

The background of the entire page is an aerial photograph of a river. In the upper portion, the water flows through a series of rapids or a dam structure, creating a textured, greenish-brown appearance. Below this, a large waterfall cascades down, creating a white, frothy spray of water. The lower portion of the image shows the river continuing downstream, with a mix of green and brown tones. The text is overlaid on a dark teal rectangular area on the right side of the page.

Sustainable Development Report

....Moving along the Road

▶ MOL Group
2004

Dear Readers,

Last year, we decided to take a major step forward towards Sustainable Development. We presented our first MOL Group Sustainable Development Report, "Taking the Road". Based on the principles laid down in the Global Reporting Initiative Guidelines, the report covered our economic, social and environmental performance, on a regionally-integrated basis. We are now pleased to present our second report, expanded to include several new topics that better reflect our operations, challenges and successes.

Letter from the Chairman and Group CEO

2004 was a successful year, not only in terms of finance and operations, but also because it was an important period in the formulation process of our long-term Sustainable Development concept.

Moving towards sustainability is an ongoing process, with many obstacles to be overcome as we march together along the road. However, it acts as a valuable stimulus for continuous MOL Group and unit-level research and development. Sustainable Development also gives us a solid incentive to intensify integration and synergy within MOL Group, in terms of economic, environmental and social values, and provides us with valuable feedback as we strive to improve our everyday performance.

Sustainability is not an issue all on its own, but an integral part of our long-term business success. MOL Group – like every profit-oriented company – while constantly striving to increase shareholder value, must also place ever greater emphasis on

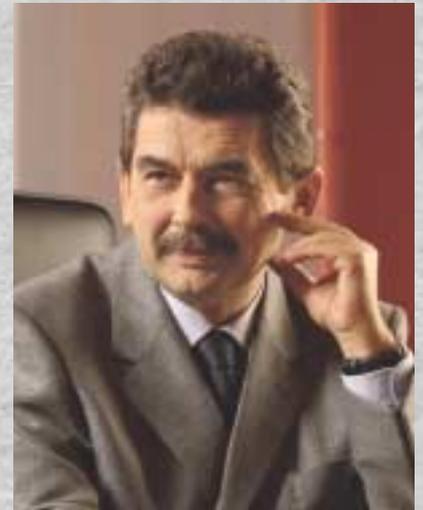
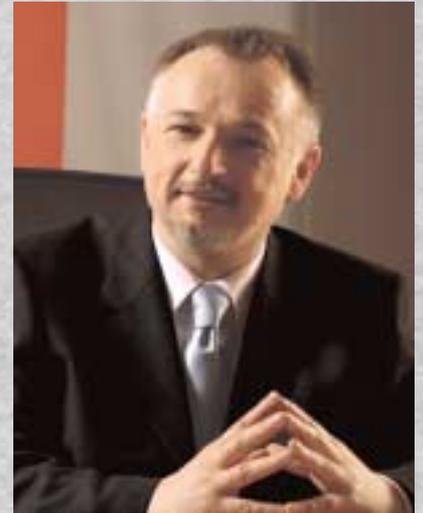
corporate responsibility. Corporate responsibility is not just a goal but a vitally important tool that can ensure greater opportunities in the future for us and, more importantly, for our children. The future, however, is getting ever closer, when you consider the issues we have to resolve, such as climate change, social and other serious global problems, and the growing number of disasters, health problems and industrial accidents occurring around the world.

Corporate responsibility for us means much more than mere compliance with regulations. We aim to go further, wherever possible, to resolve issues that often go well beyond our own immediate activities. Indeed, we provide clear aims, means and well-established delegated tasks and accountability, so MOL Group employees may better fulfil their new sustainability-related tasks. For example, we have introduced a new Health, Safety and Environment policy that sets out our basic aims, with directions to be followed, so as to provide us with a broader view and control of MOL Group operations.

Additionally, as a long-term objective, we have started to put in place a new MOL corporate sustainability framework to create an effective structure for our existing efforts and future objectives. To put this plan into action, we will need to use our professional experience and progressive thinking to the utmost and adopt new approaches to our operations; for example, one of our long-term considerations is the exploration of possible options of alternative energy sources in the region.

Although it is still difficult, on an annual basis, to quantify the precise direct benefits resulting from our sustainability endeavours, we strongly believe that we have chosen the right direction and that our precautionary approach will provide great returns in the long run.

Last, but certainly not least, we should like to express our gratitude to all those who have paved the way for this report with their everyday work and contributions, and hope that the report will provide the reader with the maximum possible insight into our collective performance so far.




Zsolt Hernádi
Executive Chairman and CEO


György Mosonyi
Group Chief Executive Officer

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Walking the talk

For MOL Group, 2004 was the best year ever in financial terms, and also in the development of corporate responsibility and HSE activities. Compared with international practice, and based on our own experience, we believe that our efforts towards Sustainable Development have not been in vain. The main achievements and issues listed below underline the fact that we have taken the right strategic course, even though this new approach presents many challenges that we must overcome now, and in the future:

Highlights and lowlights

- ▼ Record success in financial terms
- ▼ Strengthened market position in the region
- ▼ International development: investments in Croatia, Romania and CIS countries
- ▼ Partial sale of MOL Group gas business to E.ON Ruhrgas International
- ▼ Discoveries of oil and gas reserves in Pakistan
- ▼ Intensification of integration
- ▼ Attainment of competitive European stature, with genuinely integrated operations in the petrochemical segment
- ▼ The TVK launch of an olefin plant with a capacity of 250,000t ethylene per year and a polyethylene plant of 200,000t per year
- ▼ Meeting the strictest fuel quality standards
- ▼ Publication of our first MOL Group-level integrated SD Report
- ▼ New MOL Group-level HSE policy
- ▼ Safer work conditions, with below-target work injury frequency
- ▼ Inadequate Road Safety performance, especially by contractors
- ▼ Outstanding fire safety performance
- ▼ HUF 6.3 billion provision used to eliminate acute environmental liabilities
- ▼ Establishment of the European Working Council within MOL Group
- ▼ Successful campaign to support the recovery of the Tatra forests

About us

Who we are

MOL Group is the leading integrated oil and gas company in Central and Eastern Europe employing close to 16,000 people and operating three refineries – two in Hungary and one in Slovakia. The Group consists of MOL Plc., Slovnaft, a.s., TVK Plc., and their subsidiaries.

The Group owns a network of 812 Filling Stations in the region. Besides regional operations, our Exploration & Production segment focuses on CIS countries, the Middle East and North Africa.

efficiency improvements. MOL Group shares are listed on the Budapest and Warsaw Stock Exchanges, the GDRs are listed on the Luxembourg Stock Exchange, and traded on the International Order Book of the London Stock Exchange.

MOL Plc. is the largest company in Hungary in terms of sales revenues. Its core activities include the exploration and production of crude oil, natural gas and gas products; the refining, transportation, storage and



2004 was a year of outstanding achievement and development for MOL Group. Our record financial results, in a favourable market environment, best demonstrates that the significant measures we took towards achieving our long-term strategic objective, were not in vain. Although the favourable environment certainly had a positive influence on our success, it is unquestionable that the steps we took as a company towards development and integration, as well as our investments in world-class refining and logistics, strengthened and improved our 2004 performance.

MOL Group is market leader in Hungary and Slovakia, in each of its core activities. Our main objective is to provide superior levels of shareholder return, by fully exploiting our market potential, by implementing a strategy of dynamic development and expansion, and by achieving further internal

distribution of crude oil products in both the retail and wholesale markets; the importation, transportation, storage and wholesale trading of natural gas and other gas products.

Slovnaft, operating in Slovakia, plays a key role within MOL Group. The company is involved in the processing of crude oil, the distribution and sale of oil-based products and in the petrochemical business. Subsidiaries carry out R & D in the fields of oil and hydrocarbon gases; transport of oil-based products; maintenance and after-sales service.

TVK is one of the major chemical concerns, and sole polyolefins producer, in Hungary, and represents more than 20% of petrochemical capacity in Central Europe. With its high quality products and a total ethylene production capacity of close to 840kt per annum, the company plays a leading role in satisfying

growing domestic and regional polyethylene and polypropylene demand, using raw materials produced primarily by MOL Group refineries.

Following the 2003 acquisition of 25% plus one share, MOL Group became the strategic partner of INA, the principal Croatian oil and gas company. INA not only holds a strategic position in the fast-growing South-Eastern European oil product market, but is market leader in Croatia, and a key supplier to Bosnia & Herzegovina and Slovenia.

Reporting scope

Worldwide guidelines for the voluntary reporting on Corporate Social Responsibility (CSR), or one of its specific aspects, have been developed. However, in spite of the best endeavours by the European Union, its Member States, and international organisations such as the United Nations and the World Business Council for Sustainable Development, there is still no widely accepted standard approach to measuring social responsibility, and reporting on Sustainable Development issues.

Whereas the concept of sustainability and CSR indicators remain undefined, the concept of triple bottom-line (economy-environment-society) is widely accepted by stakeholders in every field. As a consequence, it is difficult to assess to what extent CSR activities actually contribute to solving specific environmental and social problems.

