

MOL GROUP PETROCHEMICALS

Presentation for the MOL Equity Analyst and Investor Day

THE MOL GROUP



Slovnaft



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	<i>Page</i>
Introduction	4-8
Petrochemical value chain	9-11
Market outlook, growth potential	12-15
Technologies, developments	16-18
Competitive position	19-21
Profitability	22-25
Summary	26-28

Introduction



Group level

- ▶ Forward integration along the value chain, providing captive market for refinery products supporting downstream optimisation and growth
- ▶ Petrochemical operation and current developments are in harmony with optimum utilisation of refineries
- ▶ Successful refinery consolidation steps in the Region are the basis for regional petrochemical consolidation
- ▶ No overexposure to Petrochemicals within MOL Group (balanced portfolio)

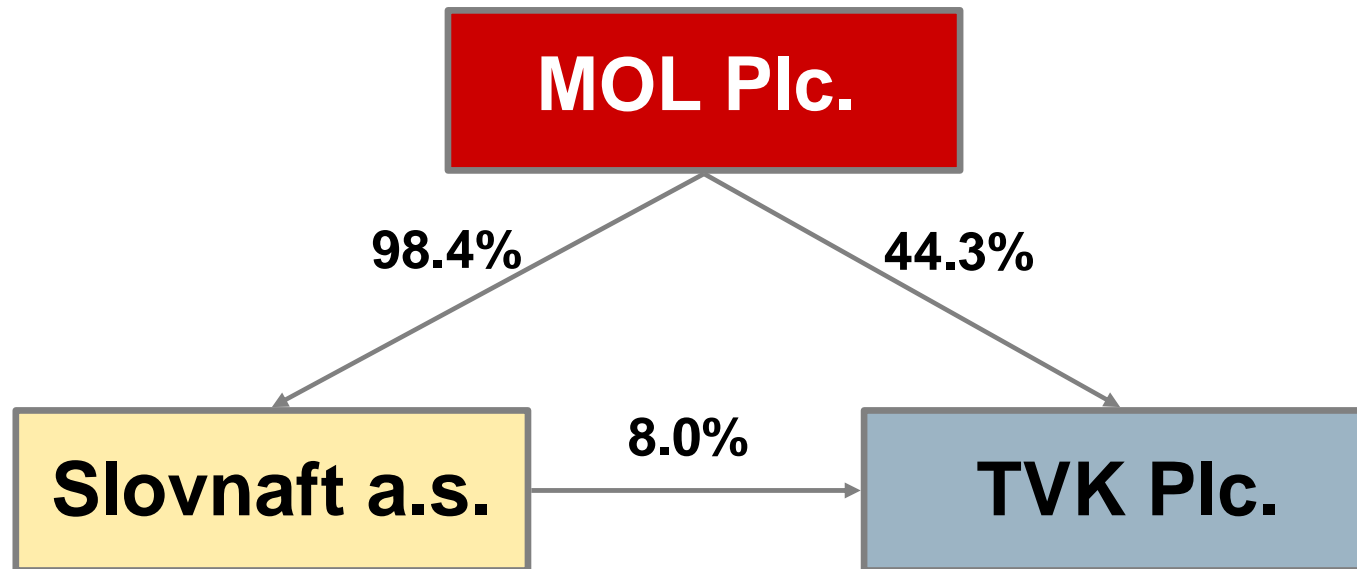
Division level

- ▶ Low cost producer
- ▶ Providing top quality products and excellent services for our customers
- ▶ Full-scope exploiting of synergies from MOL-Slovnaft-TVK integration

