

EAST • WEST
MANAGEMENT
INSTITUTE



Partners for Financial Stability Program

Investor Relations Seminar

**Wednesday, October 10, 2001
Budapest, Hungary**

In cooperation with

The Budapest Stock Exchange

BUDAPESTI  ÉRTÉKTŐZSDE
BUDAPEST STOCK EXCHANGE

Effective Investor Relations: A Prerequisite for Raising Capital

Wednesday, October 10, 2001
Budapest, Hungary

draft agenda

8:30 - 9:00 **Registration**

9:00 - 9:15 **Welcome**

Zsolt Horvath
Acting Chief Executive Officer
Budapest Stock Exchange

9:15 - 10:30 Investor Relations in Central and Eastern Europe:
Developments from 1990-2001

Shareholder Base

- I. Percentage of Population Owning Shares
- II. Market Capitalization as a Percentage of GDP
- III. Stock Market Trends

How to Communicate with Shareholders:

Best Practices in Investor Relations

Responsibilities of the Investor Relations Officer

- I. Announcement of the General Meeting of Shareholders
- II. Announcement of Year End Financial Results
- III. Dividend Announcements
- IV. Share Issue Announcements
- V. Other Announcements

Geoffrey Mazullo

Director

Partners for Financial Stability (PFS) Program

10:30 - 11:00 ***C O F F E E B R E A K***

11:00 - 12:30 **Investor Relations in Practice**

How to Respond to Institutional Investors' Informational Needs

David Dando

Director

Institutional Shareholder Services

London, UK

Investor Relations in Germany from 1991-2001 – Best Practices

Christiane Hoensch

Attorney

German Shareholders' Association DSW

Dusseldorf, Germany

**Survey of Online Investor Relations Practices of Companies Listed
on the Warsaw Stock Exchange**

Elzbieta Wydrzynska-Glowacka

Marketing Consultant

Digital Strategies Sp. z o.o.

Warsaw, Poland

12:30 - 13:30 ***L U N C H***

13:30 – 14:45 Case Study in Investor Relations
Intershop's Information Disclosure Practices (2000)
Geoffrey Mazullo
Director, Partners for Financial Stability (PFS) Program

15:45 - 15:15 C O F F E E B R E A K

15:15 - 16:00 Panel Discussion
Best Practices in Investor Relations
at Two Leading Emerging Market Companies
Ms. Krisztina Hulvely (to be confirmed)
MATAV Rt.
Mr. Szabolcs Czenthe
MOL Rt.

16:00 - 16:15 Closing Remarks
Zsolt Horvath
Acting Chief Executive Officer
Budapest Stock Exchange

16:30 Press Conference

Appendix I
Investor Relations in Practice

Appendix II
Investor Relations Societies, Shareholder Associations and Share Ownership Promotion Associations in Canada, Europe and the US

EAST • WEST
MANAGEMENT
INSTITUTE



Partners for Financial Stability (PFS) Program

www.ewmi.hu

Geoffrey Mazullo

Director

Effective Investor Relations –
A Prerequisite for Raising Capital

PFS Program

Capital Markets Activities in 2001

Comparative Analysis published on PFS website – May 2001

International Accounting Standards Symposium – May 31, 2001 - Riga, Latvia

Capital Markets Seminar – June 5, 2001 – Bratislava, Slovak Republic

Investor Relations Seminar – June 19, 2001 – Tallinn, Estonia

International Accounting Standards Seminar – September 13, 2001 – Tallinn, Estonia

Investor Relations Seminar – October 3, 2001 – Riga, Latvia

Investor Relations Seminar – October 10 – Budapest, Hungary

Disclosure Workshop – November 9, 2001 – Warsaw, Poland

Investor Relations - Disclosure Seminar – November 14, 2001 – Vilnius, Lithuania

Investor Relations Seminar – December 5, 2001 – Prague, Czech Republic

Investor Relations in CEE: Developments from 1990 - 2001

1990 - 2000	2000 - 2010
Securities Commissions established; Stock Exchanges re-opened	Establishment of Consolidated Financial Supervisory Authorities
Growth of regional funds, targeted funds, socially-responsible funds	European Commission proposes use of IAS by listed companies by 2005
US pension funds begin voting at foreign AGMs and EGMs	US SEC issues Regulation Fair Disclosure
Requirements to disclose risk management policies; ownership disclosure thresholds lowered	Mergers of European Stock Exchanges
Insider trading criminalized	Requirements to disclose directors' dealings
Wider implementation of IAS	Failure of European Commission's takeover directive
Online IR	Neuer Markt issues new regulations

Institutional vs. Individual Investors

Why and How to Reach Them

Who Are Your shareholders?

