Growth and Efficiency in Central Europe

Presentation Of Strategy And Financial Targets

MOL Hungarian Oil and Gas Plc

November 2002

Disclaimer

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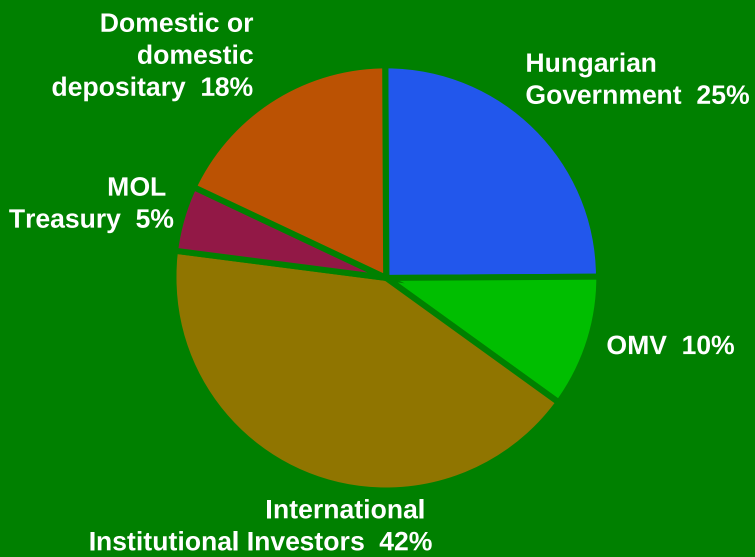
MOL Hungarian Oil and Gas Company

Shareholding structure (approximate)



- First significant oil and gas company in Central Europe to be privatised
- Leadership in all domestic core businesses
- First major regional consolidation step concluded: through the partnership with Slovnaft, the Slovak national oil company
- Shares listed on Budapest and Luxembourg Stock Exchanges and traded on SEAQ (London)

Agenda

- **Introduction**
- **2000-2002 Strategy Evaluation**
- **2003-2005 Strategy – Adapting to New Challenges while Maintaining Key Focus**
- **Summary and Key Financial Targets**

Key messages

- Leading returns from efficiency and integration synergies
- Stimulation of organic growth through selective investment
- Capabilities to capture regional growth
- Risk control and balanced portfolio

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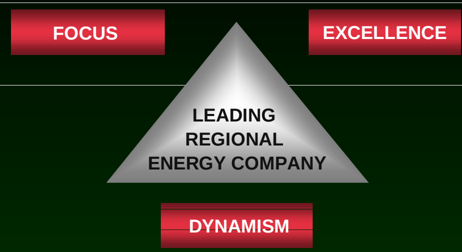
- **2000-2002 Strategy Evaluation – Results Delivered**
- 2003-2005 Strategy – Adapting to New Challenges while Maintaining Key Focus
- Summary and Key Financial Targets



Delivery track record 2000-02

Focused portfolio

- USD 150 mn from divestitures — P
- Restructured intl. exploration portfolio — P
- Rationalisation of refining/logistics — P
- Outsource non industry-specific functions — P
- First-mover in regional consolidation — P

Operating excellence

- Improvement of refinery yield — P
- Strong throughput per site growth — P
- USD 100 mn cost base reduction — P
- Group ROACE target of 19% — O
- Non-regulated businesses on target — P
- Headcount reduced to below 12,000 — P

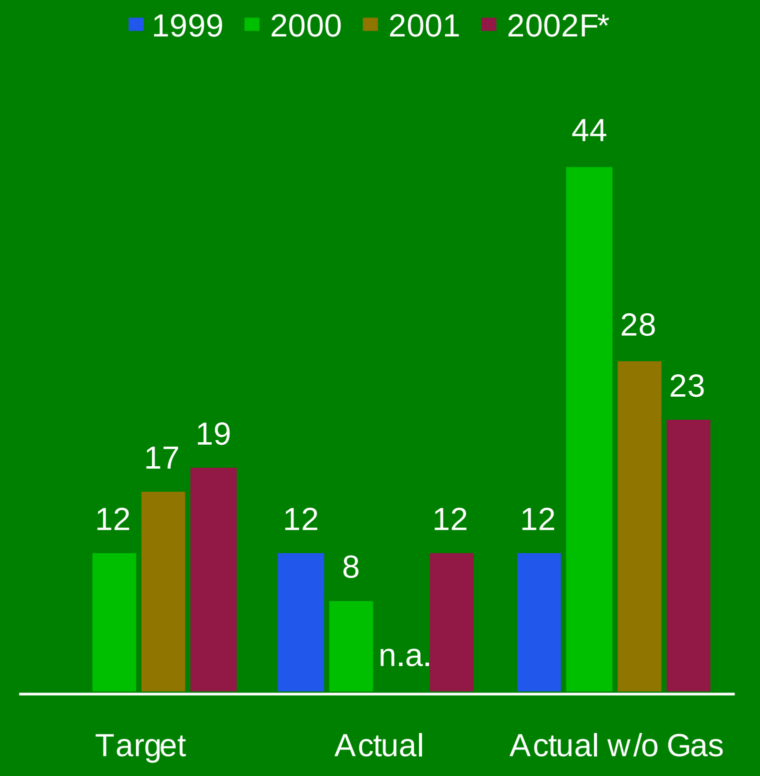
Organisational capabilities

- International management — P
- Leaner organisation — P
- Reengineered business model — P
- Strong corporate governance — P
- Best practice in HSE — P

Regulatory pressure on gas partially compensated by strong performance of core activities