Following last year's practice, MOL Group took note of the Global Reporting Initiative Guideline recommendations when preparing this report. Our complex, integrated Sustainable Development framework, including reporting policy, is close to arriving at its final form. Thus we are now in a phase of development and improvement. We have adapted the GRI document to suit our unique market position and operations so this Report does not necessarily follow the specific structure and content of the GRI Guidelines.

This is the second MOL Group SD Report and includes the performance, development, and achievements of MOL Group member companies during calendar year 2004. Aggregated data are reported for MOL Group-controlled companies (MOL Plc., Slovnaft a.s., TVK Plc. and their subsidiaries) regardless of the area of operation. Every deviation from the general rule is indicated, throughout the report.

Since our way of communicating performance changed last year, we



now publish only one integrated printed version, in English, and report on our local achievements in electronic format, on the internet. Moreover, our new MOL Group-level website, currently under construction, will ensure the publishing of as much detailed information on our regional and local performance as possible. Until then, please refer to local websites, for more details on a specific issue.

Results and objectives

Future challenges

In line with our commitment to Sustainable Development we intend to continue the implementation and promotion of its principles, and the improvement of our performance in economic, social and environmental issues. Following the practice of past years, we shall review our policies, strategies and achievements, and then set more challenging objectives related to corporate responsibility. Moreover, we are on the way to setting up a Sustainable Development framework, supported by MOL Group management,

2005 Safety targets

- ▼ No fatal accident at work at the MOL Group, its subsidiaries and suppliers
- ▼ Total number of work-related injuries at MOL Plc., Slovnaft a.s., TVK Plc., MOL-LUB Ltd. and Gas companies should not exceed 48
- ▼ Number of work related injuries in Explant Ltd. must not exceed 12
- ▼ Number of work related injuries in Petrolszolg Ltd. must not exceed 6
- ▼ Number of work related injuries in SMaO must not exceed 5



to provide employees with a generally-applicable structured strategic platform upon which to operate.

- ▼ Total number of fires at MOL Plc., Slovnaft a.s., TVK Plc., MOL-LUB Ltd. and Gas companies should not exceed 15

Fulfilment of 2004 HSE targets		
Target	Result	
No fatal accident at work at MOL Group (MOL Plc., Slovnaft a.s., TVK Plc., MOL-LUB Ltd., Gas companies), subsidiaries and suppliers.	1 fatality at MOL Group 2 contractor fatalities	X
Ensure MOL Group accident frequency rate does not exceed a maximum 2.5.	2.0	✓
Optimise 500 inappropriate Desktop workplaces at MOL Plc.	500 inappropriate chairs replaced	✓
Ensure the number of MOL Group operational area cases of fire does not exceed a maximum 24.	12	✓
MOL Group air pollution exceeding the permitted limit should not be more than 1,520 tonnes.	1,130 tonnes	✓
MOL Group onsite hazardous waste should not exceed 131,000 tonnes.	98,400 tonnes	✓
The amount of accumulated neutralised acid tar must reach 45,000 tonnes and the amount of neutralised contaminated soil must reach 30,000 tonnes.	Neutralised acid tar: 43,900 t Neutralised contaminated soil: 24,000 t	X
Reduce MOL Group environmental liabilities as at beginning 2003, by HUF 7bn.	HUF 6.3 billion	X

2005 Environmental protection targets

- ▼ The total amount of hazardous waste generated by normal operations, and in cases of emergency, at MOL Plc., Slovnaft a.s., TVK Plc., MOL-LUB Ltd. and Gas companies must be less than 100,000 tonnes
- ▼ The amount of accumulated acid tar disposed must reach 20,000 tonnes
- ▼ The amount of contaminated soil neutralised must reach 25,000 tonnes
- ▼ The reduction of MOL Group provision-based environmental liabilities as at end 2004, by HUF 8.7 billion

Vision and values

Our main objective is to become the most respected multinational oil company in Central and Eastern Europe and to provide superior levels of shareholder return by fully exploiting our market potential, by implementing a dynamic development and expansion strategy, and by identifying where possible the potential for further internal efficiency improvements.

MOL has developed, within its culture, an ethical mindset, clear values and the highest standards for corporate



How we achieve our goals



behaviour, which enable the company to strive for economic, social and environmental sustainability in an efficient way.

▼ Contribution to Sustainable Development

MOL Group is aware that one of the basic conditions required for its strategic business success is the commitment to Sustainable Development.

▼ The Triple Bottom Line

We recognise the importance of the relationship and interdependence between the economy, the environment and society. Our principles and values are applied to all activities in those fields, using an interdisciplinary approach.

▼ Responsibility for our activities

We are aware of our responsibility for the environment and society and towards MOL Group employees and stakeholders. Therefore, we strive to maximise development

so that any negative impact arising from our operations is kept to the minimum.

▼ Continuous self-improvement

Our competitiveness and market position depend on our performance. We can only attain high-level operational efficiency and more competitive products and services by continuous self-improvement in all areas.

▼ Transparency through auditing and reporting

Our activities are regularly audited by independent auditors and our performance is reported on in the Annual Report and the Sustainable Development Report at MOL Group level.

In pursuit of our vision, we adhere to our corporate values. With regard to corporate responsibility, the most relevant values within MOL Group are:

- ▼ To strive for value-creating growth is fundamental for our shareholders and provides new opportunities for our employees and other stakeholders
- ▼ To fulfil our responsibilities towards our employees, host communities and society; therefore we aspire to perform beyond the legally required standards
- ▼ To provide outstanding quality at competitive prices. Striving for quality

in our products and services, as well as for professionalism in our daily work, we want to be the company of choice for our stakeholders

- ▼ To conduct business with the highest integrity and full transparency, in an honest and ethical way
- ▼ To continuously examine and reduce the risks inherent in our business activities, a key responsibility to our stakeholders
- ▼ To work with the best and the brightest, providing equal opportunities for every employee, as well as promotion and competitive compensation, based on merit and performance
- ▼ To respect diverse local and national cultures and values as the foundation of our multinational company ethos

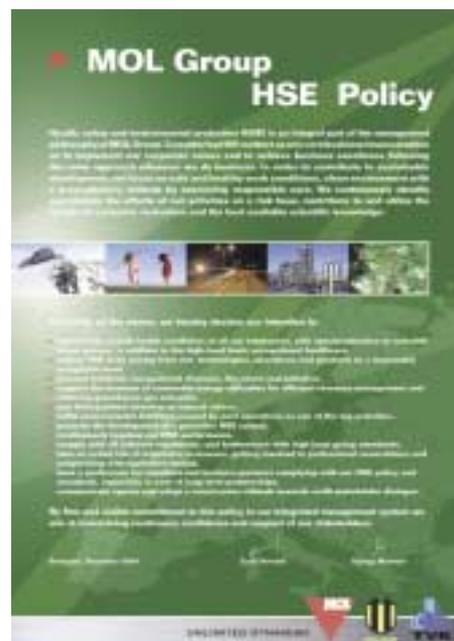
Policies and Management Systems

Business Excellence

In 2003, MOL selected the internationally accepted EFQM (European Foundation of Quality Management) Business Excellence Model to develop, deliver and manage a clear and understandable structure of improvement programmes. The implementation of this system is a five-year project, and naturally implies long-term effects and benefits.

An Excellence Model, based on organisational self-assessment, focuses on the way organisations are managed, at various levels. Therefore, it strengthens leadership practices, and measures and builds organisational culture. As a catalyst for improvement, it can also initiate achievable business advantages that improve competitiveness. The model, moreover, increases stakeholder awareness of the social, environmental and economic impact of our operations; helps improve performance; helps identify issues and integrate them into policies and strategies, and into everyday management practices.

The Excellence Model is used as a tool for organisational self-assessment; as a benchmark of excellence vis-à-vis other organisations; as a guide to identifying areas for improvement. MOL Group, therefore, has started to apply



the Excellence Model as an on-going framework to orchestrate organisational development projects. In addition, the model will be used to measure the effectiveness of different management tools and improvement projects.

Issuance of a new MOL Group HSE Policy

With the introduction of the new MOL Group and HSE Governance principles and structure, former HSE policies, applied to stand-alone companies, and some of their key elements, became redundant, and needed to be updated. Relevant changes, as well as the goal of improving our HSE performance, required the development and communication of a new MOL Group HSE Policy. After a detailed policy-making process, including meetings of experts and a comprehensive workshop, the final wording of MOL Group HSE Policy was reviewed and approved by MOL Group top management.

The new policy represents the highest MOL Group-level commitment to effective Health, Safety and Environment management, and applies to all Business Units and controlled subsidiaries as a basis for setting their own HSE objectives, strategies and actions programmes.

The policy clearly states our recognition of the advantages of Sustainable Development by focusing on safe and healthy working conditions, a clean environment, and by applying the precautionary approach to all areas of activity.

MOL Group HSE Day, in March 2005, was the starting point of the process of promoting and communicating the new policy. The policy will be implemented gradually, by breaking down long-term goals (strategic goals and actions) into annual HSE objectives and strategies at MOL Group and lower levels, to ensure that individual Unit efforts are in line with MOL Group principles.