Market Capitalization as a Percentage of GDP

Individual Share Ownership in International Comparison

Foreign Share Ownership in International Comparison

Market Capitalization / GDP - 1st Q 2001

UK	269.3 %
SWITZERLAND	200.7 %
US	181.9 %
GERMANY	67.8 %

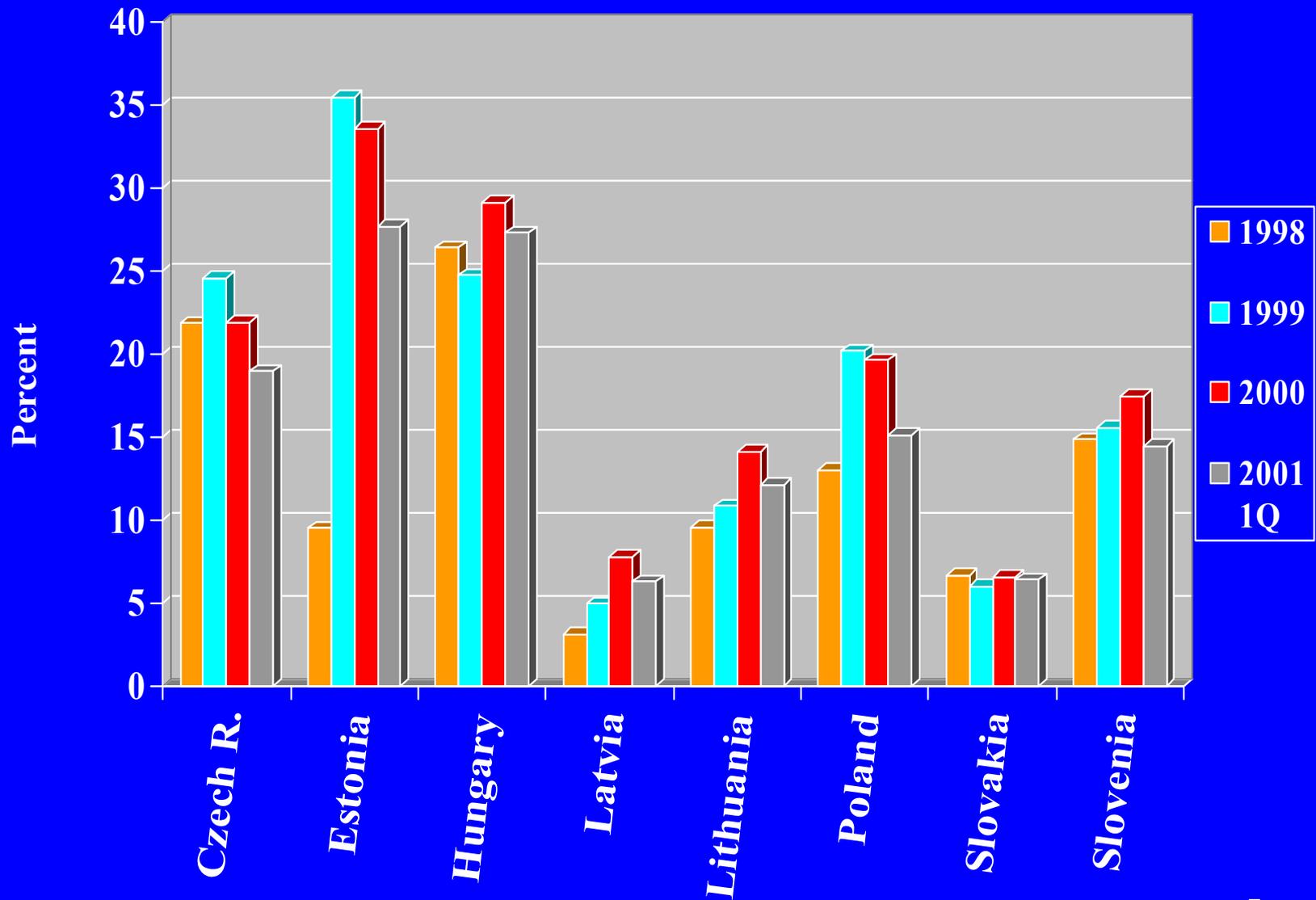
Source: *Financial Times*, April 2001

Market Capitalization / GDP –1st Q 2001

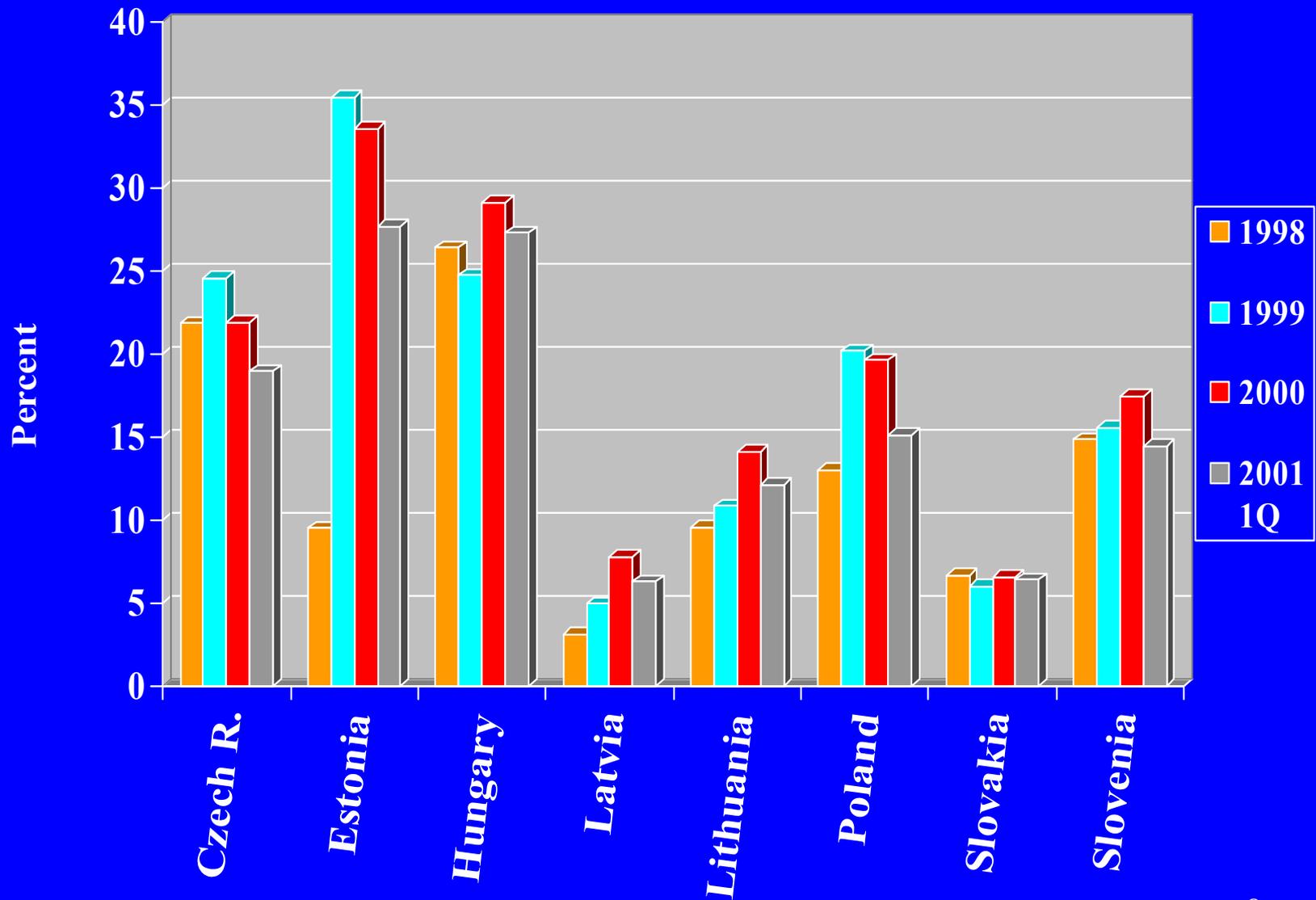
Czech Republic	18.96%
Estonia	27.66%
Hungary	27.25%
Latvia	6.29%
Lithuania	12.14%
Poland	15.13%
Slovakia	6.4%
Slovenia	14.42%