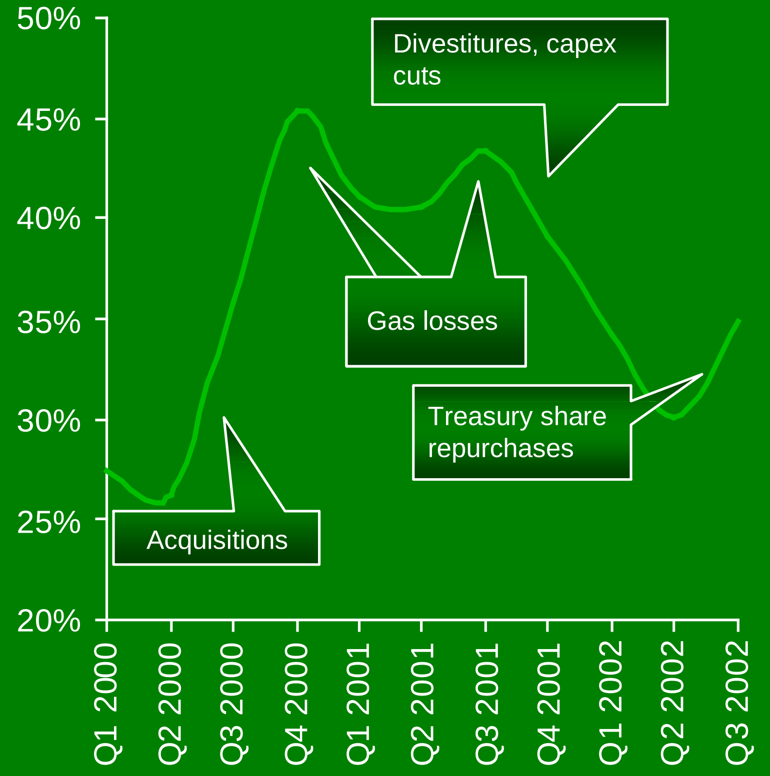
ROACE

%



** forecast w/out one-off restructuring costs*

Gearing*



** net debt/(net debt+equity+minorities)*

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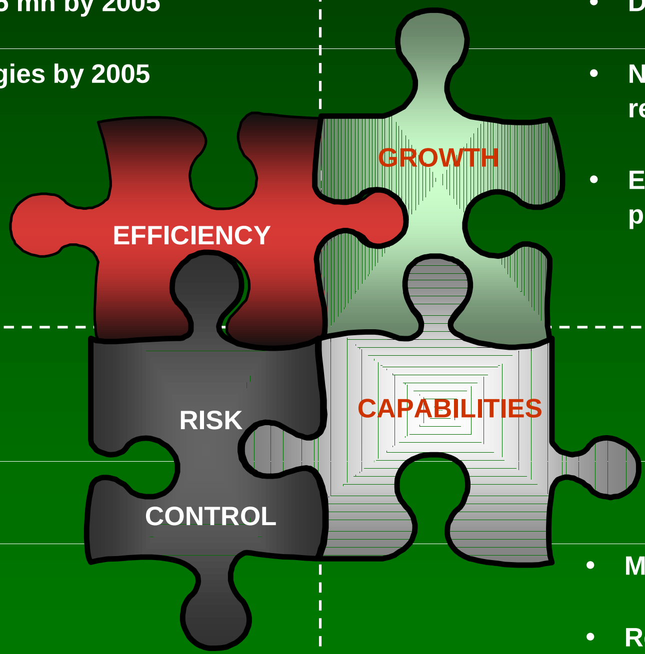
Evolving strategic environment

- Investment in organic growth justified by strong demand
- Influence of politics reducing with EU convergence
- Continuous drive to reach cost effectiveness in all businesses
- Maintain quality advantage by meeting EU standards
- Intensifying competition for assets
- Flexibility from both organic and acquisitive growth opportunities

Combining strong growth with robust returns

- 2005 ROACE target of 17% at USD 20/bbl
- Efficiency improvement of USD 175 mn by 2005
- Further USD 50 mn Slovnaft synergies by 2005

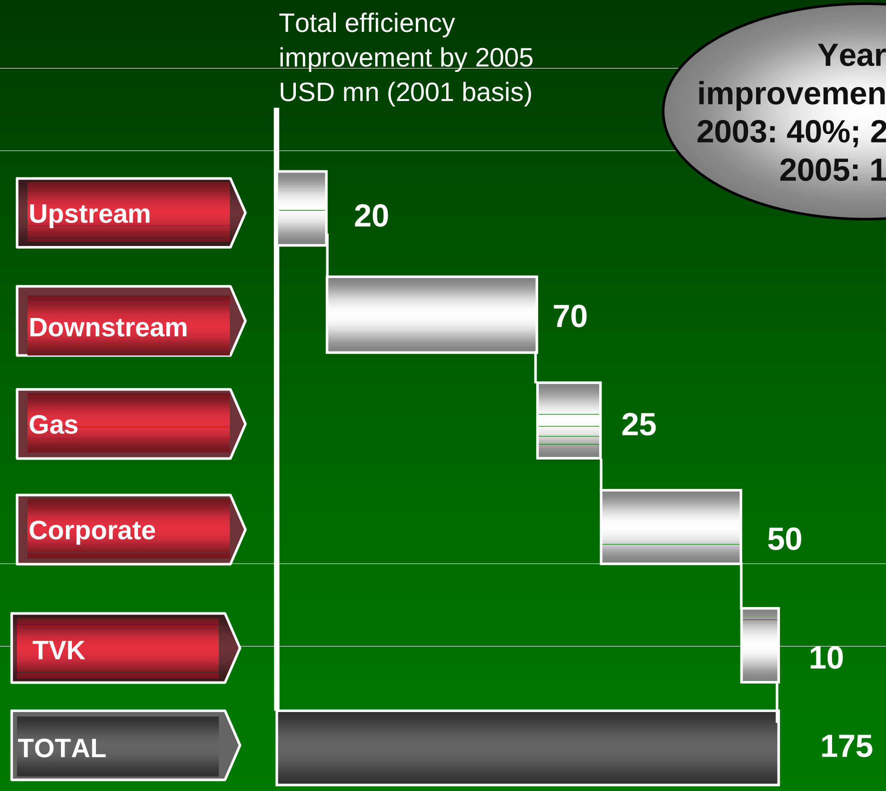
- 2005 Group EBITDA target >USD 1.0 bn
- Double crude production by 2005
- New markets - 200 new retail stations in region
- Exploit leading regional petrochemical position