Major HSE projects will contribute substantially to the implementation of the HSE Policy. Efforts made to comply with the Major Industrial Accidents Prevention Act, within the Seveso project, will help mitigate



risk, and reduce the consequences of accidents. The Safe Workplaces Project will develop MOL manager and employee attitudes and skills concerning safety issues. These projects reflect our determination to improve overall safe working conditions for all, and to reduce HSE risks arising from our technology, operations and products, to reasonably acceptable levels.

A key objective of the HSE-INFO system project is to establish an efficient data management process that permits effective decision-making, improvements in HSE cost control and communication, and achievement of successful HSE tasks fulfilment, in an integrated manner. In addition, the system will underpin more accurate, open, and regular communications and reporting to external stakeholders, reflecting our commitment to multi-stakeholder dialogue.

We shall strive, moreover, for the optimal implementation of a structured Sustainable Development management concept, involving all relevant Units under the umbrella of a top MOL Group-level body, dedicated to SD issues.

Governance and Regulation

Fundamental principles of operation

The efficient integration of MOL Group comprises the successful orchestration of MOL Group-level Business and Functional Units and the operations of its member companies. As a consequence, MOL Group

Governance and Regulation System is based on the following conditions and mandatory requirements:

- ▼ MOL Group is managed on an integrated, matrix governance model, supported by a process-based Regulation System
- ▼ Integrated management systems support the integrated matrix operation
- ▼ Overregulation must be avoided within the system, and centralised control of key functions ensured
- ▼ The system must be flexible enough to enable MOL to extend it to embrace newly-acquired companies
- ▼ The process-based Regulation System must support ERP (Enterprise Resource Planning) and other information systems related to operations
- ▼ All documentation of operating processes must be integrated into the Regulation System

Corporate Governance structure

The General Assembly, as the main decision-making body, enables shareholders to make decisions on issues that are of a material nature concerning the everyday operations of MOL Group, and to exercise governance and control rights. The Board of Directors, elected by the owners, is responsible to shareholders for the implementation of integrated Governance, and operates committees to increase the efficiency of the Board's operations, and to provide the appropriate expert background for decision making. A separate charter regulates the scope, objectives, tasks and operational conditions of the Board of Directors, as well as the rights and obligations of the Chairman and the Deputy Chairman. The Board of Directors defines the tasks and responsibilities of the Executive Board (EB) and creates a uniform system of operational and organisational regulations, as well as a system of objectives, reporting, and supervision. The primary task of the Executive Board is to implement MOL Group Strategy and management of MOL Group operations.

Integrated organisation

The Governance of MOL Group is carried out by two parallel interconnected units, namely the



Business and Functional Management Units. Their work is co-ordinated under the aegis of the EB. The role of Business Units is to develop and implement competitive strategies that increase business value in compliance with MOL Group strategy, and to enforce internal and external regulations and statutory requirements. Functional Units assume similar tasks to support the efficient operation of business processes.

Working committees

Various committees are appointed to be responsible for co-ordination or support of well-defined business activities, sometimes assuming a decision-making role, based on pre-defined agenda and schedules. Furthermore, they ensure professional decision preparation, using a holistic approach, based on relevant background information, to secure quick and efficient decision making. Committee members comprise the Heads of the Business and Functional Units concerned. Working teams may be set up within or among organisational units to implement specific subtasks or activities, and to solve specific problems.

Regulation System elements

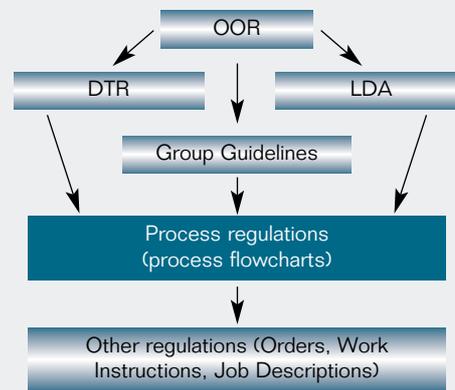
Main Governance documents (Operational and Organisational Rules – OOR; Description of Tasks and Responsibilities – DTR; List of Decision-making Authorities – LDA) have been developed in continual consultation with Business and Functional Units. Group Guidelines together with the main Governance documents have been issued and distributed to management as parts of the Corporate Governance Manual.

The efficient integration of MOL Group comprises the successful orchestration of MOL Group-level Business and Functional structures. All relevant principles are summarised and detailed in the OOR.

Integrated Business and Functional Units are led by MOL Group managers, responsible for the integrated operations of a given area. The integrated MOL Group organisational model is described in the DTR.



Internal regulation system

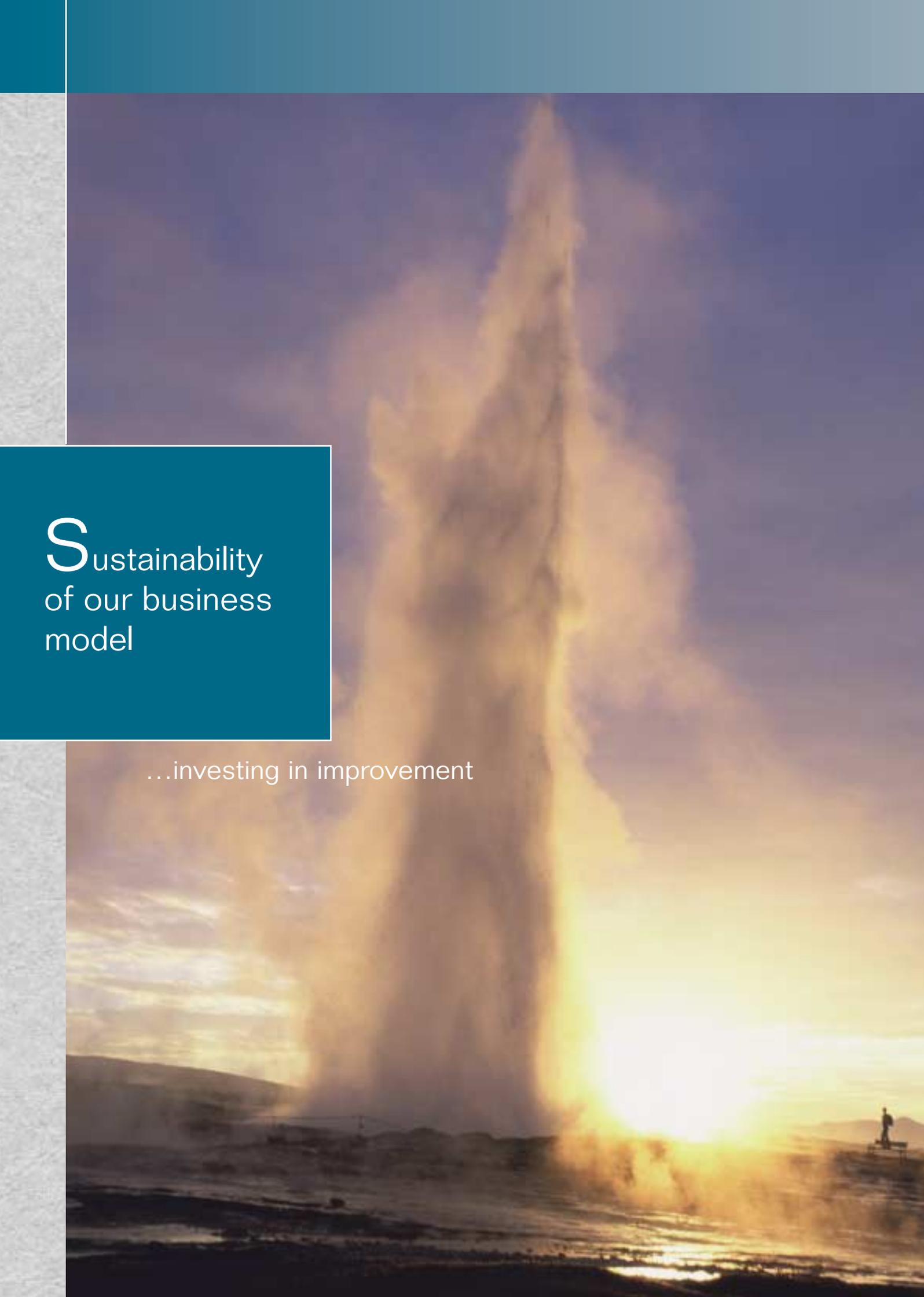


Signatory Rights

Glossary

The LDA contains detailed rules on decision making at MOL Group level. All decisions at subsidiaries must be made in line with rules set out in the LDA. Decision and signature rights are clearly separated in the Governance System. MOL Group Guidelines, representing the second level of the Regulation System, contain instructions of a general nature concerning the main process-groups in the integrated MOL Group Process Structure. Processes are split into three major groups – Governance, Business and Support.

Process Regulations are detailed documents, representing most of the Regulation System. They allocate organisational responsibilities, document the Information Systems connections to process steps, and consist of additional information necessary for proper implementation. These regulations are documented and managed in the Process Management System.

A large geyser erupts, sending a massive plume of white steam and water high into the sky. The scene is set at sunset, with the sun low on the horizon, casting a warm, golden glow over the landscape. The sky transitions from a deep blue at the top to a bright orange and yellow near the horizon. In the foreground, the dark, rocky ground of the geyser basin is visible. On the right side of the image, a small silhouette of a person stands on a wooden platform, looking towards the geyser. The overall atmosphere is dramatic and awe-inspiring.