Sources: National Stock Exchanges; National Banks

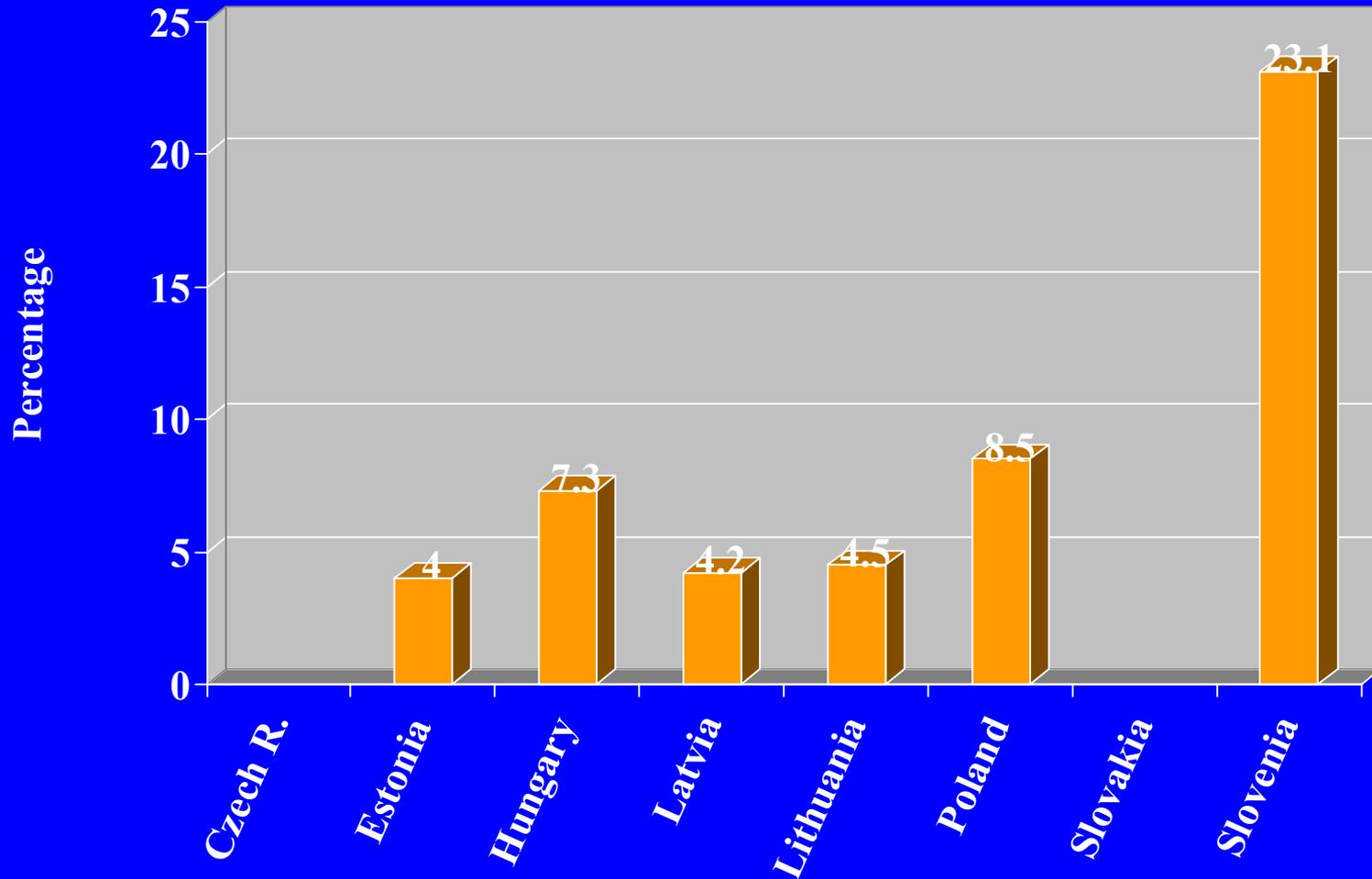
Market Capitalization / GDP - Dec 31, YEAR