- Gearing target of 40% maintained
- Continued capital discipline
- Maintain portfolio balance

- Maintain financial flexibility
- Regionally optimized business model
- Capture additional growth opportunities from potential acquisitions

Lifting efficiency to world-class level



Yearly improvement buildup: 2003: 40%; 2004: 70%; 2005: 100%

2,500 headcount reduction at MOL parent to reach international benchmark efficiency

80% cost reduction
20% revenue growth

Plan to establish provision in Q4 2002 for expected one-off restructuring costs of approximately USD 100mn as a result of the 3-yr programme

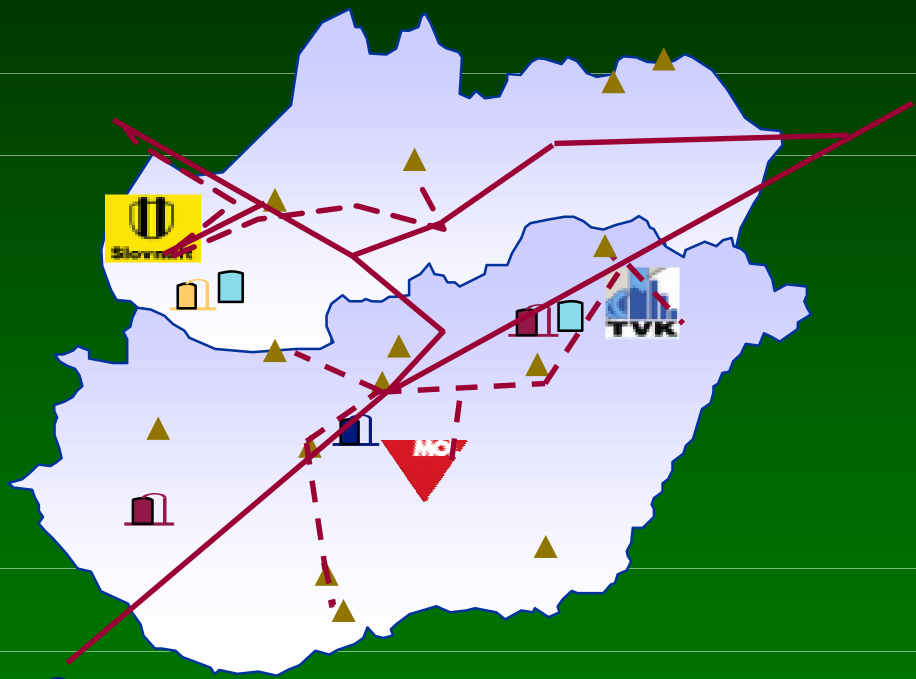
Further optimise the portfolio

UPSTREAM	DOWN STREAM	RETAIL	PETCHEM	GAS
PRODUCTION GROWTH	SYNERGIES	FOCUSED REGIONAL GROWTH	INTEGRATION AND GROWTH	RISK CONTROL

INCREASE UPSTREAM INTEGRATION BY DOUBLING CRUDE PRODUCTION

INCREASE CAPTIVE MARKETS THROUGH RETAIL EXPANSION AND PETROCHEMICAL INTEGRATION TO STABILIZE REFINING ACTIVITIES

Fully utilize synergies within Group



Refinery upgrade

Rationalized refineries

Oil Pipelines

Product pipeline

Refinery acquisition

Petchem site acquisition

Logistics depot

Partnerships at work

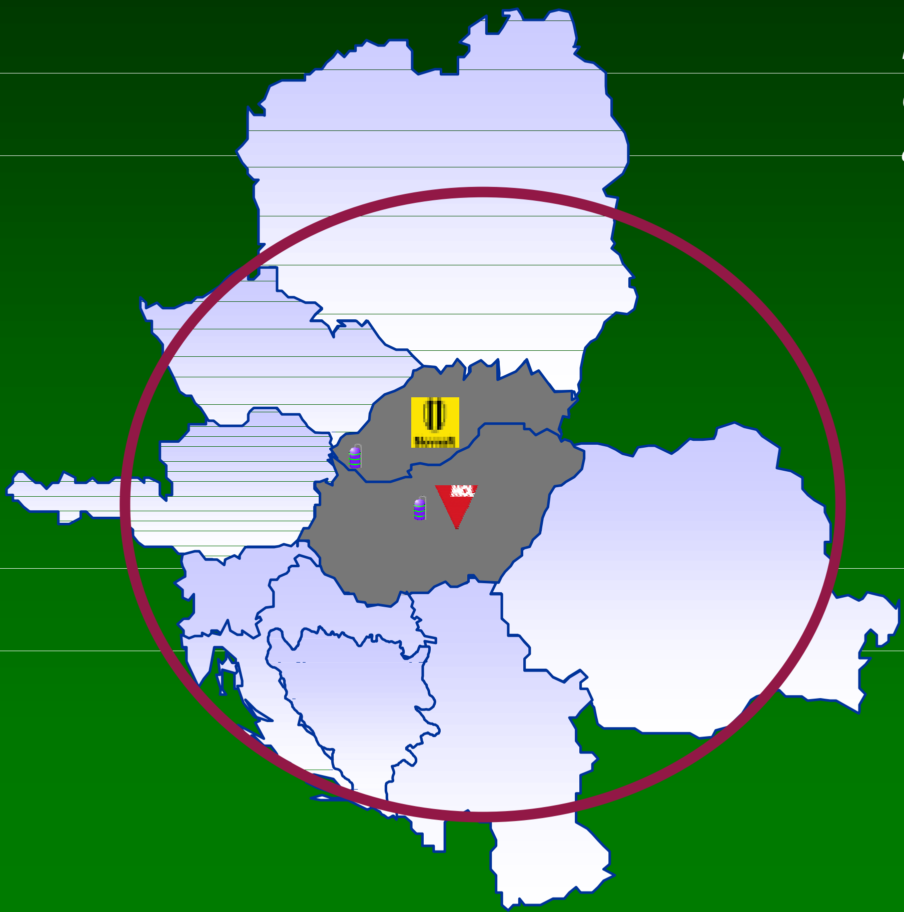
Additional USD 50 mn of synergies between MOL and Slovnaft