Sustainability
of our business
model

...investing in improvement

Maintaining supply security

Energy and transportation are essential factors in a modern economy and are indispensable to the welfare of the consumer. However, there are significant externalities associated with supply security. Failure to supply would cause social damage of an order of magnitude much higher than the value of fuel products not consumed during such a crisis. We therefore consider the supply security of transportation fuels and natural gas to be our primary responsibility.

The energy industry is very capital-intensive, and characterised by long lifetime assets. Last year we invested almost HUF 17 billion in refinery maintenance, and close to HUF 6 billion in current refinery asset renewal. Inadequate investment and asset-stripping can provide short-term financial advantages, but can swiftly lead to an unsustainable business model, and create serious supply security problems later on. We are therefore committed to ensuring adequate maintenance and upgrades to satisfy demand in the long term. In 2004 for instance, our investment at MOL Group level exceeded our asset depreciation by 25%. Moreover, we make conscious efforts to select the best available technology in our replacement investments.

Both in the oil and the natural gas sectors, we actively participate in the promotion of new infrastructure projects that will enhance the security of supply. One of them, the Nabucco pipeline project, is expected to make a positive contribution to the entire European energy system. As a result of improvements in technology and management methods, the mechanical availability of production units has increased by 1.8%. Moreover, with its solid international relations, E.ON Ruhrgas International, involved as a strategic partner of MOL Group in the gas business, further strengthens the security of supply.

We are the biggest participant in the Hungarian KKSZ (Association of Crude Oil and Oil Products Stockpiling) which ensures adequate

supplies, even in cases of major geopolitical disturbance. Our investment strategy fully reflects the responsibility we assume on behalf of societies relying on our services.

Increasing shareholder value

We consider Sustainable Development to be an essential element of our business strategy. At MOL Group, our ultimate strategic goal is to maximise shareholder value on a long-term basis, which will require the integration



of sustainability principles into our everyday operations. We must build trust and credibility among our shareholders, customers, and local communities by acting as a "good corporate citizen".

Planet Earth is a closed economy. Each investment could have an impact on somebody else, perhaps a continent away. We are in competition with Pacific holiday resorts or French vineyards for the capital we need for our investments. Maintaining a strong financial position and investor credibility is a crucial component of a sustainable business model. Without adequate return on investment, a company cannot finance the renewal and expansion of its assets.

2004 was the best financial year ever for MOL Group, and hopefully this record will not be the last. EBITDA reached HUF 358.2 billion, and we achieved a ROACE of 23.2%. Due to

Important gas business developments

New Hungarian law has presented MOL Group with the opportunity of partially selling its gas businesses to E.ON Ruhrgas International, one of the largest gas and energy companies in Europe. The reinvestment of the proceeds in our core oil business will enable MOL Group to continue its growth strategy, and generate additional value, in the years to come.

strong profitability and retained earnings, MOL leverage has fallen. We can now attract debt capital at a very low-risk premium, appropriate for a blue chip borrower, and thus the long-term financial viability of MOL Group is guaranteed.

Creation of shareholder value is the most important mission of a modern corporation. We are the employees of our shareholders, who need to be assured that the current corporate structure and operations provide the best value for them. We believe that we will be able to achieve significant

our activities are contributing to their progress towards these goals.

Ever since the beginning of our partnership with INA, we have initiated joint projects to achieve technological and environmental modernisation in the Croatian oil industry. Our objective is to enable INA refineries to guarantee the product quality and environmental standards demanded by EU requirements. Moreover, our filling stations in Romania and Serbia operate at much higher environmental standards than the national average. Last, but not least, we are making conscious efforts to provide equal opportunity for talented professionals throughout the region. Compensation at MOL Group Romanian subsidiary, for instance, is above local average levels.

MOL Group after the Age of Oil

In the Age of Steam, the construction and servicing of steam locomotives as well as the supplying of coal to railway companies were lucrative businesses. As a matter of fact, in 1913, the three largest public companies on the Budapest Stock Exchange were involved in the coal business. We cannot, therefore, afford to be complacent about our current high capitalisation, since it currently relies on the production, refining and marketing of a depleting non-renewable natural resource.

Since coal sources are still plentiful today, the Age of Steam actually came to an end through technological change rather than resource depletion. At the twilight of the Age of Oil, however, the two processes will probably go hand in hand. Necessity being the mother of invention, not only will price pressure, due to resource depletion, create incentives for technological change, but technological change in turn, will hopefully keep the economic and social strain of resource depletion at a manageable level.

Many customers do not appreciate that petroleum is a fossil fuel, but they do appreciate the personal mobility that the internal combustion engine provides. As a facilitator of

value creation levels by executing our expansion and return strategy in the region.

Investment and modernisation

In our corporate vision, we see ourselves as the premier oil company in the region between the Baltic, Adriatic and Black seas. Some nations in this region have a complex history and still face many challenges.

There is a very strong association between a nation's openness to trade and investment and its economic development. Just as the Hungarian economy benefits from the inflow of foreign investment, so MOL Group regional investments create jobs and facilitate the spread of modern business practices to other countries. We would like to see Romania, Croatia, Serbia and Bosnia becoming prosperous economies and respected EU-members, and we are proud that

Increased regional presence

In 2004, the position of Slovnaft was further strengthened by increasing MOL ownership to 98.4%. In Romania, MOL acquisition of the remaining Shell filling stations increased the number of MOL outlets to over 130, bringing us closer to our targeted 15% retail market share. We strengthened our position in Austria as well, by further increasing our penetration of the end-user market with the acquisition of 75% of Roth Heizöle GmbH, a company with a strong position in the national fuel wholesale market.

mobility for the individual, we are confident that we can continue to provide our stakeholders with value and services for decades to come. Managing resource depletion and steering MOL Group towards the next Age has already been influencing our strategic thinking and decisions along several routes.

▼ Based on previous assessments, MOL oil and gas fields should have run out in the 70's. Continuous efforts and the application of advanced technology postponed this by at least a generation. We shall continue to develop our capabilities to be effective in field management and enhanced recovery. We believe that our skills will enable us to operate acquired foreign assets profitably. Maintaining a balanced upstream portfolio will continue to be an important part of our strategy and we employ a respected team of upstream professionals to achieve this.

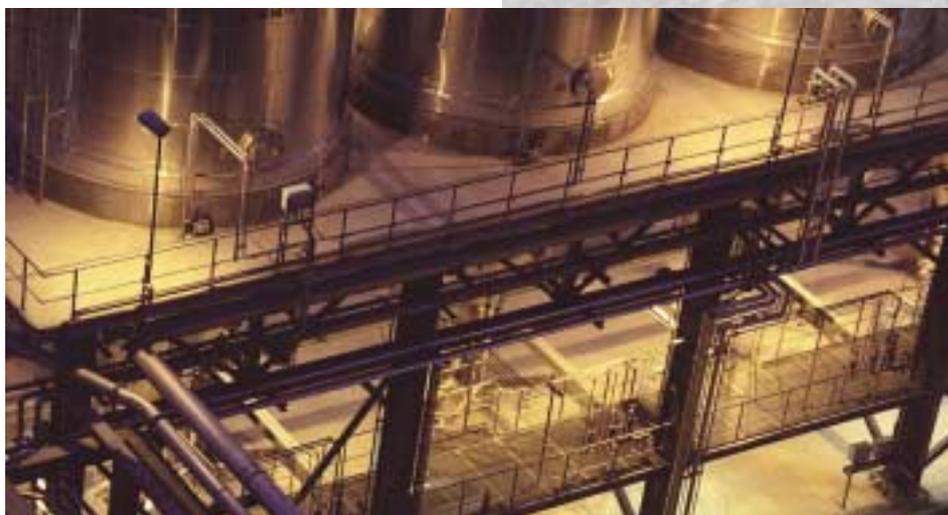
Oil and gas will never be renewable resources. Nevertheless, by maintaining smooth flows of supplies and working to increase reserves, we hope to contribute to the postponement and reduction of the social costs of adjusting to alternative technologies.

▼ Our drilling operations have discovered some of the best geothermal resources in Europe. Their estimated energy content is equivalent to 0.6 million barrels of oil annually. While the potential of geothermal energy is currently in a research and evaluation phase, by 2020 it could potentially become an important part of our product portfolio.

▼ Oil depletion and global warming concerns are leading to the gradual increase of biofuels. MOL Group is involved in this area and has started the procurement of substantial quantities of agricultural ethanol. Whereas it is not our intention to engage in agriculture, nor to become a primary producer of biofuels; we do see MOL Group playing an important purchasing and distribution role. However, second generation biofuels, synthesized

from biogas using GTL (Gas-to-Liquids) technology, could potentially develop as a core MOL Group business area.

▼ It seems likely that in the first decades of what might become the Hydrogen Age, hydrogen production will rely on the re-formation of natural gas. The large-scale switch of transportation to reformed hydrogen would double current natural gas demand. Our competence in natural gas transportation would position us advantageously to provide the pipeline infrastructure to make it all happen.