Key characteristics of Petrochemicals business in MOL Group

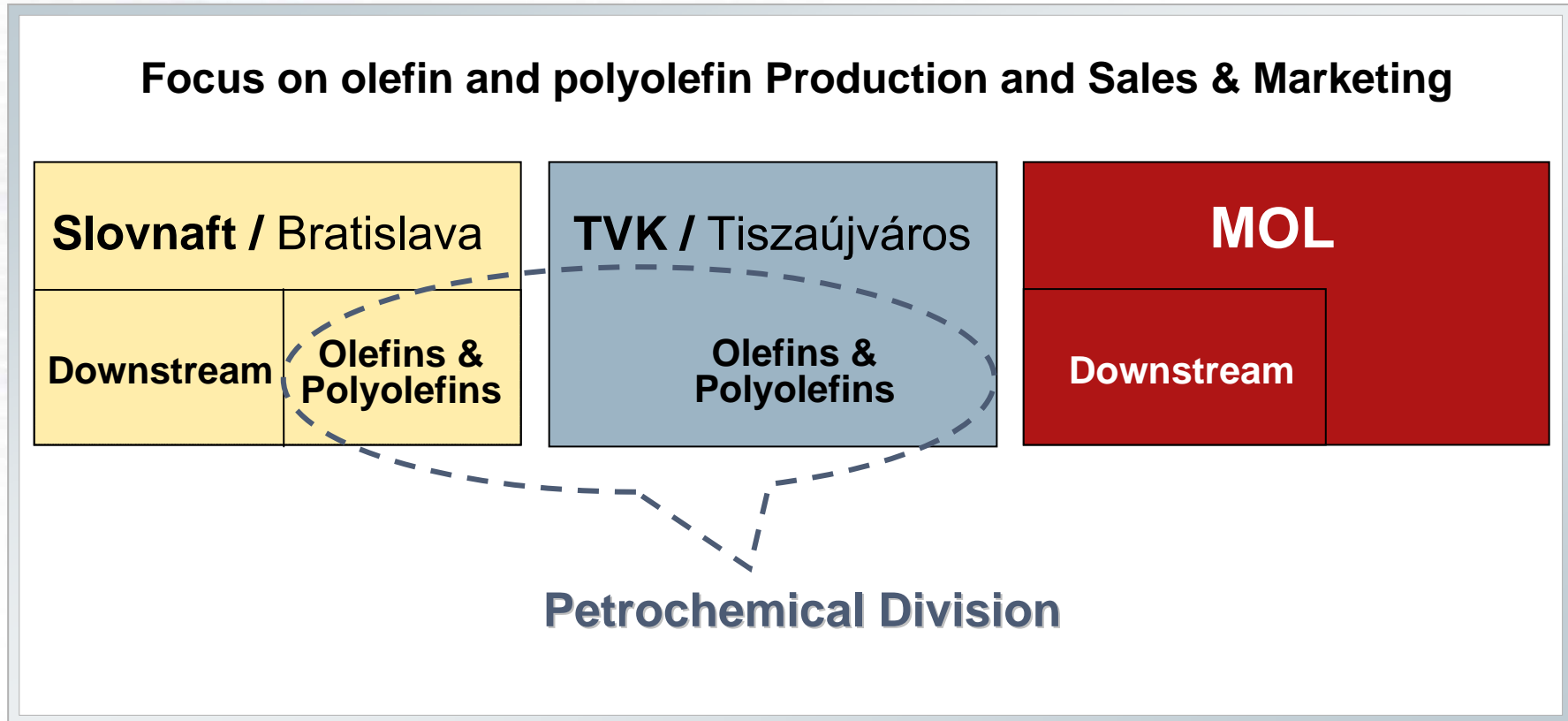
- ▶ Operates as separate division from 1st of January 2004
- ▶ Responsible for the integrated operation and management of Production and Sales & Marketing of olefin and polyolefin products (e.g. single sales channels)
- ▶ One of the most important petrochemical players in the Region (significant and harmonised capacity increase in line with the expected petrochemical cycle peak)
- ▶ Assets are located in Bratislava (SK) and Tiszaújváros (HU) sites
- ▶ The most important captive market of MOL Group refined products (in 2004 approximately 17% of refineries output) with significant synergies
- ▶ Organic part of the MOL Group value chain

Ownership structure of MOL Group Petrochemicals



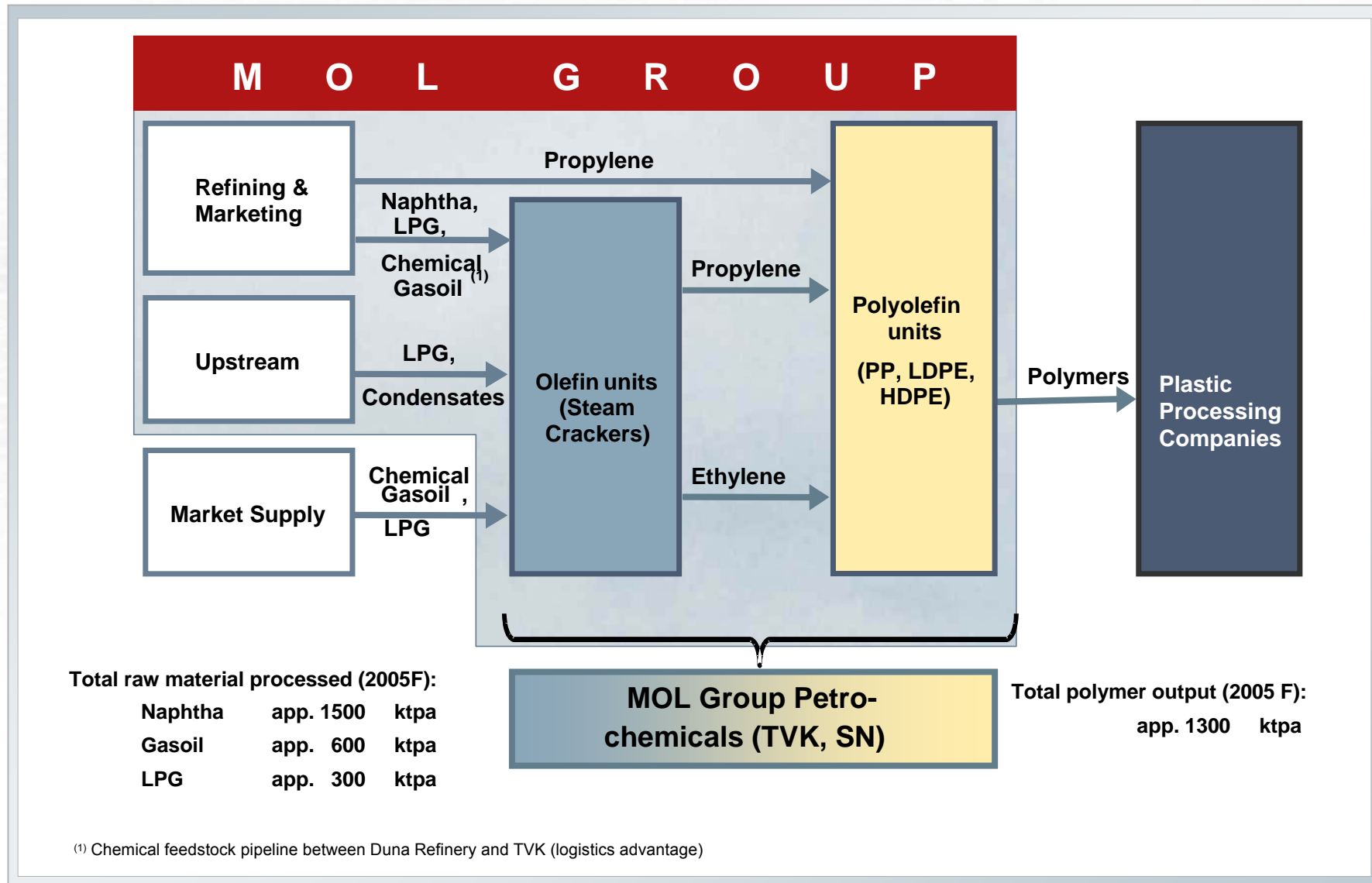
Stabilised ownership structure, which serves the efficient operation and management of the Petrochemical Division