Ethylene capacity expansion stabilizes refining operations

Harmonised developments across Group

Integrated sales channels

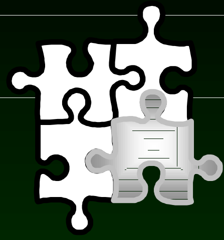
Exploiting new growth opportunities

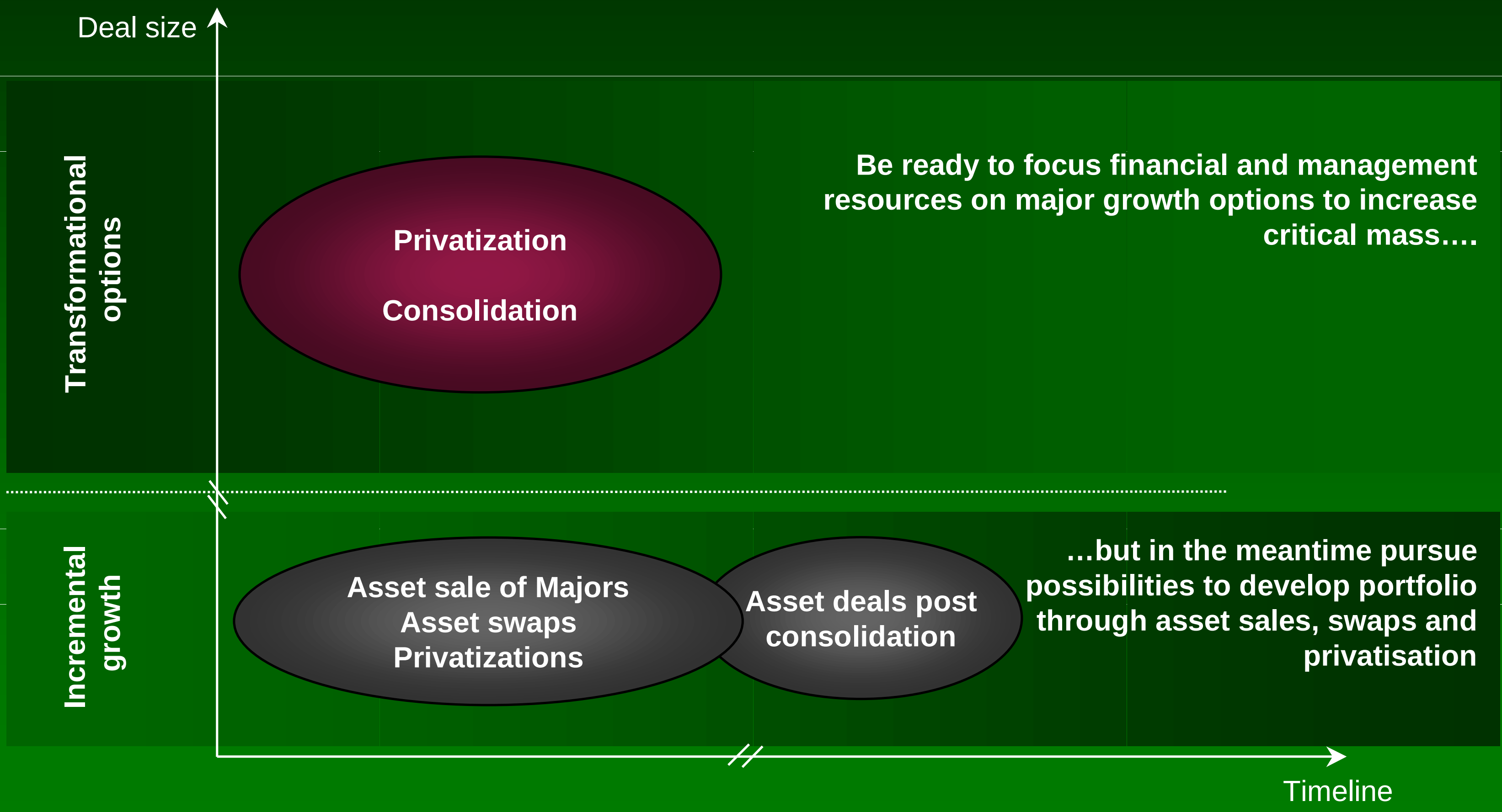


Exploit organic and inorganic growth opportunities by leveraging our advantages:

- **State-of- the-art asset base**
- **Proximity to high growth Balkan area**
- **Good access to sizeable, developed consumer markets**
- **Strong transit potential**
- **Quality leadership**