▼ Eventually, hydrogen production will rely on hydrolysis, preferably using CO₂-free electricity from nuclear or renewable sources. Electricity production is not part of our core business. However, storage and transportation of hydrogen poses similar and even more serious security challenges than petroleum does. It is clear that a dedicated hydrogen infrastructure will be necessary, with retail stations and distribution channels equipped with special technology. We are carefully monitoring the development of fuel cell and hydrogen technology, and when the first generation of mass-produced fuel cell cars hits the roads of Central Europe, we will be there with MOL Hydrogen Filling Stations to serve them.

Financial data	2002	2003	2004
Earnings – local currency (HUF mn)	65,262	99,981	209,325
ROACE – %	9.3	11.0	23.2
Total shareholder return – % MOL Plc.	6.9	20.2	97.8
Corporate taxes (HUF mn)	1,939	(32,476)	47,817

International development

MOL Group Exploration & Production business constitutes an engine for further growth, primarily through development in international markets. We want to focus our activities particularly on Russia and Kazakhstan, the Middle East and North Africa. In line with our expansion strategy, we have acquired a 22.5% stake in an exploration block in Kazakhstan which offers significant potential reserves. Moreover, in February 2005, we acquired an additional 5% share in this block, and took over exploration operations. Our continuing exploration activities in Pakistan were also fruitful in the discovery of new oil and gas reserves.

A photograph of a pond with lily pads and green trees reflected in the water. The water is calm, creating clear reflections of the surrounding greenery. The scene is peaceful and natural.

Caring for the
environment

...getting along with nature

Air protection

MOL Group has committed itself to continuously reduce its impact on the environment. With this end in view, a series of measures has been taken to improve air quality in our operational areas. In 2004, we reduced the total emissions of basic pollutants (SO₂, NO_x, CO, PM and VOC) resulting from our operations by almost 15%, amounting to 26,000 tonnes. The largest pollutant was sulphur dioxide, representing 45% of total emissions.

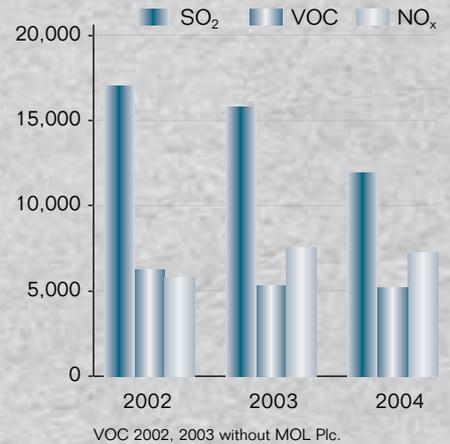
The best result achieved was in MOL Group-level SO₂ emissions, which showed a 25% reduction compared to 2003. This achievement was due to the standard operations of the reconstructed Claus unit at the Duna Refinery, the continuous alkaline washing of blow-off gases at the Zala Refinery, and the maintenance-free operations of the RHC (Residual hydrocracking) unit at Slovnaft. Moreover, we have launched a project expected to carry out the solid-bed desulphurisation of associated gases at the Sávoly oilfield, thus contributing to additional decreases in SO₂ emissions.

Another type of pollutant, specific to retail operations, is VOC. The main sources of VOC emissions are evaporation and leakage during the storage and distribution of oil products. With regard to new installations, railway loading gantries were connected to the Vapour Recovery Units (VRU) at the Hungarian Szajol and Székesfehérvár base depots in 2004 and a new VRU will be commissioned in 2005 at our logistics depot in Kľačany, Slovakia. At Slovnaft alone, 240,000 litres of hydrocarbons were recovered in 2004. Moreover, VRUs were installed at 23 Filling Stations throughout Slovakia, preventing fuel vapour from being released to the atmosphere during, for example, the unloading of road tankers or the filling of vehicle petrol tanks.

An air-proof covering, aimed at cutting benzene emissions, has been installed at the oil separating basin at TVK



Air emissions (tonnes per year)



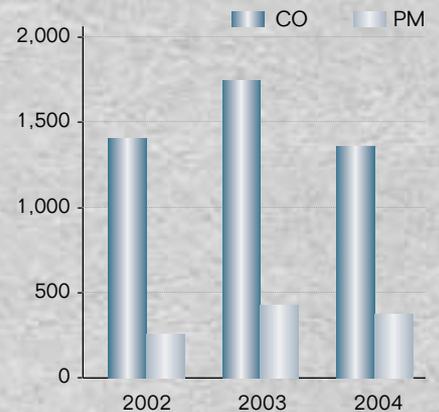
Olefin Plant, as the first phase of a development project intended to significantly reduce the emission of polluting substances from the basin into the open air.

Regarding other emissions, a minor increase in emitted NO_x was recorded by MOL Plc., due to increased use of refinery fuel gas and the start-up of new plants. In Slovakia, we saw a slight growth in CO, PM and NO_x emissions, caused by the increased combustion of fuels.

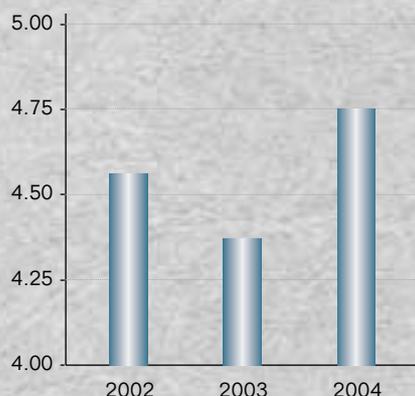
Climate change

Climate change is one of the most critical issues of Sustainable Development. There is growing evidence of climate change and its negative impact on the environment. The Emission Trading Scheme is one of the tools of cost-effective reduction of GHG emissions, to meet EU-member state targets under the Kyoto

Air emissions (tonnes per year)



CO₂ emissions (million tonnes per year)



Protocol. By the end of April 2005, Emission Trading Schemes will have already been implemented in Hungary and Slovakia. According to preliminary allocation figures, MOL Group will face a quota deficit. To minimise costs of compliance, we are planning to initiate a greenhouse gas emissions management programme with special emphasis on "carbon thinking": emissions cutting measures, international investment, or emissions trading.

At MOL Group, 17 installations in Hungary and 2 in Slovakia (refineries and combustion facilities of over 20

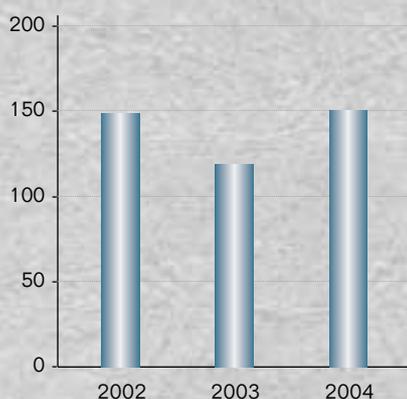
MW) are subject to the Emission Trading Scheme. A tangible example of our efforts towards decreasing CO₂ emissions is the commissioning of a modern TVK-Erőmű Ltd. power plant that reduced emissions from heat-energy producing stokers to 2.8 kt in 2004, from almost 15 kt in 2003.

Water management

The minimisation of water consumption and of our impact on water resources is one of our major concerns. Due to the nature of fuel production technology, our refineries are located near surface water areas, and are responsible for almost all MOL Group water discharges. In line with our objective of prevention, we are taking important measures to avoid contamination, and we place great emphasis on the remediation of existing problems.

At the Duna Refinery, a protective wall system and regular sampling of inspection wells ensure that the spreading of pollution is avoided. In Vlíčie hrdlo, at Slovnaft, groundwater protection has been provided by the Hydraulic Groundwater Protection system for more than 30 years. In 2004, almost 2.5 million litres of oil substances were removed from the subsoil by this process. In addition, the volume of pumped groundwater decreased by 0.7% and its utilisation for cooling increased by more than 11%. At MOL Group level, we have been able to sustain downward trends in technological water consumption and recorded a 15% fall compared to the prior year.

TPH discharges (tonnes per year)



Another important element of our operations is waste water, treated in Waste Water Treatment Plants (WWTP), and then discharged into receiving bodies of water. Unfortunately, the amount of total petroleum hydrocarbons (TPH) in waste water showed an increase compared to 2003, as the result of the construction of a new treatment plant, and of a waste water duct separation

system project, to improve MOL Group water management. In the field of concentration of solid substances (SS), we recorded 8 cases that exceeded the limits at Slovnaft WWTPs. These cases were not caused by technological operations, but by higher SS concentration of water intake from the Danube.

In Exploration & Production operations, we have continued to apply environmental-friendly 'zero discharge' silt technology, implemented in E & P drilling a number of years ago. This process does not involve the generation of reserve pits onsite, since cuttings from drilling mud are removed by centrifuge, and then deposited in temporary buffer stores, while the borehole fluid (mud) itself is used for boring successive wells.

Another E & P project, focused on environmental protection, concerned the implementation of a new method for storing work-over fluids in closed, subsurface systems, widely used in international drilling practice, and approved by the European Union. In this new method, work-over fluids that cannot be reused are pumped into depleted, closed hydrocarbon reservoirs and storage systems that can continuously be monitored and managed.

Waste management

Our commitment to reducing our impact on the environment also applies to waste generation. Although the reduction of hazardous waste generation is a priority, we must still pay close attention to waste resulting from maintenance, construction activities or unexpected events.