Petrochemical activity of MOL Group



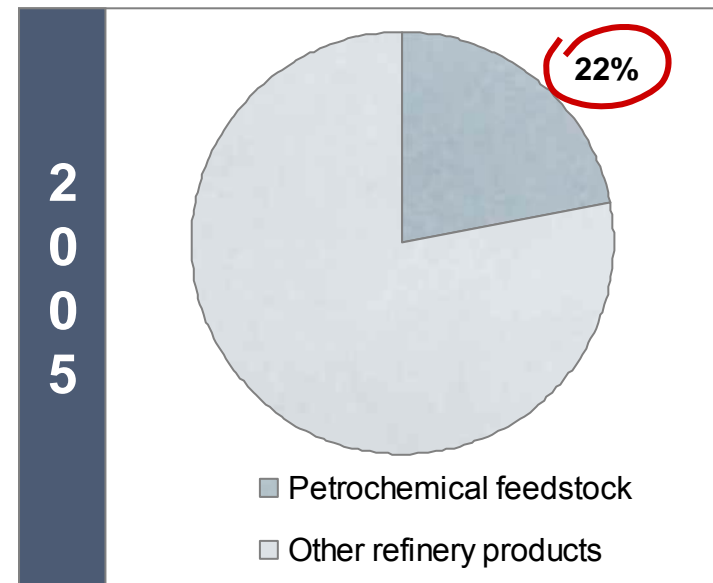
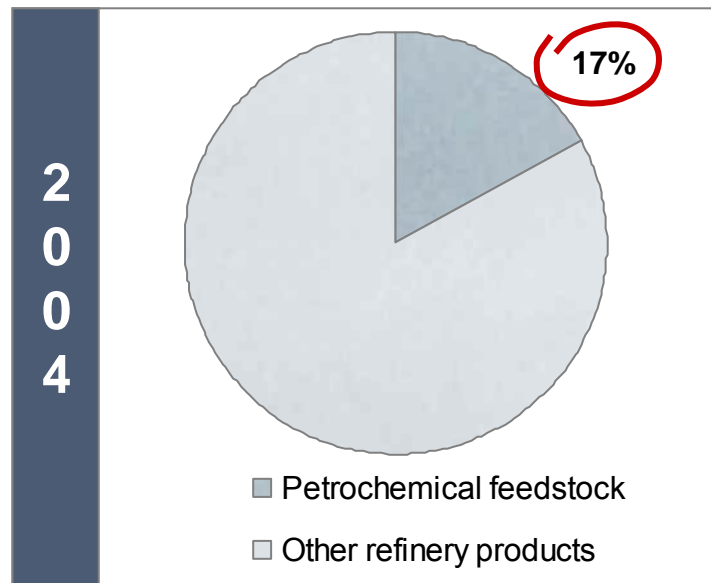
Petrochemical value chain