Flexibility to exploit inorganic growth potential



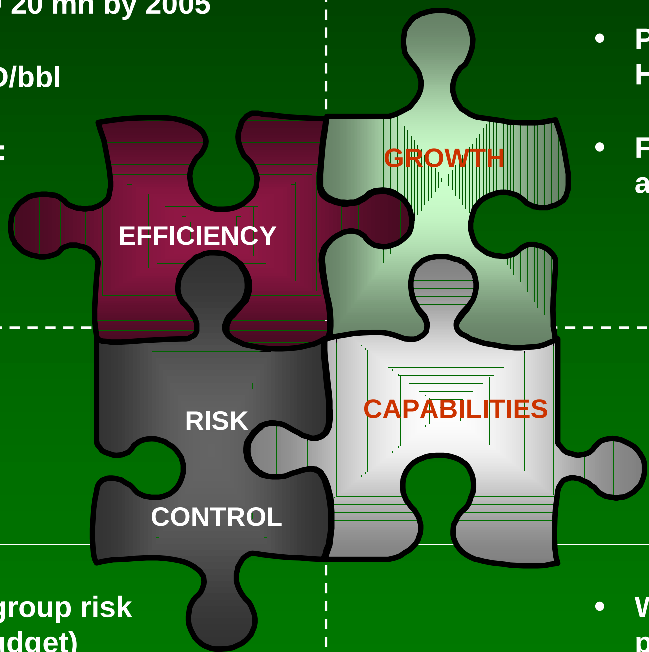


E&P – Focused growth

- 2005 ROACE target of 30%
- Efficiency improvement of USD 20 mn by 2005
- 3-yr avg F&D cost target: 4 USD/bbl
- 3-yr avg production cost target: 4 USD/bbl*

**Excluding DD&A*

- Increase crude production from 25,000 bbl/day to 50,000 bbl/day
- Production intensification in Hungary
- Focused portfolio-building in core areas



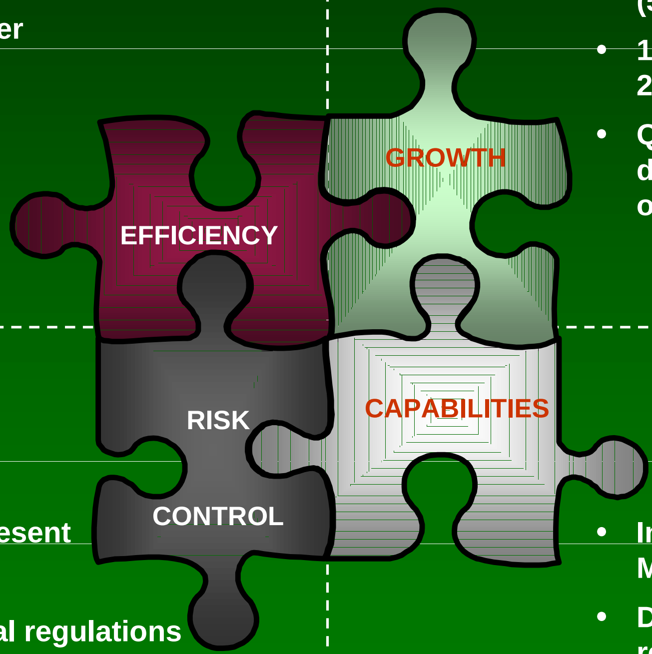
- Exploration spend in line with group risk profile (USD 40-50 mn yearly budget)
- International production growth based on reserve acquisition to reduce exploration risk

- Widespread use of partnerships
- Capitalising on special niche skills

R&M - Integration and quality leadership

- 2005 ROACE target of 18%
- Efficiency improvement of USD 70 mn by 2005
- Increase average throughput per site by 10%
- Increase non-fuel sales margin ratio to reach 25%

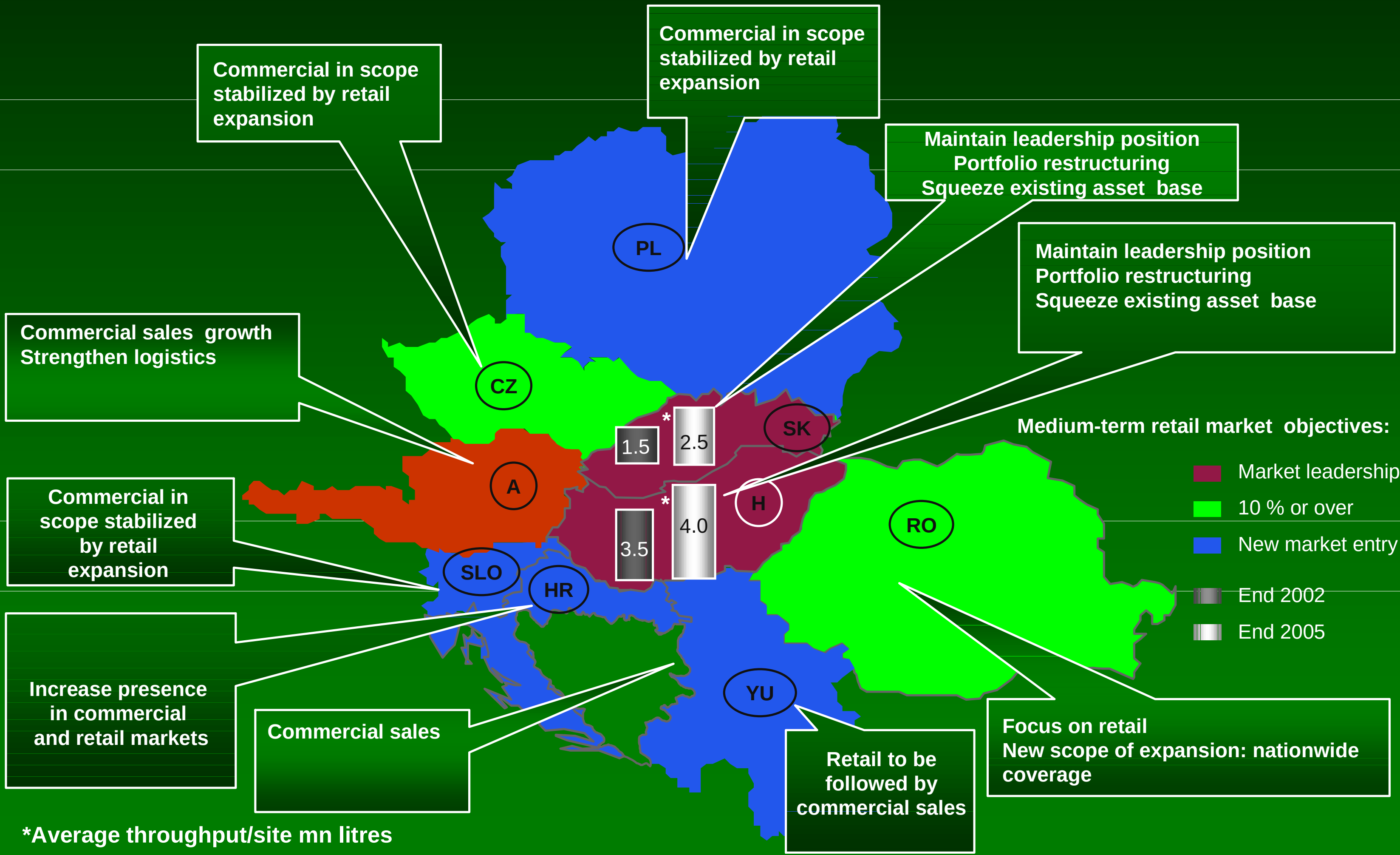
- Provide new transit route for Russian crude to reach the Med (5 mt/yr)
- 1000 stations in eight countries by 2005
- Quality-driven product development will enhance export opportunities