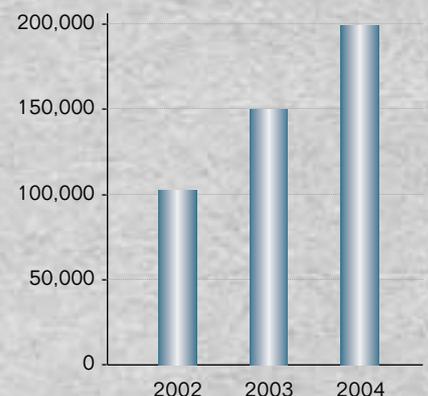
In 2004, hazardous waste generated by all MOL Group activities totalled almost 200 kt, 35% higher than in 2003, mainly due to cleaning work at the Duna Refinery wastewater lagoons, representing approximately 70 kt of sludge. More than one third of all waste was reused or recycled and the rest was disposed of, using various techniques such as incineration, land filling, recycling, biodegradation, or utilisation as fuel.



Selective waste collection

We also assessed opportunities for selective waste collection at MOL Filling Stations. As a result, we found 127 Filling Stations ready to be equipped with selective waste collection containers, for paper, glass and PET bottles. The service is already operating in four Hungarian cities, including Budapest. In addition, collection and recycling of batteries are performed by their distributors in acid-resistant containers that meet EU standards. Finally, we have taken great care to educate the public and raise environmental awareness about selective waste collection.

Hazardous waste generation
(tonnes per year)



Geothermal Pilot Project

In 2003, MOL Group decided to set up a team to develop a pilot project to explore power plant opportunities offered by geothermal sources in Hungary. It analysed potential geographical locations where the volume and heat of extracted water or steam



would be adequate for the construction of a power plant. In the process, extracted fluid would be later injected back into the aquifer for successive extraction processes, thus avoiding depletion of a natural energy resource.

No such geothermal energy-based power station currently operates in Hungary, and only a few examples exist in Europe. The pilot project provides an opportunity to test and apply new technologies for the first time in Hungary, and to inform stakeholders of lessons learned.

Environmental remediation

To eliminate acute environmental problems, a budget of HUF 7 billion was allocated in 2004. We were thereafter then able to achieve nearly HUF 1 billion in savings, thanks to the cost-effectiveness of the MOL Plc. Filling Station site clean-up process. The elimination of 44,000 tonnes of acid tar and 24,000 tonnes of contaminated soil from our premises constituted a significant part of this work. In addition, we completed work at the Zsana drilling mud pit and started the elimination of caustic mud

storage at TVK. Finally, we continued remediation work at logistics sites, and completed interventions at 25 locations throughout Hungary, where pollution occurred due to leaks in pipelines, partially caused by third parties.

Thinking about renewable solutions

International trends indicate that demand is gradually moving towards cleaner fuels, and later on, as fossil fuels become scarcer and more costly in the marketplace, towards renewable energy sources. At MOL Group we monitor R & D achievements in the areas of renewable and alternative energy sources, consider their potential uses in our operations, and take advantage of current experience. Even though renewable energy sources still constitute a small part of the region's energy mix, we shall continue to experiment with biofuels, geothermal energy and photovoltaic options, as well as exploring ways of improving their efficiency and competitiveness.

At present, MOL Group considers the utilisation of geothermal power as a renewable energy source, since it is a direct result of its Exploration & Production activity. However, it is unlikely in the near future that renewable energy will constitute a substantial portion of our energy production. MOL Group activities in this area include the implementation of a 65 MW net capacity geothermal power station project, currently in the feasibility stage, and a pilot project with approximate 2-5 MW electricity production.



Performance data

Air		2002	2003	2004
CO ₂		4,570,475	4,366,655	4,747,120
SO ₂		16,464	15,721	11,768
VOC	tonnes	6,337	5,479	5,535
NO _x		6,083	7,103	6,915
CO		1,360	1,727	1,323
PM		256	431	392

Water		2002	2003	2004
TPH		147	123	151
COD	tonnes	3,126	3,274	2,921
BOD		233	236	214
SS		878	1,011	765
Drinking water consumption		3,537,613	3,312,790	2,839,957
Technological water consumption	m ³	79,722,678	69,486,140	63,829,597
Spills over 1 m ³	cases	18	13	11

Waste		2002	2003	2004
Hazardous		104,035	146,945	196,966
Other	tonnes	72,001	124,834	150,032
Disposed		80,576	101,303	235,332
Re-used/Recycled		20,156	15,045	127,871

 MOL Plc. and TVK Plc. not available
 MOL Plc. not available

Compliance		2002	2003	2004
HSE related penalties		29.14	8.68	20.08
Environmental provision used	HUF mn	4,510	5,650	6,300





Focusing on
people

....working to promote
multi-stakeholder dialogue

Social responsibility

Our general commitment to Sustainable Development requires a new, inter-disciplinary approach not only to environment-related fields, but also to social issues. We want to become a company with an exemplary record of maintaining positive relations with the public, local communities and MOL Group employees. We would like our stakeholders to perceive us through the quality of products and services we offer and the values we hold dear. It is in our best interests to build trust and credibility among MOL customers and employees, as well as those with whom we share a common environment, both now and in the future. With this in mind, we are committed to the ongoing process of improvement, multi-stakeholder dialogue, open and transparent communication with our stakeholders, and also to ensuring the best opportunities and working conditions for MOL employees.

We are aware of our responsibility for the information that MOL shares with its employees and stakeholders. Therefore reliability and relevance are vital to the success of our communications. In contrast with "traditional" practices, ours are based on a proactive strategy. As a result, we seek to fulfil specific information requirements and communicate at special events, whilst actively keeping our stakeholders fully up-to-date. We are committed to the open communication of any information that reflects and evaluates our true performance, to ensure the highest transparency possible for any company today.

Multi-stakeholder processes call for the involvement and cooperation of all parties concerned, and are indispensable to the successful development of common understanding of Sustainable Development issues, and the application of its principles to everyday practice. Moreover these processes provide the participants with the opportunity of articulating and representing their own ideas and interests. Shareholders, customers, employees, contractors, NGOs and local authorities constitute the main MOL Group stakeholders.

As an international company, we respect local and national cultures and values, and promote cooperation, share knowledge, information and best practices across MOL Group. Our primary objectives also include the goal of providing equal opportunity, continuous learning and safe workplaces for MOL employees. In relations with local communities, we make every effort to become a reliable partner in supporting public activities, outstanding programmes, children, and talented people.

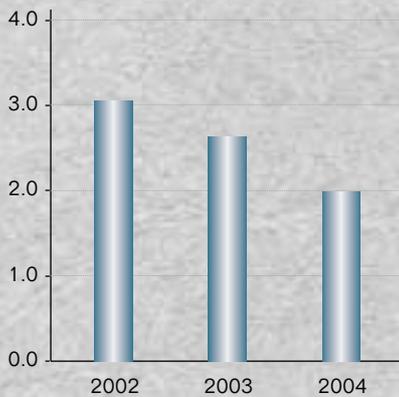


These efforts cover, among others, the support of public activities by donations or contributions in kind, with the main focus on children, youth, the disabled or socially disadvantaged, as well as the sponsoring of sport clubs, cultural events and ensembles.

These principles help us to establish better relationships with MOL employees and society in general, to strengthen our reputation and corporate image, and to make shareholder value more attractive. In addition, broad external relations and effective involvement provide feedback on our activities that helps us integrate people's ideas and interests, and select the best ways of developing MOL Group self-improvement.

In line with the above-mentioned principles, the following pages describe socially-related MOL Group activities and results.

LTIF



Safety at work

At MOL Group level, we have been able to maintain the downward trend in lost time injuries (LTI), which showed a 62% decrease compared to the base year of 2000. In 2004, we recorded 40 cases, which is one-third less than the targeted 60. We partly ascribe this success to the improvement in safety awareness throughout MOL Group. This positive trend is further strengthened by the LTIF (lost time injury frequency) ratio achieved – 2.0 injuries per million hours worked, well below the

European oil industry benchmark of 3.2, compiled by Concawe in 2003. However, we have to report with deep regret that in 2004 there was one fatality at TVK, and 2 fatalities among our contractors. Finally, there were no occupational illnesses registered at the MOL Group last year.

Since more than half the LTIs were caused by human error, our future efforts must concentrate on raising awareness through the implementation of a behaviour-based safety approach. With this intention in mind, we have launched our Safe Workplaces Project and expect LTI cases to keep falling throughout MOL Group.

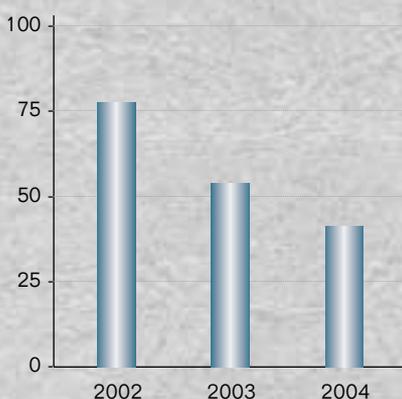
Safe Workplaces Project

The human factor, or rather human error, plays a key role (above 90% according to internal statistics) in extraordinary HSE incidents. If we were able to detect, identify and eliminate these factors, the number and the serious consequences of undesirable incidents could significantly be reduced. Recognising the importance of prevention in the improvement of HSE performance and due to the increasing number of LTIs at MOL Plc. in 2002, management launched the Safe Workplaces Project in cooperation with DuPont Safety Resources. The aim of the project is to improve the behaviour and competence of managers and employees concerning safety issues.

