## Proved + probable reserves (SPE 2P)

It includes proved reserves + probable reserves (that are attributed to known accumulations and claim 50% confidence level of recovery).

## Putting into production

Accomplishment of surface and underground facilities necessary for the production of hydrocarbon reserves.

## Refinery margin

Difference between product's international quoted price and the actual crude oil price. Or: The unit profitability of a (theoretical or actual) refinery, which is determined by crude oil product, as well as unit refining costs.

## Refinery complexity

Refinery complexity demonstrates, what white product yield can be achieved from 1 barrel of crude oil. The more complex the refinery, the higher is the white product yield from the same quality crude oil ie. the less fuel oil it produces. One of the best measure for complexity is Nelson index, which calculates complexity from the existence of different refinery plants and from the ratio of their capacity to distillation capacity.

## Reserve

Estimated volume of crude oil, condensate, natural gas and other components that can commercially be extracted by using known recovery methods from a known accumulation under the prevailing economic and operating conditions.

## SCM (Supply Chain Management)

Supply Chain Management coordinates the procurement of crude oil, other refinery feedstock and products, as well as refining, logistics related to procurement or sales, and the wholesale of crude oil products. It targets to maximise MOL Group profit with optimising through the whole value chain.

## SPE based reserve valuation

Method used by the Society of Petroleum Engineers

## Thermal Power Plant (TPP)

A thermal power station is a power plant in which the prime mover is steam driven. Water is heated, turns into steam and spins a steam turbine which drives an electrical generator (regional average net electric efficiency of existing thermal power plants is approximately 35%).

## Transit

Gas transmission through pipeline, which crosses the border of one member of the European Economic Area and its starting or end-point is outside the European Economic Area.

## Transmission pipeline

This pipeline, including its accessories and fittings, is used for transmitting natural gas, and its starting or kick-off points are the national border of the country, inlet points of gas production facilities, 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), inlet and outlet points of underground gas storage facilities.

## Unit production cost

Total cost of lifting, gathering and processing of crude oil and natural gas per barrel of crude oil equivalent

## Upstream

Exploration and Production Segment.

## Ural Blend

Russian, export quality crude oil. Heavy and sour (with high sulphur content) crude oil, therefore the price of Ural Blend is lower than that of light Brent crude oil, which has low sulphur content.

## FINANCIAL TERMS

### ADR

American Depository Receipt, depository certificates issued by a foreign depository on the issuers shares, which are deposited with a Hungarian custodian.

### CAPEX

Capital Expenditures

### Clean-CCS EBITDA / Operating profit

As of Q2 2013 our applied clean CCS methodology eliminates from EBITDA / operating profit inventory holding gain / loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains / losses on debtors and creditors; furthermore adjusts EBITDA / operating profit by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.

### EBITDA (Earnings before interest, tax, depreciation and amortisation)

Operating profit plus depreciation and amortisation

### EPS

Earnings per Share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

### Financial Covenant

It is the rate calculated from specific terms of P&L, Balance Sheet and Cash-Flow. (Eg.: Net Debt per EBITDA, EBITDA per Total Interest Expense) Financial Covenants are primarily applied in loan facility agreements to limit lenders' credit risk.

## Gearing

Ratio of net debt to net debt plus equity

## IFRS

International Financial Reporting Standards, formerly International Accounting Standards (IAS)

## Market capitalisation

Number of shares (issued share capital excluding Treasury stock) multiplied by the actual stock market price.

## MNB (Magyar Nemzeti Bank)

The Central Bank of Hungary

## Net debt

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 income

Attributable to equity holders of the parent Profit after taxation after the Groups share of associated companies and the deduction of profits due to minority interest.

Operating cash flow

Net cash provided by operating activities to be used for investment activities, interest payments and dividend payments to shareholders.