- Develop captive market to represent over 50% of refining output
- Compliance with environmental regulations
- Increased security of crude supply
- Focus growth on selected markets

- Integrate Supply Chain Management with Slovnaft
- Development of integrated regional logistics

Harmonized commercial and retail actions

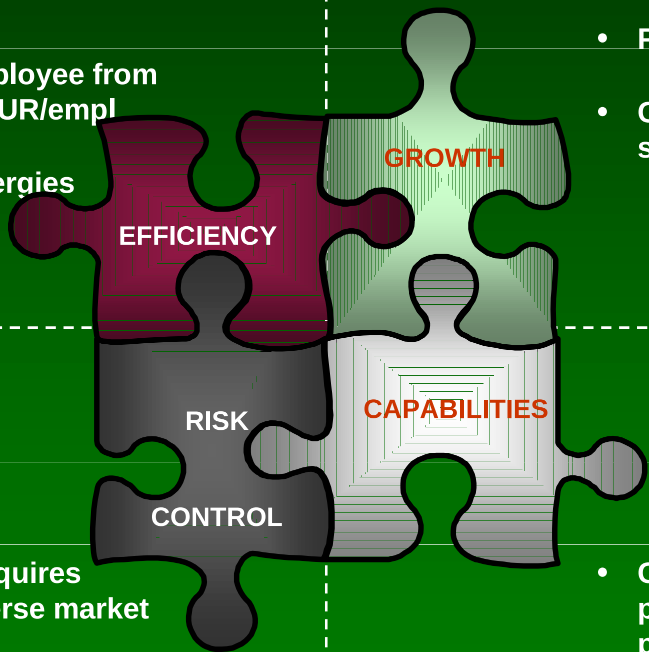


*Average throughput/site mn litres

Petrochemicals - Integration and growth

- 2005 ROACE target of 20%
  Efficiency improvement of USD 10 mn by 2005
- Increase sales revenue per employee from 200,000 EUR/empl to 400,000 EUR/empl
- Fully exploit MOL-SN-TVK synergies
  Closure of obsolete PP plants

- Major ethylene and HDPE capacity growth at TVK
- PP investment in Slovnaft
- Capture 7% regional polymer sales growth per annum



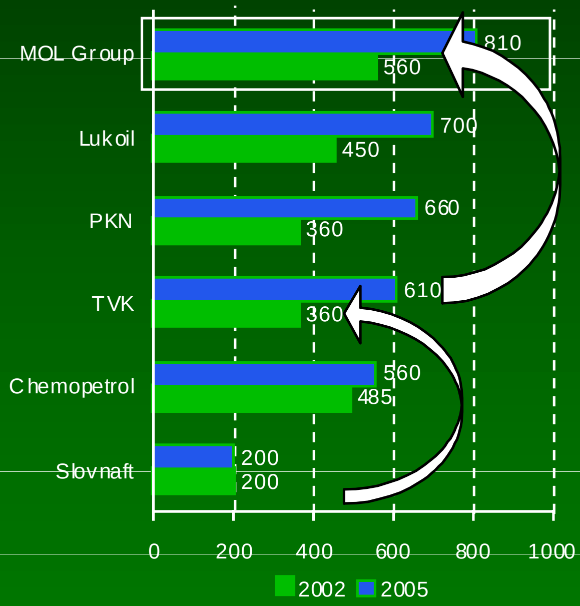
- Investment project approval requires satisfactory growth under adverse market conditions
- Size/scope of petrochemical business fully in line with refining capabilities (share in capital employed below 20% post capacity growth)

- Consider alliances and partnerships with various industry players
- Proven capabilities in product marketing