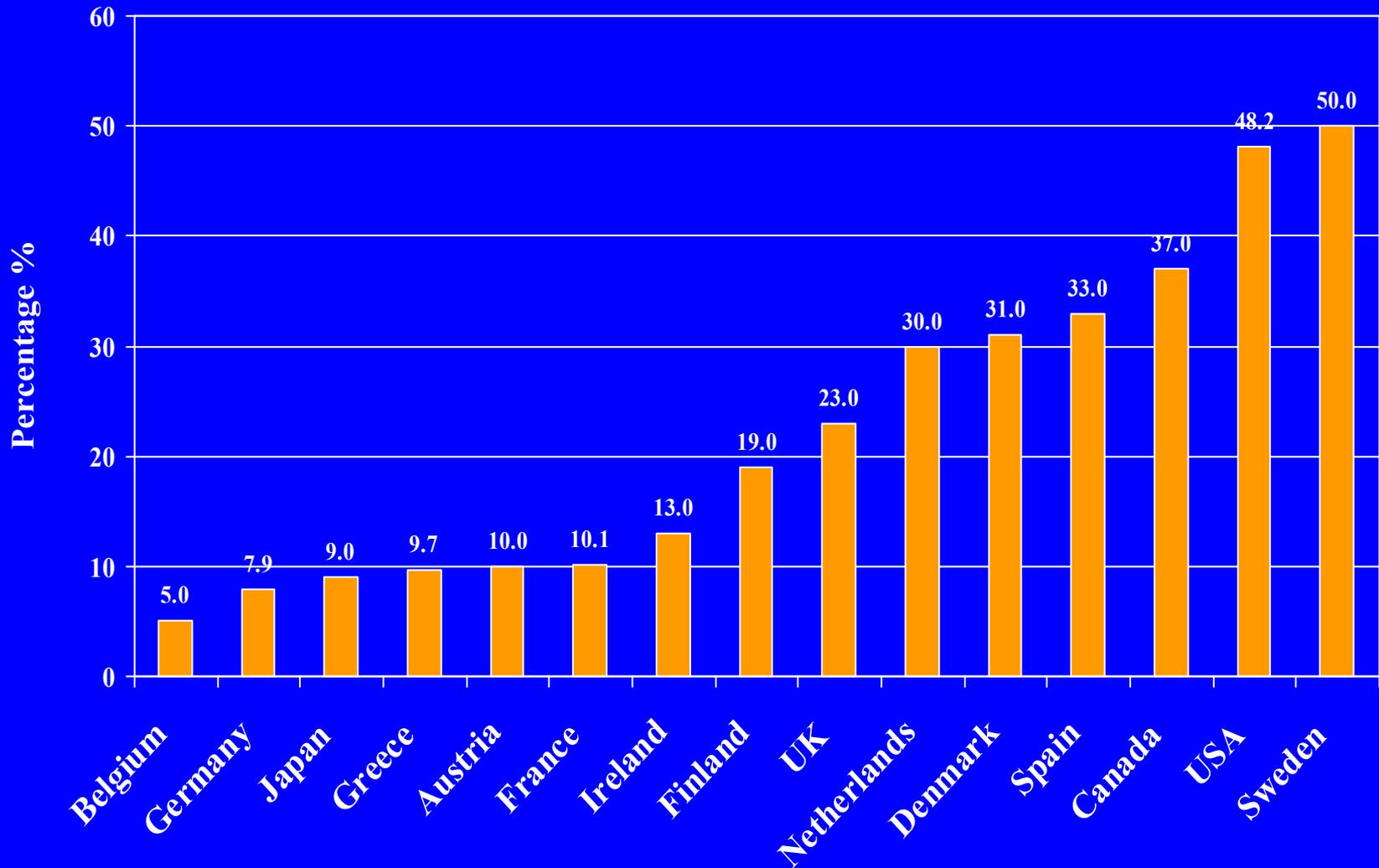
Market Capitalization / GDP - Dec 31, YEAR