Petrochemical value chain structure of MOL Group



Captive market of MOL Group refinery products

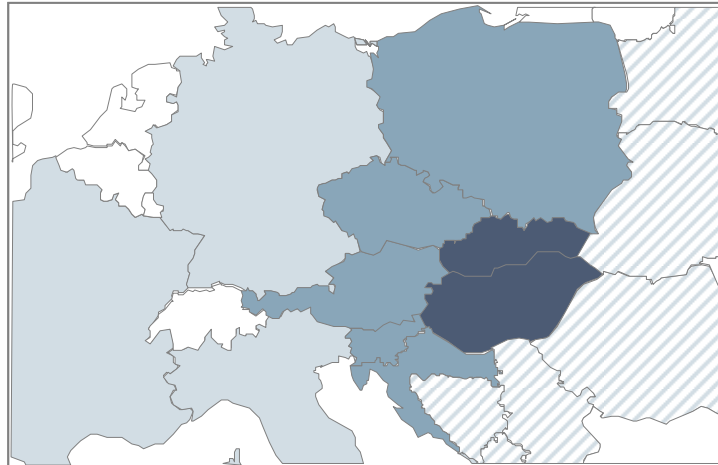
- ▶ Petrochemicals is the most important consumer of MOL Group refinery products with new capacities entering in 2005



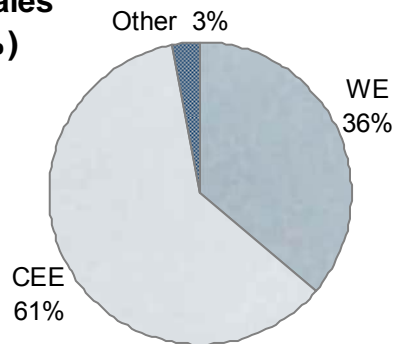
- ▶ Petrochemicals: steady and calculable raw material supply
- ▶ Refining & Marketing: secured consumption of approximately one fifth of refinery production
- ▶ Group level: integration provides profit optimisation and lower volatility of profitability

Market outlook, growth potential

Sales & Marketing – market presence



Polyolefin sales by region (%)

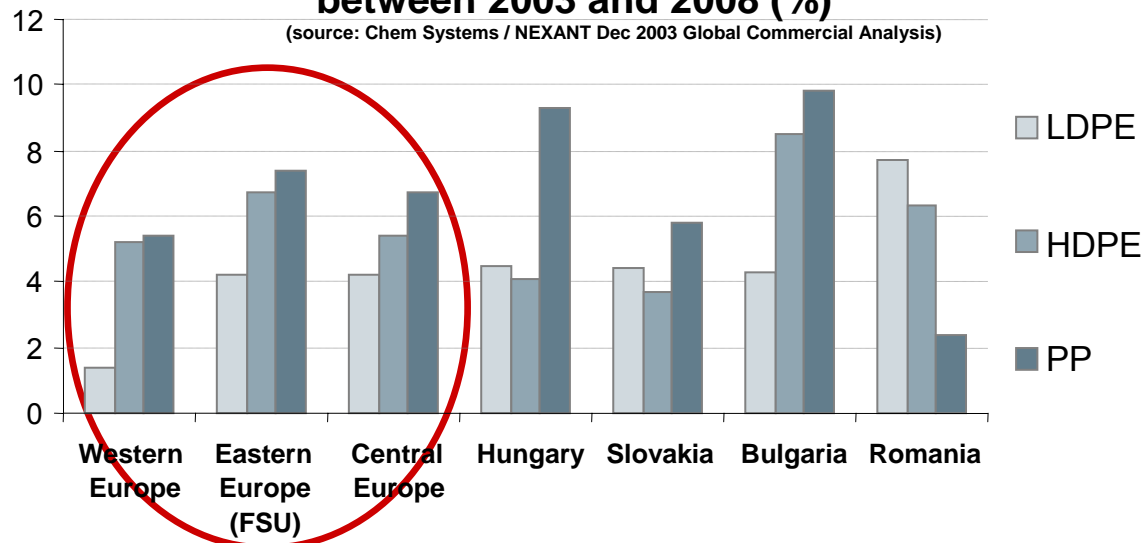


- ▶ MOL Group is the first choice of supply in Hungary and Slovakia
- ▶ On other CEE markets, TVK and SN together have strong position
- ▶ In Western Europe, MOL Group is niche player
- ▶ Potential new markets: East and South East of Hungary
- ▶ Own sales network, offices in Austria, Germany, France, Italy, UK, Poland and Russia
- ▶ Sales directly to end-users represent approximately 90% of the total polyolefin sales

Growth potential for MOL Group Petrochemical Division

Polyolefin demand annual average growth rates between 2003 and 2008 (%)

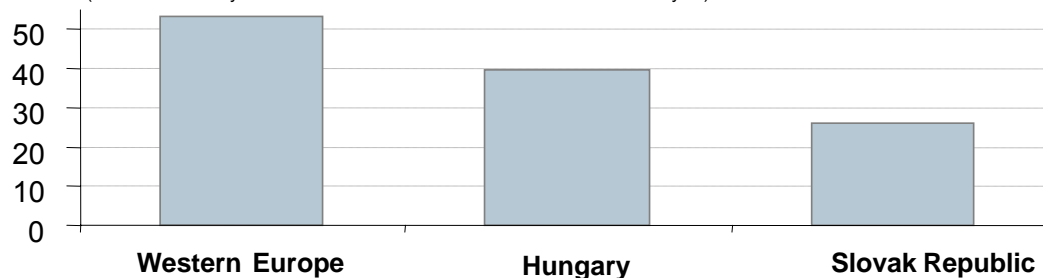
(source: Chem Systems / NEXANT Dec 2003 Global Commercial Analysis)