The implementation of the project is being carried out in two phases. The evaluation phase covers the auditing of health and safety operations in all areas of MOL Group to assess the leadership and the commitment of line managers, the competence of HSE organisation members and employees, as well as the performance of professional management benchmarked against industry peers.

Audit results are discussed and approved at so-called "Action Planning Workshops". These workshops permit review and discussion of the 14 elements of Process Safety Management (PSM, see model below)

LTI



among local managers responsible for PSM operations, and employees who operate the system elements.

In the course of PSM implementation, our objective is to adapt and apply a method – based on international experience – designed to detect all possible areas affected by the human factor. In practice, this process includes the implementation of an action plan, the development of corporate guidance and the support of all divisions at MOL Group in the application of the new method.

This project offers substantial benefits through:

- ▼ introducing and promoting best international practice
- ▼ strengthening corporate responsibility
- ▼ improving the efficiency of dialogue between management and worker representatives.

Stakeholder involvement is a crucial element throughout the project, as active participation of affected parties in all phases determines the degree of final success.

Seveso II.

The introduction of the first set of requirements for the prevention of major industrial accidents is a direct consequence of the well-known Seveso disaster in Italy, where large quantities of dioxins were accidentally released into the atmosphere. This system of industrial regulation was updated in 1996 under the “Seveso II” directive, which deals with the control of major accident hazards involving dangerous substances.

The main objectives of the Seveso II directive are to prevent accidents and to ensure that, if accidents do occur, their consequences are minimised by immediate effective response.

According to the principles of the directive, the most important tasks to perform are as follows:

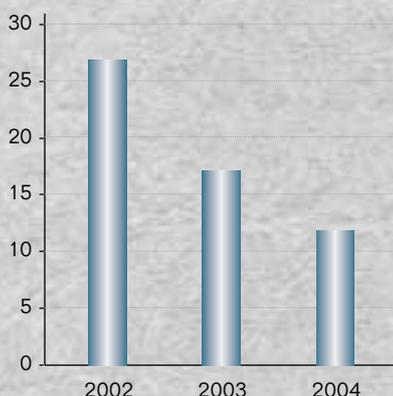
- ▼ Industrial site screening for the assessment of potential risks, based on the quantity of dangerous substances present (or potentially present) onsite



Process Safety and Risk Management Model



Fire cases



- ▼ Operator demonstration to the competent authorities of their understanding of risks posed by their activities and of measures taken to limit these to an acceptable level
- ▼ Authorities ensuring in their land-use planning procedures that there is an acceptable distance between hazardous plants and populated areas
- ▼ Operators introducing and regularly testing and reviewing emergency plans

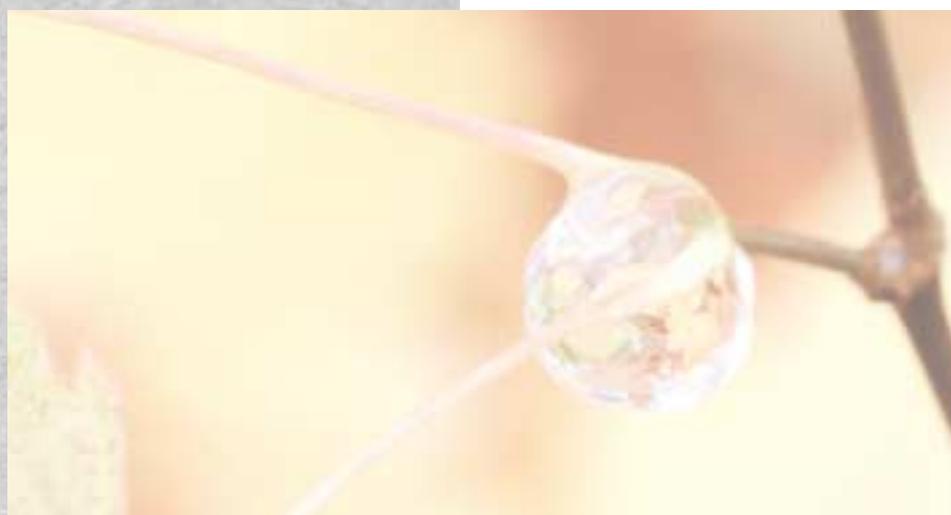
At present, the fulfilment of the Seveso directive is one of the most challenging tasks among HSE issues, due to its extraordinary technical and financial requirements, as well as its broad scope. 28 MOL Group facilities fall under this legislation, and 15 of them are classified in the higher "more dangerous" category. In addition, 11 new MOL Group facilities, currently under construction, will also need to be in line with the Seveso II directive.

The issue does not end with the submission of safety reports on facilities. Updating of documentation is required if technological changes have significant impact on safety, or after the expiration of the five-year validity period – a highly demanding task. Possible decreases in hazardous substance threshold values, resulting from legislative changes, would imply higher categorisation of three MOL Group facilities and the extension of Seveso II directive requirements to three more facilities.

Fire safety

At MOL Group level, cases of fire decreased to 12, compared to 17 the previous year. The sharpest improvement was recorded at Slovnaft, from 9 to 2, whereas at TVK there were no fires at all. Unfortunately, fire incidents at MOL Plc. doubled in comparison with 2003.

Last year, significant financial resources were allocated to fire protection-related projects, representing a value of more than HUF 63 billion. The most important projects are listed below:



- ▼ Hydrogen-2 and GOK-3 (diesel desulphurisation) units were put into operation at the Duna Refinery in 2004. Both of them were equipped with modern and effective fire-detection and fire-fighting systems, including the expansion of high-pressure water systems.
- ▼ Hosszúpályi-Dél gas collection station facilities were constructed with a modern computer-controlled fire detection and fire-fighting system. In case of fire, the system shuts the station down and ensures safe conditions.
- ▼ Renewal of fire water systems at TVK Olefin-1 unit tank farm



We not only concentrate fire-protection on production facilities, but also on administrative units. Because MOL Group Headquarters employees have doubled in number, a new evacuation plan has been prepared, emergency escape routes reviewed, and new exit signs installed, throughout the building. In view of the large number of visitors and MOL Group colleagues who do not speak Hungarian, information on emergency escape routes has been placed in corridors, in both Hungarian and English.

In MOL Group Budapest Headquarters and in the Szolnok office building, halon has been replaced in the computer centre built-in fire fighting systems to fulfil legislative requirements which only permit such halon-containing systems up to the end of 2005. In the third computer centre in Békásmegyer, Budapest, this fire extinguishing substance has already been replaced.

At TVK, fire-protection systems containing halon have also been phased out, and almost 1.4 tonnes of halon 1301 transferred to the halon bank.

We also pay great attention to the readiness of fire-fighting experts. Group 4 Falck, the provider of fire fighting services at Slovnaft, was involved in training with the Bratislava municipal fire & rescue brigade and with Szászhalombatta FER fire brigade, as part of our 2004 improvement programme.



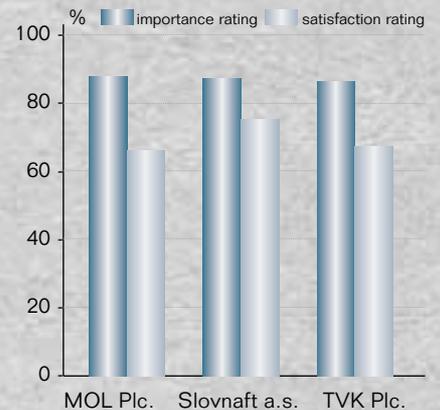
Additionally, ten fire fighters participated in training at the Survival Centre in Denmark. From a technical point of view, the acquisition of two new extinguishing agent containers and a vehicle, as well as the introduction of 1% foaming agents has contributed even further to the improvement of MOL Group fire-fighting efficiency.

Labour practices and decent work

Employees

In pursuance of MOL Group efficiency improvements and integration processes, we have continued the implementation of new structural changes. In 2004, after Slovnaft, the TVK organisation was also integrated into MOL Group structure.

Satisfaction survey results



Trees for the Tatras

In November 2004, the High Tatras Mountains were struck by destructive, gale-force winds. In less than 4 hours, forest from Podbanske through Tatranska Kotlina was devastated. MOL Group



immediately decided to help and transferred 20 million Slovak crowns to the State Forestry Authority of Tatras National Park to restore the forests to their original state. In addition to this immediate help, MOL Group joined the international "Trees for Tatras" assistance programme, which consisted of selling stickers symbolising the trees of Tatras at Filling Stations in Hungary, Slovakia, Austria and Slovenia. Each sticker covered the cost of planting a sapling. The fact that 178,000 stickers were sold in Hungary and Slovakia, representing more than SKK 3.4 million, demonstrates the great success of the programme.