Percentage of Citizens Owning shares – 1st Q 2001

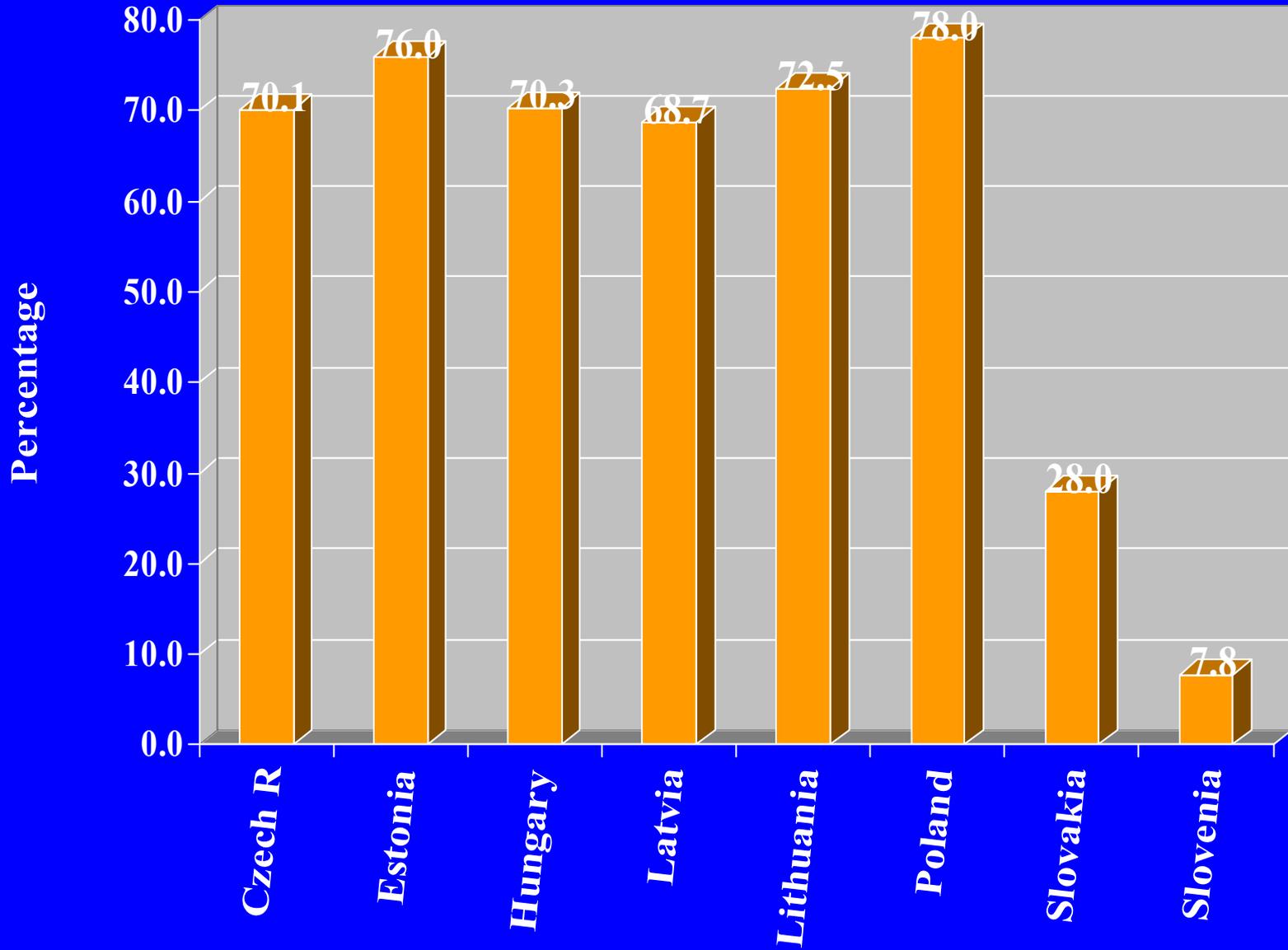


Percentage of citizens owning shares directly or through investment funds (Data from 1998 and 1999)



Source: Deutsches Aktieninstitut, Frankfurt am Main

Share of Foreign Owners – 1st Q 2001



Relationship between Effective Investor Relations and

- **Ability to Attract Staff, Management and Board Members**
- **Compliance with Disclosure Requirements**
- **Investor Confidence**
- **Liquidity**
- **Marketing of Products/Services**
- **Share Price**

Marco Perilli Cippo, CEO of Campari

“We are not listing to raise capital. But the possibility of turning to shareholders for future acquisitions could prove useful, and listing also raises our visibility and the professionalism of management.”

The Wall Street Journal Europe, Tuesday, June 26, 2001

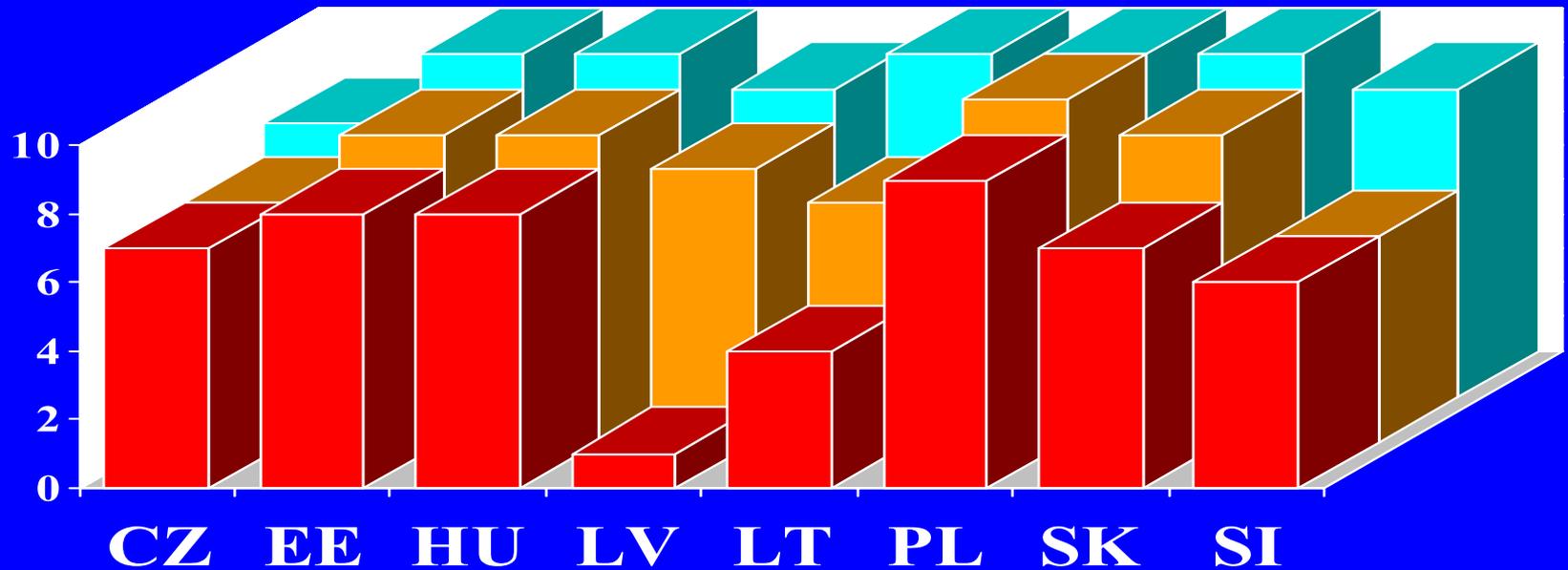
Effective Investor Relations: A Prerequisite for Raising Capital

Primary Criteria for Portfolio Investment Decisions In Central and Eastern Europe