- ▶ Central and Eastern European polyolefin markets will likely grow faster than the Western European polyolefin markets in the coming years
- ▶ South and East European markets are expected to show faster growth than other CEE markets
- ▶ Growth drivers: improving transparency of business environment, foreign investments, low cost environment, growth of local demand (catching up effect on WE)

Polyolefin consumption (kg per capita) in 2004

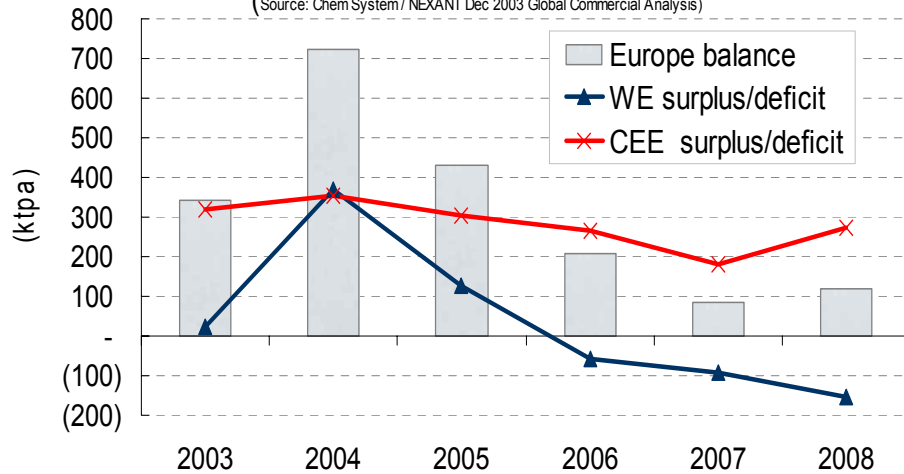
(Source: Chem Systems / NEXANT Dec 2003 Global Commercial Analysis)



Petrochemical Supply-Demand balance

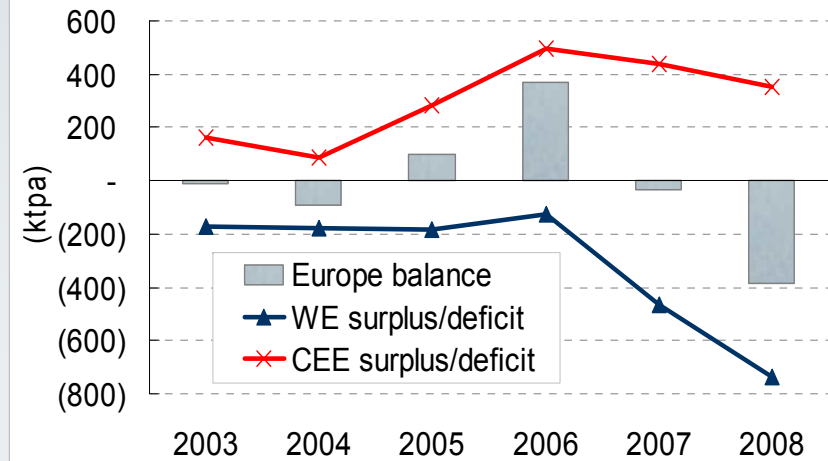
European LDPE market S/D balance (net trade)

(Source: Chem System / NEXANT Dec 2003 Global Commercial Analysis)



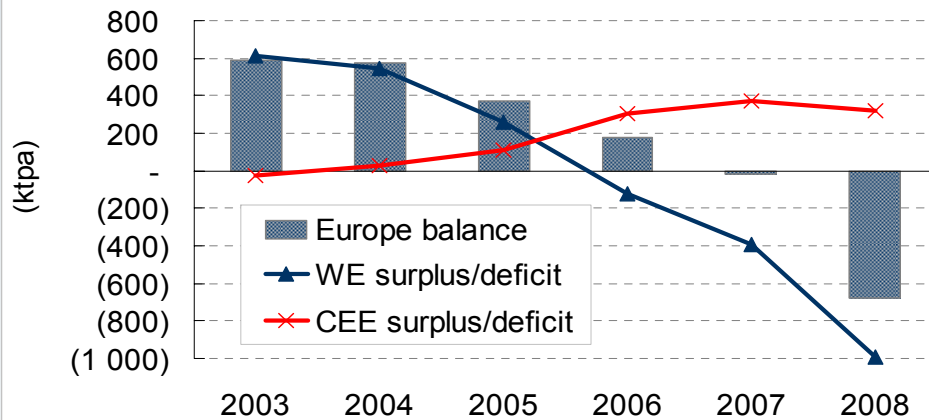
European HDPE market S/D balance (net trade)

(Source: Chem System / NEXANT Dec 2003 Global Commercial Analysis)



European PP market S/D balance (net trade)

(Source: Chem System / NEXANT Dec 2003 Global Commercial Analysis)



- ▶ Western European polyolefin markets will see growing deficits from 2006
- ▶ Imports from CEE expected to partially satisfy the demands providing good opportunity for CEE producers