Last year, our primary focus in this area shifted from headcount reduction to the improvement of workforce quality, through the revision of the principal Human Resources systems, such as our Performance Management System and Language Learning programme. The reform of MOL Group-level HR structure is still in progress in 2005.

In line with our compensation policy, MOL Group member companies offer employees competitive salaries, set according to the type of activity performed, individual performance,

and comparative rates in the labour market. MOL Group employees receive 13 salary payments per annum and are eligible to receive bonus payments in recognition of personal accomplishments. In addition, they receive a non-wage financial package, which they may expend on meal tickets, health funds, pension contributions or housing, among other items.

MOL Group has conducted an employee satisfaction survey, which indicates that most are satisfied with their workplace, that they respect corporate values, and that they feel they have good relationships with each other, safe working places and independence at work.

Labour/management relations

Wages, benefits and other working conditions are discussed and mutually agreed upon at MOL Group level through the process of annual collective bargaining. In addition, MOL Group regularly reports to Trade Unions and the Workers Councils, holding meetings with them to exchange opinions.

The European Working Council, established last year, ensures the opportunity for direct contact and consultation between employees and MOL Group management. Thanks to the efforts of delegated employees, the Company is constantly kept informed on decisions taken in different countries, and on the lessons of international experience.

Training

We sincerely believe employee training to be an indispensable part of professional advancement. MOL Group pays great attention to improving employee skills and knowledge and to maintaining international standards in workforce quality. Customised training schemes consist of compulsory sessions prescribed by official authorities and of external or internal professional training sessions necessary for the fulfilment of current or future job requirements. We also place great emphasis on leadership development.

Since EU Business English is the MOL Group-level working language across the region, special emphasis is placed



on the deepening of English language ability. To improve the existing training system we have conducted an assessment to measure employee English language skills. The results led us to introduce a new MOL Group-level EU Business English language training programme in 2004.

Equal opportunity and diversity

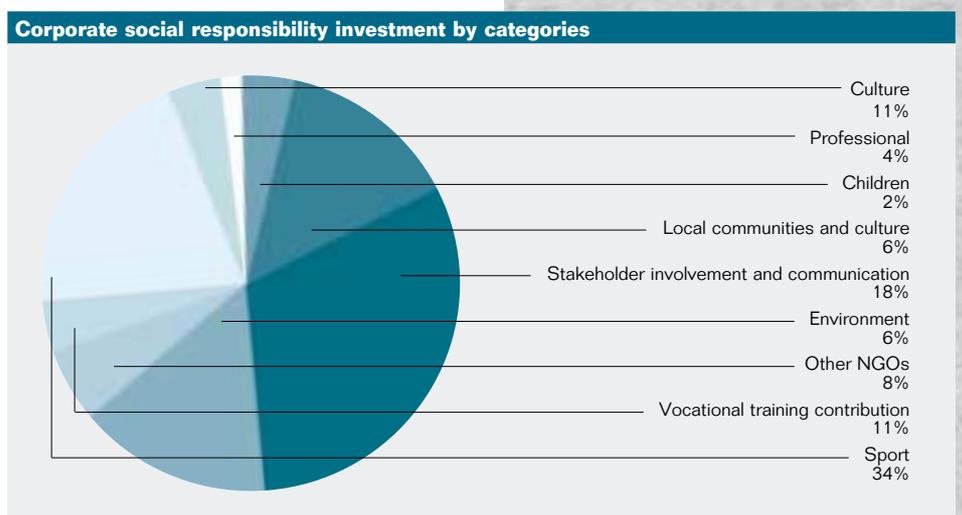
MOL Group provides equal opportunities to all current and future employees. The development of our processes seeks to avoid potential discrimination. MOL Group tolerates no discrimination of any type.

Beside national regulations, equal treatment for all is guaranteed by the Collective Agreement, the Code of Ethics, by agreements with Trade Unions, and other MOL Group-wide Guidelines and internal regulations. The criteria for selecting or nominating candidates for any position must only be based on experience and professional skills. Although there is still no formal monitoring system in place, we have not yet experienced any infringements in this area.

As an international company, operating in a multicultural environment, we fully respect local and national cultures and communities and provide MOL Group employees with the opportunity to express their opinions and ideas. The multicultural character of MOL Group is reflected respectively in our regular internal and external publications.

Human rights

We recognise and respect human rights as defined in international declarations and have integrated their principles into MOL Group corporate values and policies. Employees who feel that their rights have been violated may appeal to the Council of Ethics, Workers Councils or Trade Unions. By setting up the European Workers Council in 2004, MOL Group established a regional platform for multinational consultation. All employees can receive professional help from a labour lawyer provided by Trade Unions. Freedom of association and collective bargaining are ensured by national legislation.



Sponsorship and donations

MOL Group integration processes have required the restructuring of sponsorship and donation programmes both within the Corporate Communications and the Retail Services Units. Although the new framework has defined more centralised priorities and liabilities, this should not prevent member companies and affiliates from making the best of local opportunities. In addition, we have expanded our policies to embrace the regional level, thus covering the whole MOL

Group operating area, to integrate international actions in terms of social responsibility.

In line with our PR and marketing objectives, more than HUF 1.2 billion has been allocated to sponsorship and donations. It is difficult to provide a total MOL Group figure for this area, since projects are so diverse that aggregation is difficult. Moreover, the evaluation of amounts of contributions in kind and of products is highly complex.

Our efforts to expand corporate responsibility include the support of public activities through donations or non-cash benefits, focusing mainly on children, youth, and the disabled or socially disadvantaged, in the areas of health, environment, education and culture. In 2004, we supported several concerts, theatre performances and the issue of music recordings, in the knowledge that culture is a valuable investment and gives pleasure and unforgettable experiences to many people. In addition, our donations for educational purposes contribute to the development of high-level competence of future generations.

Our Company has sponsored sports clubs, sports people, professional areas, and cultural events and ensembles related to the oil industry, for many years. Sponsoring activities, in line with our business strategy, send out positive messages and support the achievement of marketing objectives. They also strengthen MOL Group business position and value and increase its recognition in society. We do not support religious or political parties, private individuals or organisations and events that support discrimination of any kind.



Natural-born support

The tsunami, generated by an earthquake occurring in the Indian Ocean, killed thousands of people in Indonesia in December 2004. Thanks to a significant MOL Group financial contribution to the global aid campaign, a rescue party of nine Slovak and four Hungarian experts and a doctor were able to travel to the devastated area. Their primary mission was the disinfection of stricken areas to eliminate epidemic hazards. The government of Sri Lanka greatly appreciated the efforts and achievements of the rescue team.



Performance data

Safety	2002	2003	2004
LTI	79	56	40
LTIF	3.10	2.60	2.00
Number of fires	27	17	12
Fire damage – HUF mn	23.69	155.11	98.00



Employees	2002*	2003**	2004
Total headcount – MOL Group	12,932	15,866	15,465
% of women in managerial positions (3rd level and higher)	13.0	16.8	15.55

*corrected with TVK Plc.

**with Slovnaft a.s. from April 1st

Local responsibility

TVK has traditionally given high priority to education, to the promotion of a healthy way of life and to the support of the arts and sciences. TVK Foundation for the "development of the southern Borsod sub-region" aims at supporting the improvement of its social, educational and health institutions.

Moreover, to ensure a maximum future number of skilled professionals, TVK maintains close contacts with a variety of secondary and tertiary education institutions and supports them in their teaching efforts and research work. Three universities and five vocational schools have together received HUF 39 million for their development, from the MOL Group vocational training budget.

Contact

You can find the online version of this report, together with previous ones on our official web site:

www.mol.hu

For local reports, please visit the websites of our member companies:

www.slovnaft.sk, www.tvk.hu

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CIS Countries

– Commonwealth of Independent States

GDR (Global Depository Receipt)

– depository certificates issued by a foreign depository on the issuers shares, deposited with a Hungarian custodian.

GHG (Greenhouse gases)

– gases that contribute to the formation of an insulating blanket around the Earth by trapping heat from infrared radiation. (CO₂, CH₄, N₂O, HFC, PFC, SF₆).

Provision

– a present liability with uncertain timing and amount, which will, arising from a past event, occur with high probability (greater than 50%), and will require a financial expenditure that can be reliably estimated.

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)

Glossary of terms



We need your feedback

We respect and pay great attention to the opinions of our stakeholders.

To share your views on our Sustainable Development performance and this report with us, please fill in our feedback card, available on the MOL website.

Your feedback will help us to know more about your areas of interest and continuously to improve our SD reporting.

GRI (Global Reporting Initiative)

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

LTIF (Lost Time Injury Frequency)

– the number of incidents of lost time injury (LTI) per one million hours worked.

PM

– particulate matter is finely dispersed solid matter produced by burning and other technological processes. The most dangerous are fractions finer than 10 µm (PM₁₀).

Polyolefins

– collective name given to those polymers that are made from olefins (ethylene, propylene).

TPH (Total petroleum hydrocarbons)

– oil substances. A parameter expressing the pollution of water with organic oil substances.

VOC (Volatile Organic Compounds)

– 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_x and VOCs.

VRU

– vapour recovery unit

Work-related injury

– any form of injury or death incurred by an employee independent of his or her own will by a temporary, sudden or violent external factor while carrying out work duties or in direct relation to those duties.





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