ZEW study, October 1999

General	Microeconomic	Financial Markets

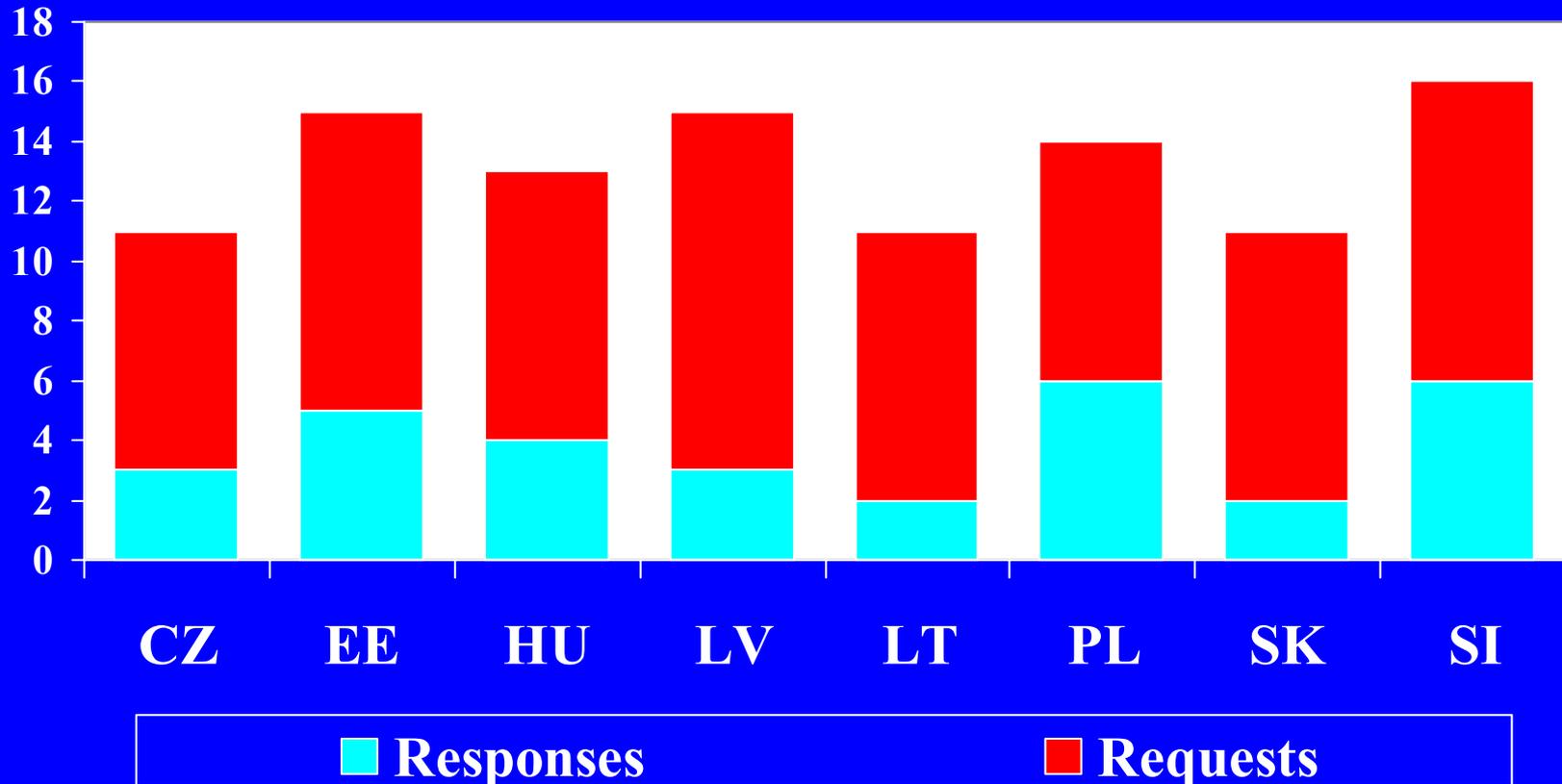
PFS Survey: Websites of the 10 Largest Listed Companies in CEE Countries



Management Info **English** **Websites**

Disclosing Management Information: 75 Requests, 32 Responses

Most requests sent May 22 and 23; 10 more before the end of May, 1 on June 5



Institutional vs. Individual Investors

Why and How to Reach Them

How to Reach Them?

**Through an Imaginative Combination
of All of the Above,**

focusing on Compliance, Disclosure and Creativity

Investor Relations: How to Communicate with Shareholders

Overview of:
Traditional Print Media
Internet
Roadshows / Analyst Meetings
Teleconferencing

With a focus on:
Best Practices
International Standards

Announcement of the General Meeting of Shareholders

After reviewing the announcements presented in Appendix I,
please consider the following questions:

1. Are any of the announcements particularly poor?
2. Are any of the announcements particularly good?
3. Would any of the announcements be a useful model for your company's announcement?
4. What are the necessary components of a good announcement?
5. What role does the investor relations officer play in producing the announcement?
6. What do these announcements tell you about the yearly schedule of the investor relations officer?

Voting Results at General Meeting of Shareholders

After reviewing the announcements presented in Appendix I,
please consider the following questions:

1. Are any of the announcements particularly poor?
2. Are any of the announcements particularly good?
3. Would any of the announcements be a useful model for your company's announcement?
4. Do you need to publish such an announcement?
5. What role does the investor relations officer play in producing the announcement?
6. What do these announcements tell you about the yearly schedule of the investor relations officer?

Announcement of Financial Results

After reviewing the announcements presented in Appendix I, please consider the following questions:

1. Are any of the announcements particularly poor?
2. Are any of the announcements particularly good?
3. Would any of the announcements be a useful model for your company's announcement?
4. What are the necessary components of a good announcement?
5. What role does the investor relations officer play in producing the announcement?
6. What do these announcements tell you about the yearly schedule of the investor relations officer?

Dividend Announcements

After reviewing the announcements presented in Appendix I, please consider the following questions:

1. Are any of the announcements particularly poor?
2. Are any of the announcements particularly good?
3. Would any of the announcements be a useful model for your company's announcement?
4. What are the necessary components of a good announcement?
5. Do you need such an announcement?
6. What do these announcements tell you about the yearly schedule of the investor relations officer?

Depository Receipt Announcements

After reviewing the announcements presented in Appendix I,
please consider the following questions:

1. Are any of the announcements particularly poor?
2. Are any of the announcements particularly good?
3. Would any of the announcements be a useful model for your company's announcement?
4. What are the necessary components of a good announcement?
5. What role does the investor relations officer play in producing the announcement?

Other Announcements

After reviewing the announcements presented in Appendix I, please consider the following questions:

1. Are any of the announcements particularly poor?
2. Are any of the announcements particularly good?
3. Would any of the announcements be a useful model for your company's announcement?
4. What are the necessary components of a good announcement?
5. What role does the investor relations officer play in producing the announcement?
6. What do these announcements tell you about the yearly schedule of the investor relations officer?

Internet

Board Information

Compliance with Disclosure Requirements
(Environmental, Listing, OECD, Ownership, Risk, etc.)