Technologies, developments

Production plants employ modern technology and have competitive economics

plant	capacity (ktpa)		technology	cost position	start-up year
	2003	2005			
TVK (Tiszaújváros)					
Olefin-1	370	370	Linde	leader	1975
Olefin-2	0	250	Linde	leader	2004
LDPE-1	55	55	ICI	medium	1970
LDPE-2	65	65	BASF	leader	1991
HDPE	200	200	Phillips	medium	1986
HDPE-2	0	200	Mitsui	leader	2004
PP-3	90	100	Himont	leader	1989
PP-4	180	180	Himont	leader	1999
Slovnaft (Bratislava)					
Olefin	219	219	ABB LUMMUS	leader	1975
LDPE-1	53	50	ICI	medium	1964
LDPE-2	44	44	ICI	medium	1976
LDPE-3	88	88	CDF	leader	1977
PP-1	38	0	BP AMOCO	laggard	1972
PP-2	44	44	BP AMOCO	medium	1981
PP-3	0	255	Dow Chemical	leader	2005

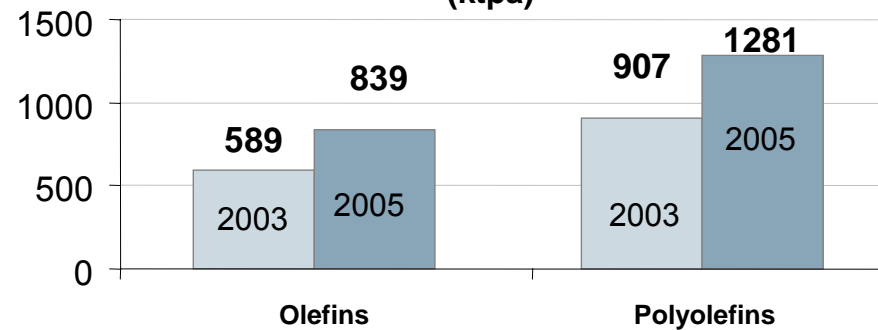
Source: Annual Reports, 2003 and internal sources

Capacity increase to enhance economy of scale

	unit	capacity growth (ktpa)	start of project construction	production startup	project CAPEX (€million)	total SN/TVK
TVK	Olefin-2	250	Q3 2002	Q4 2004	238	430
	HDPE-2	200	Q1 2003	Q4 2004	129	
	PP-4	40	Q3 2001	Q4 2002	13	
	off site	n.a.	Q4 2002	gradually	50	
Slovnaft ⁽¹⁾	PP-3	255	Q2 2003	Q1 2005	143	143
						573

⁽¹⁾ in part replacing production of units to be closed

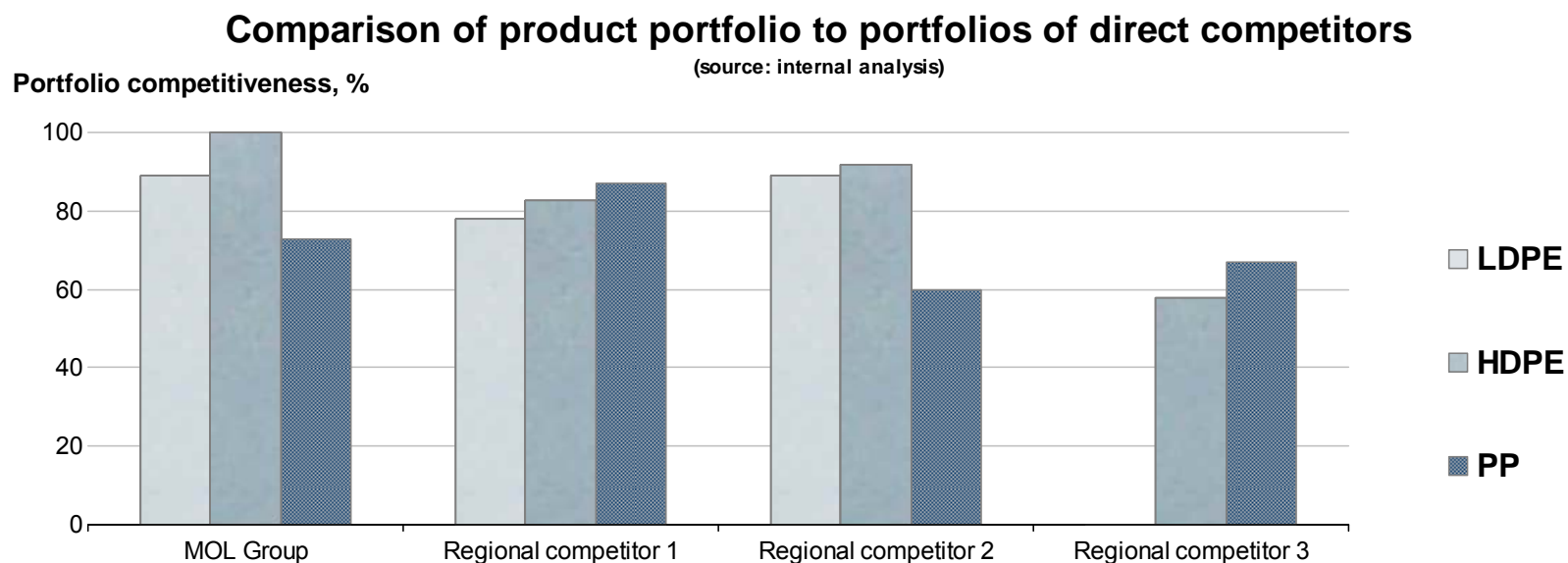
**PRODUCTION CAPACITY EXPANSION
IN MOL GROUP PETROCHEMICALS 2003-2005
(ktpa)**