## ROACE (Return on average capital employed)

Operating profit after taxation / average capital employed

Operating profit after taxation = operating profit x (100% - calculated corporate tax ratio)

Average capital employed = opening capital employed/2 + closing capital employed/2

Capital employed = total assets – long term financial investments – work in progress – cash and cash equivalents – short term liabilities + short term loans and credits

## ROE (Return on Equity)

Net income divided by shareholders equity

## Shareholder's return

Return resulting from the movements of the share price and the amount of dividend paid

## SUSTAINABLE DEVELOPMENT

### APC

Aim of Annual People Cycle is to have a sustainable and integrated people management process at MOL Group. The yearly repeating assessment cycle ensures regular feedback on performance, career & development opportunities, and links current performance to long-term career growth.

### BOD (Biological Oxygen Demand)

The rate of wastewater pollution expressed by the amount of oxygen required by micro organisms for the biological oxidation of organic waste in a unit volume of waste water.

## COD (Chemical Oxygen Demand)

A parameter similar to BOD, differing only in that the oxidation of components in waste water is based on the use of chemicals.

## Donations in cash

Is a monetary support provided without any return consideration in a financial or other form. It is closely related to the social role and responsibility of the Company, and can contribute to the Company's positive image.

## Employee volunteering during paid working hours

Employee volunteering is a service provided by the company staff during paid working hours supporting communities or for charitable purposes.

## ETS (Emission trading scheme)

The Greenhouse Gas Emission Trading scheme of the European Union is a market based instrument for cost effective reduction of Greenhouse Gas Emissions.

## GHG (Greenhouse gases)

Gases that contribute to the formation of an undesirable insulating blanket around the Earth by trapping heat from infrared radiation (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, SF<sub>6</sub>).

## GRI (Global Reporting Initiative)

A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

## HAY

MOL Group's existing job grading system is based on the HAY methodology. HAY enables the company to manage a single, logical, transparent and consistent system that ensures the adequate treatment of its employees based on the nature of their work and their position within the company.

## HSE

Health, Safety and Environment

## HSE indicators

For the exact definitions of the HSE indicators please visit our Sustainable Development website.

<http://molgroup.info/hu/sustainability>

## In-kind giving

A non-monetary support provided without any return consideration in a financial or other form, which is closely related to the social role and responsibility of the Company, and can contribute to the Company's positive image.

## LTIF (Lost Time Injury Frequency)

The number of incidents of lost time injury (LTI) per one million hours worked

## PM (Particulate Matter)

Particulate matter is finely dispersed solid matter produced by

burning and other technological processes; the most dangerous are fractions finer than 10 µm (PM<sub>10</sub>).

## RAR (Road accident rate)

The number of road accidents per 1 million km driven

## Remediation

Preventing, minimising, remedying or mitigating the effects of pollution in relation to contaminated land or water, or restoring such land or water to its former state.

## SD (Sustainable Development)

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (source: UN / Brundtland Report).

## Spills

Unintended and/or uncontrolled release of liquefied hazardous materials exceeding 1 cubic metre volume to the environment (ground-water, surface water, soil).

## SS (Solid Substances)

Particles which do not dissolve in water

## TPH (Total Petroleum Hydrocarbons)

Is a parameter used to measure the concentration or mass of petroleum hydrocarbon constituents present in a given amount of soil or water

## TRIR (Total Reportable Incident Rate)

Total number of Lost Time Injuries, Medical Treatment cases and Restricted Work Cases per 1 million hours worked.

## VOC (Volatile Organic Compounds)

Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids and include a variety of chemicals, some of which may have short- and long-term adverse health effects and participates in atmospheric photochemical reactions. They are defined as any organic compound with a vapour pressure of 0.01 kPa or higher at 293.15 K (20 °C), or which has similar volatility under the actual conditions of use (methane is not included); most ground-level ozone (smog) results from a reaction between NO<sub>x</sub> and VOCs.

## VRU

Vapour recovery unit – a relatively simple system that can capture vapours that otherwise will be vented into the atmosphere