Management Information

Mix of Financial and Non-financial Information

Peer Analysis / Share Price Comparisons

Quote(s) from CEO

Up-to-date

Internet

Useful Sites

www.irbestpractice.org

- Provides Guidance on IR Best Practices

http://www.londonstockexchange.com/about/about_14.asp#listing

-Order Brochure:

- “A Practical Guide to Investor Relations”

Roadshows / Analyst Meetings Teleconferencing

Company Spokesperson

Impact of Regulation Fair Disclosure (FD) in US

Media Training

Macroeconomic Conditions in Your Country

Regulatory Environment

Calendar of Disclosure Requirements / Investor Relations Activities

The Partners for Financial Stability (PFS) Program is working with the Hungarian Financial Supervisory Authority, Lithuanian Securities Commission and Polish Securities and Exchange Commission to draft Calendars of Disclosure Requirements for Listed Companies.

A meeting will be held in Warsaw on November 9, 2001 to discuss the first drafts of the calendars.

DISCLOSURE OF INFORMATION BY JOINT STOCK COMPANIES IN HUNGARY

TABLE OF CONTENTS

<i>Time and circumstances of disclosure</i>	<i>Page</i>
ANNUALLY.....	2
SEMI-ANNUALLY.....	6
QUARTERLY.....	7
MONTHLY.....	8
FROM TIME TO TIME - CASE BY CASE:	
FOUNDATION	9
PUBLIC OFFERING OF SECURITIES	13
CHANGES IN REGISTERED CAPITAL	17
TRANSFORMATION	20
OTHER DOCUMENTS	30

Annually:

List of documents	Under which circumstance(s)	Who	To whom	When
<p>Invitation of the shareholders meeting.^[1]</p> <p>The invitation or announcement shall contain the following:</p> <ul style="list-style-type: none"> - the company name and registered office of the company; - the place and time of the general meeting; - the agenda of the general meeting; - the conditions for exercising voting rights, as stipulated in the statutes; - the place and time of the repeated general meeting in the event of failure to have quorum. <p>A general meeting repeated due to lack of quorum shall be convened within the deadline set forth in the invitation or announcement of the original general meeting, and under the conditions contained therein.</p>	<p>The general meeting shall be convened as frequently as set forth in the deed of foundation (statutes), but at least once every year.</p> <p>If so required, extraordinary general meetings may be held at any time.</p>	<p>Board of directors or the general director.</p>	<p>The shareholders</p>	<p>At least fifteen days in advance of the first day of the general meeting. In the case of a public company, by means of the announcement published according to the provisions of the statutes at least thirty days in advance of the first day of the general meeting.</p>

[1] Act CXLIV of 1997 on Business Associations (BA), Section 234, Paragraph 1-5

Annually:

List of documents	Under which circumstance(s)	Who	To whom	When
The annual report. ^[2]	Joint stock companies that issued shares through a public offering.	The issuers.	The HFSA	No later than the 30 th of April following the relevant year.
Written report on the company's annual report. ^[3]	The joint stock company's general meeting may pass resolution on the report prepared according to the "Accounting Act", and on the appropriation of after-tax profits only in possession of the written report of the general meeting.	The supervisory board	The shareholders	At the general meeting.