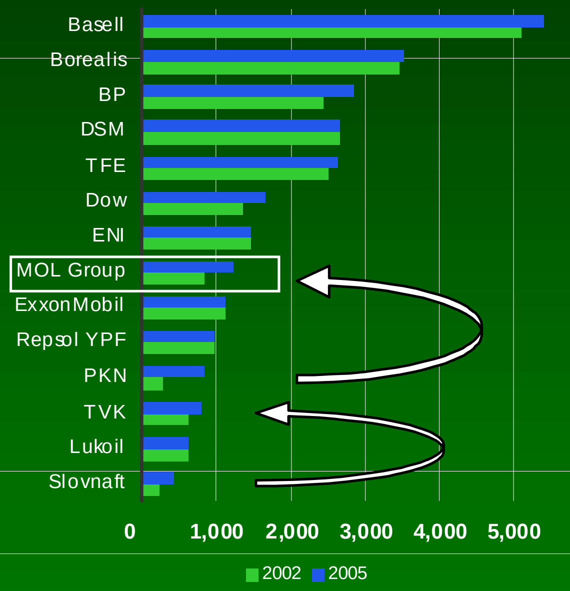
Leveraging integration and new investments

- MOL's value-chain includes olefin and polymer production with primary focus on olefins
- Solidifying regional leadership of MOL Group
- Goals achievable by already committed/started projects
  - –USD 430 mn ethylene capacity expansion – premium-grade HDPE, PP at TVK
  - –USD 110 mn PP upgrade at Slovnaft
- Significant cost improvement

CEE ethylene capacities (ktpa)



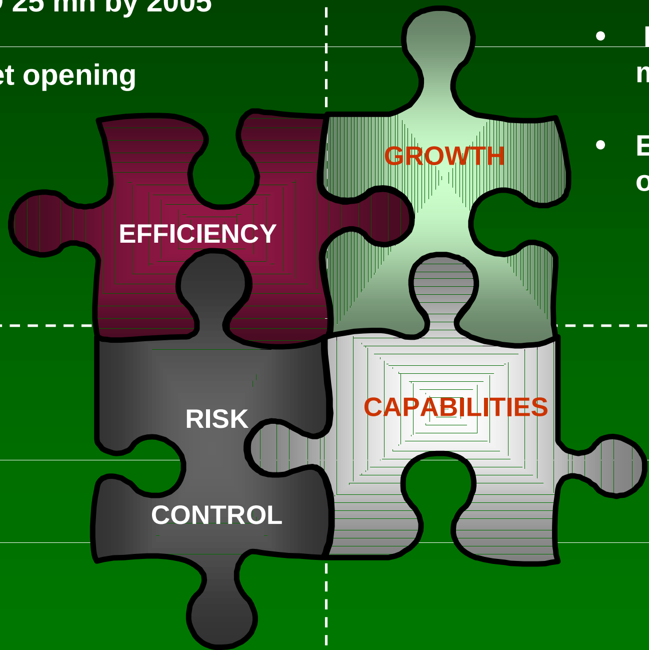
European polymer capacities (ktpa)



Gas - Risk control

- 2005 ROACE target of 12%
- Efficiency improvement of USD 25 mn by 2005
- Prepare the business for market opening

- Shape future regulatory regime with regulator
- Minimise impact of eventual market share losses
- Exploit transit and storage growth opportunities



- Partnership to share regulatory and market risk and required future investments

- Continue to explore all opportunities that maximise shareholder value

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Key financial targets

2005 Group EBITDA >USD 1.0 bn*

Organic CAPEX of USD 2.0 bn for 2003-05*

Group 2005 ROACE	**17%***
Upstream ROACE	**30%***
Downstream ROACE	**18%***
Petrochemical ROACE	**20%***
Gas ROACE	**12%****

Further efficiency improvement of USD 175 mn/yr***

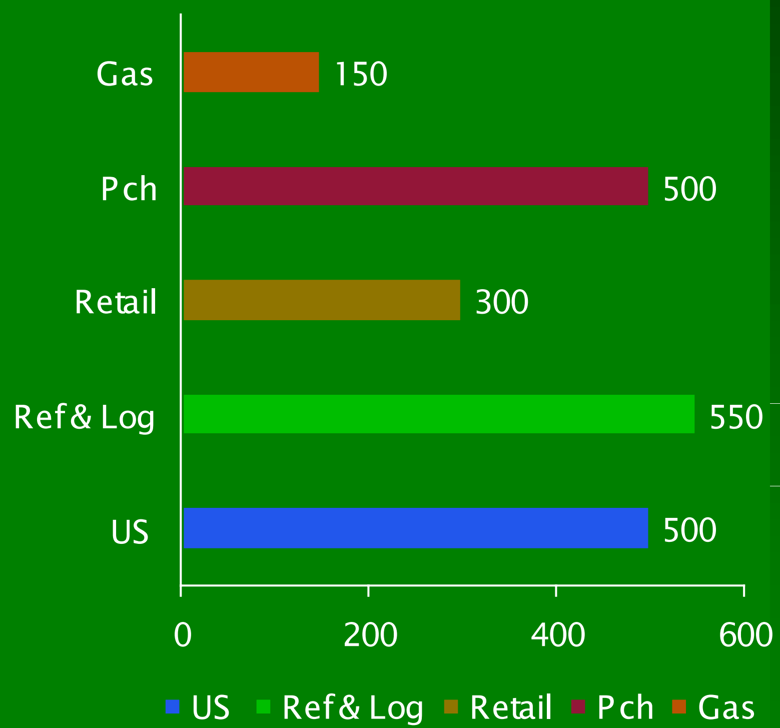
Assumptions	Original assumptions 2000-02	2003-05
Brent oil (e/o period)	USD 17/bbl	USD 20/bbl
Reuters ref. margin	USD 2.5/bbl	USD 2/bbl
HUF/USD	260	240

- **At indicated reference environment ** Assuming partial market opening *** To be achieved by 2005*
- *ROACE = EBIT/ Average Capital Employed*