► The completion of the projects are in line with the schedule and within the planned budget

Competitive position

Production plants employ state of the art technology



New HDPE plant will produce

- ▶ bimodal grades, which offer better physical properties at competitive price
- ▶ pipe grade HDPE (PE100)

New PP plant will

- ▶ broaden both the homopolymer and copolymer product portfolio with most modern products

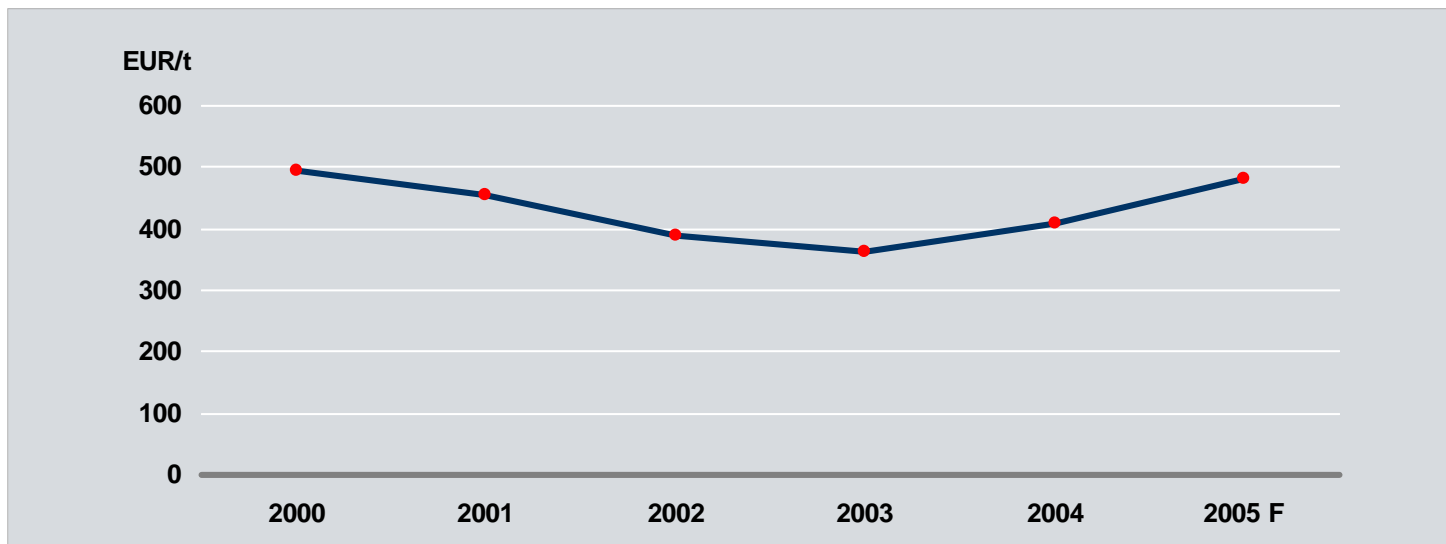
Competitive position of the MOL Group Petrochemicals compared to direct competitors

- ▶ **cost position:** The plants operated by TVK rank among the best in the region. In Slovnaft, the position is expected to improve significantly as a result of the investment actions
- ▶ **degree of integration with refining operations:** Within MOL Group high level integration between Petrochemicals and Refining and Marketing
- ▶ **technology:** CEE players have access to most modern technologies, however, in some cases the access is limited by the competition concerns of the technology developer
- ▶ **plant size:** The size of the individual production plants is comparable to the average size of the West European players
- ▶ **product portfolio:** Polyolefins produced by MOL Group are comparable with the products produced by the major WE producers, compared to the CEE producers MOL Group product portfolio is superior as it includes also bimodal HDPE and PP copolymer products
- ▶ **profitability:** Benchmarking of overall profitability shows MOL Group results are in line with the industry trend, determined by the development of the petrochemical margins, and are comparable with WE peers, and better than results of other CEE players

Based on the above we conclude the competitive position of the petrochemical business of the MOL Group is robust

Profitability

Theoretical margin



- ▶ Profit potential of petrochemical industry is reflected in theoretical integrated petrochemical margin
 - determined by raw material quoted prices and polymer quoted prices
 - volatility depends on the price development of naphtha and polyolefin quotations and on the USD/EUR exchange rate