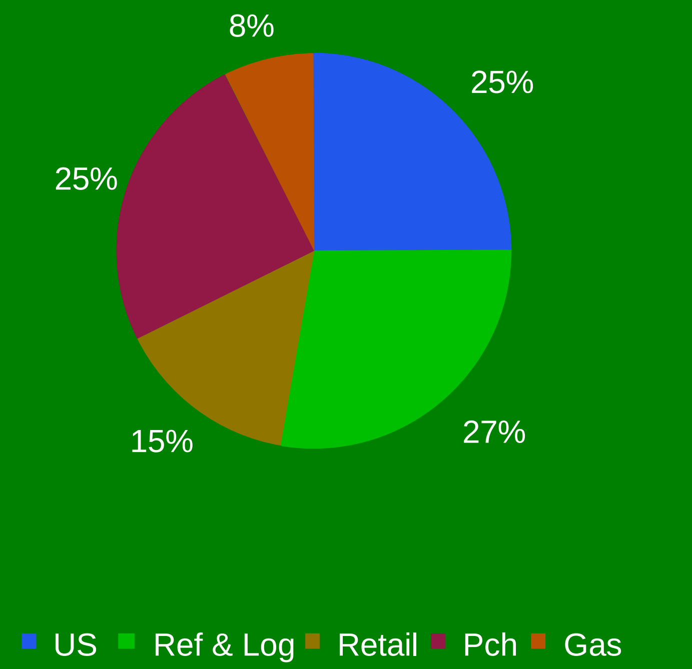
Maintaining capital discipline while investing USD 2.0 bn in 3 years for growth

Capex by business segments USD bn (excl. acquisitions)

2003-2005 organic CAPEX by segments (USD mn)



2003-2005 organic CAPEX



Conclusion

Leading

- Group financials among the best of the sector
- Outstanding operational efficiency, competitive asset base

Regional

- Utilization of geographical strategic advantages and acquired skills
- Commercial radius considering specific businesses
- Combination of organic and inorganic growth

Established position among European Oil Companies

PREMIUM VALUATION AND STABLE OWNERSHIP STRUCTURE

Integrated

- Balanced portfolio based on regional growth
- Maximise utilization of synergies within Group
- Increasing upstream and retail coverage

Oil Company

- Value maximization along the value chain from Exploration to core petrochemicals
- Focus on core businesses, further capital withdrawal from non core assets

DETAILS ON THE SLOVNAFT TRANSACTION

MOL

Delivering on MOL's strategy: securing a majority stake in Slovnaft

On November 23, 2002, MOL signed a definitive agreement to gain control of Slovnaft

- This transaction is the logical follow-on from the original purchase of 36.2% in 2000
- Gaining control will facilitate and accelerate synergy extraction
- Successful completion of this transaction underlines MOL's ability to deliver value-creating regional growth through acquisition

Key terms of the transaction

- MOL and Slovak companies Slovbena and Slovintegra ("SISB") have signed a definitive agreement for the purchase of a 31.6% stake of Slovnaft. Through this acquisition, MOL increases its interest in the Slovak refinery to 67.8%

- Under the terms of the agreement, MOL will acquire 6.5 million Slovnaft shares in exchange for USD 85mm cash payment and 984,000 MOL Class A shares (1% of existing share capital) and 9,817,578 newly issued MOL Class C shares

- The Class C shares will be issued at closing of the transaction in the framework of a private placement, at an issue price of HUF 6,000 per share. These shares will have a nominal value of HUF 1,001 per share and identical rights with Class A shares

- SISB's 9.99% shareholding in MOL is subject to a 3-year lock-up period, option agreements and preemption rights

- The closing of the transaction is subject to approval of the Slovak Anti-Monopoly Office and the Hungarian Competition Office together with fulfilment of other customary conditions precedent

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Advantages of accelerating acquisition of majority stake

Advantages of majority control

- Greater share of synergies generated at Slovnaft
- Maximise flexibility in restructuring
- Private placement increases MOL's capital base
- Proven ability to close value-creating transaction
- Underlines commitment to value story

Advantages of acceleration

- Potential corporate governance issues simplified
- Faster execution frees senior management to focus on other ongoing projects

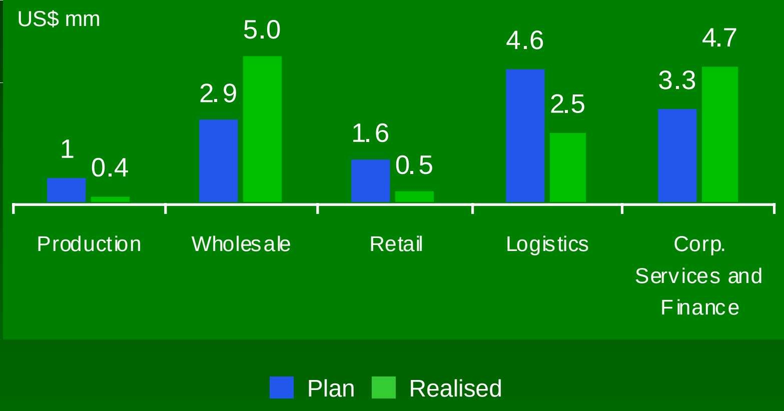
Areas for further operational upside

- Refinery optimisation
- Lubricants production
- R&D and maintenance
- Co-ordinated marketing
- Systems and processes
- Joint logistics
- Petrochemical developments
- Corporate services
- Joint acquisition opportunities

Slovnaft synergies delivered to date met or exceeded initial expectations

- **2001 planned synergies/improvements exceeded**
- **75% of 2002 planned synergies achieved by Q3**
- **Effective decision-making process established**
- **MOL has been able to drive synergy extraction**
- **Successful transaction and integration seen as regional role model, assisting MOL's regional consolidation activities**

Operating synergies achieved by end-2001



2002 synergies: first 3Q2002 vs. 2002 plan

Source: MOL