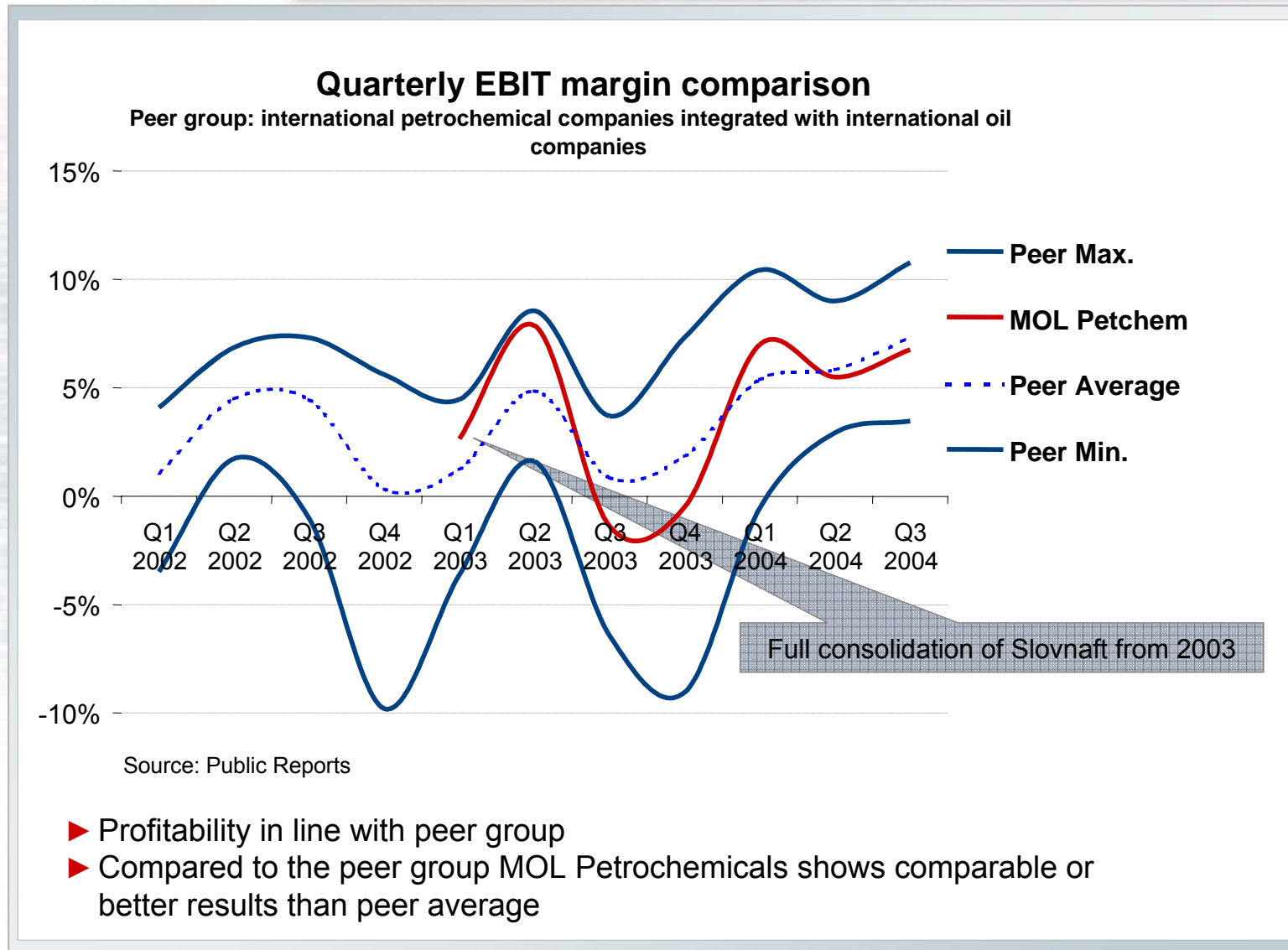
Profitability of MOL Group Petrochemicals

	2003*	2003 Q1-Q3*	2004 Q1-Q3
NET EXTERNAL SALES REVENUES (MHUF)	169 006	122 709	140 465
OPERATING PROFIT (MHUF)	1 287	69	11 031
EBITDA	14 502	8 285	19 759
EBIT MARGIN (%)	0.8%	0.1%	7.9%
POLYOLEFIN SALES (kt)	763	551	654
CLOSING HEADCOUNT (persons)	2 042	2 180	1 903
INTEGRATED MARGIN (EUR/t)	361	372	365

*Slovnaft is fully consolidated from Q2 2003. Operating figures from this period onward contain Slovnaft segment data accordingly.


- ▶ Significant profitability increase in spite of the negative impact of the business environment in 2004 Q1-Q3, linked to the higher polymer sales and efficiency improvement measures

Performance is tied to the petrochemical cycle



Summary

- ▶ Petrochemicals are fully integrated in MOL Group value chain
- ▶ New capacities brought onto line in 2005
- ▶ Competitive product portfolio
- ▶ Attractive consumption growth outlook
- ▶ Allows MOL Group profit optimisation, with lower integrated profit volatility



**Petrochemical Division is value creating element
in MOL Group portfolio**

New plants



TVK Olefin-2 plant



TVK HDPE-2 plant



Slovnaft PP-3 plant