^[2] Securities Act (SA), Section 48, Paragraph 3-4

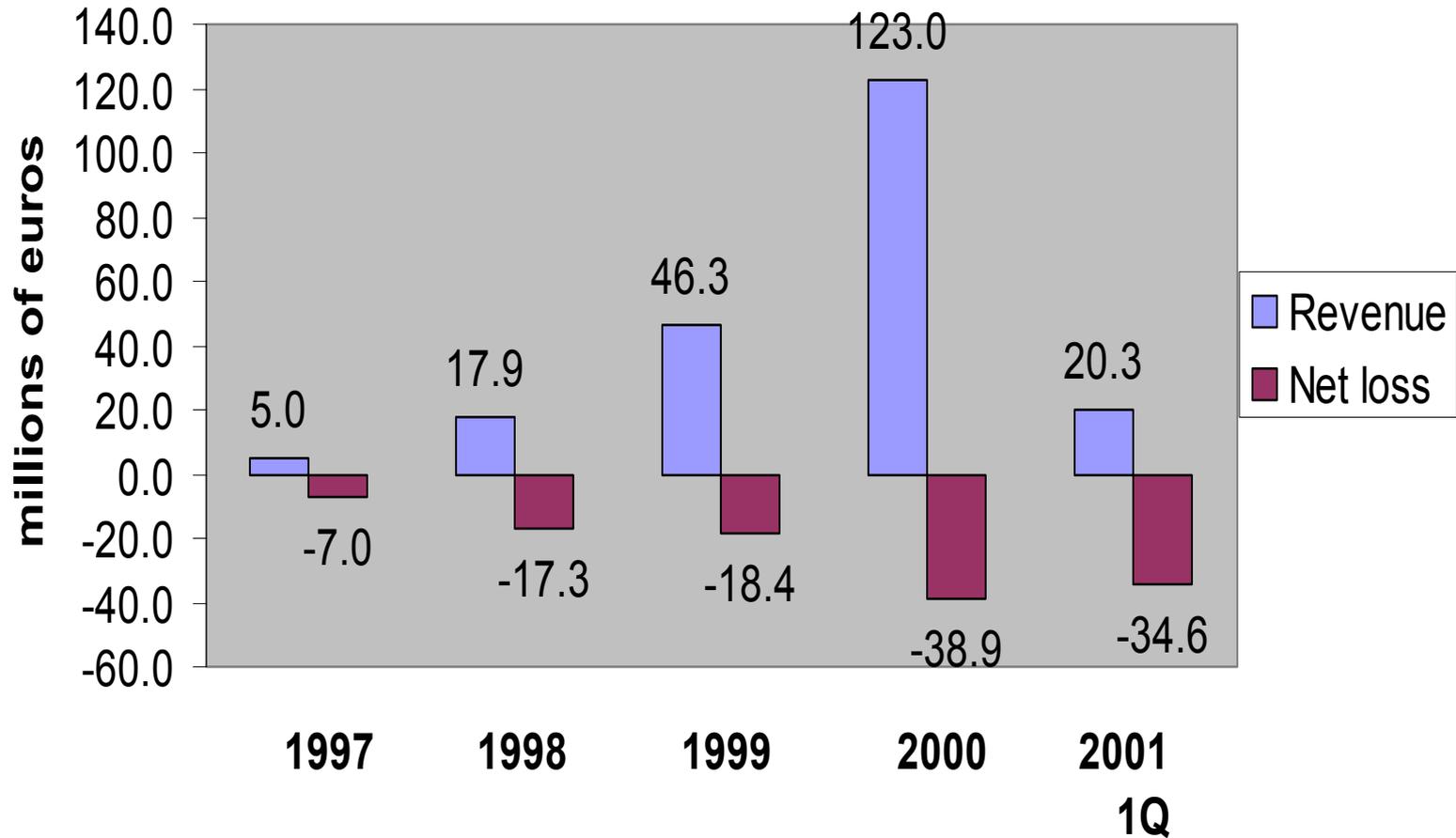
^[3] BA Section 32, Paragraph 3

Best Practices

Intershop Case Study

**Diesen Chart finden Sie unter
<http://www.finanztreff.de>**

Intershop`s Main Financial Data



Questions

1. In your opinion, which mistake or mistakes did Intershop management make in its information disclosure policy?
2. What role did the company's industry play in this situation?
3. What role did business conditions play in this situation?
4. What role did investor sentiment play in this situation?
5. What role did the financial press play in this situation?
6. What role did securities regulation and self-regulatory oversight by stock exchanges play in this situation?
7. Which lessons can listed companies learn from the Intershop situation?

How to Respond to Institutional Investors' Informational Needs

David F. Dando
Director, ISS Europe
10 October, 2001

Financial Information

- Use International Accounting Standards
- Post financial statements to a company website
- Provide contact information for users

Corporate Governance

Company board

- Disclose names and biographies of directors
- Disclose board interlocks
- Report on attendance at all board meetings
- Report any material relationships between directors and the company

Corporate Governance

Remuneration

- Provide director and executive remuneration policies
- Disclose stock option/sales activity by directors
- Provide director stock ownership details

Corporate Governance

Company board

- Discuss succession planning
- Disclose any potential conflicts of interest

Corporate Responsibility

Non-financial Issues

- Provide environmental report
- Discuss employee/union relations
- Report any significant supplier relationships
- Discuss any sustainability issues relevant to the company

Questions?

Who we are and what we do

Founded in 1947

More than 25,000 members

Head office of about 5,500 investmentclubs

Nine regional groups

More than 1,000 annual general meetings
visited in 2001

Daily job: legal advice

Investor Relations

How to define **good** investor relations work?

**Maximum of
transparency**

**Timely publication of
relevant information**

Investor Relations...

...of companies listed at the Neuer Markt



EM.TV

New rules for the delisting of companies

- **quantitative** criteria: share price (1 Euro) and market capitalization (20 million Euros)
 - ➔ if a company falls below both criteria during 30 consecutive exchange-trading days
 - ➔ and no exceedance on at least 15 in 90 exchange-trading days thereafter
- **qualitative** criterion: insolvency of a company
- delisting: 1 month after announcement

Corporate Governance

Code against Insider Trading

Takeover Code

Insider Law

Law for Accounting Standards

Control- and Transparency Law

Control- and Transparency Law

- Risk and monitoring system
- Supervisory Board members not more than 10 seats on other boards, chairman not more than 5 seats
- More transparent election of Supervisory Board members
- More rights to the minority shareholders
- Permission of stock option plans and repurchase of shares
- More duties and responsibilities for the auditors⁶

Code of Best Practice

- Ad-hoc publicity
- Equal treatment of all shareholders
- Financial reporting
- Remuneration – share options + performance related incentives
- Disclosure directions
- Independent Supervisory Board
- Supervisory Board committees

Corporate Governance Code

Recommendations of the government
commission:

„Comply or explain“

- **Restriction to 5 external board positions for supervisory board members**
- **No positions that are in competition with the company for supervisory board members**

Corporate Governance Code

Recommendations:

- **Expanded transparency standards**
- **Information regarding remuneration of the auditor and regarding the kind of auditing and non-auditing services**

New takeover law

10 key elements:

1. Statutory regulation
2. Mandatory offer
3. The bidder's offer
4. Amount of the bidder's offer
5. Informing the target company's shareholders and employees

New takeover law

10 key elements:

6. Conduct on the part of the target company's boards
7. Speedy procedure
8. Effective supervision
9. sanctions
10. Squeeze-out rules

Investor Relations Online

Survey of companies listed on
the Warsaw Stock Exchange

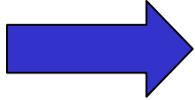
Investor Relations Seminar
October 10, 2001
Budapest, Hungary



Digital Strategies Group

www.dsgterra.com

Agenda



- **How did we conduct the survey?**
- Six basic steps to Investor Relations (IR) Online
- What if you don't understand Polish?
- Which Polish companies do it best?
- IR Online – new element of PR strategy

How did we conduct the survey?

We surveyed all 216 companies listed on the Warsaw Stock Exchange (WSE) as of 2001.06.30

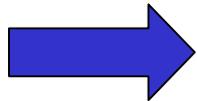
Why?

- first IR Online Survey – no standards and obvious benchmarks;
- wanted to create a “foundation” database for comparisons and further research;
- wanted to draw broad conclusions and to popularize them through publications, conferences, opinion leaders, etc.

Survey methodology and timing

- Reviewed all 216 company websites in July and August 2001;
- Employed a structured questionnaire – with 0/1 responses focused primarily on existence/non-existence of certain features.

Agenda



- How did we conduct the survey?
- **Six basic steps to Investor Relations (IR) Online**
- What if you don't understand Polish?
- Which Polish companies do it best?
- IR Online – new element of PR strategy

Step 1: Can I find a company's website?

207 out of 216 listed companies (96%) have their own web sites

But website naming conventions can be confusing:

Company Name	Website Address
TP S.A. (telecom) BANK PEKAO S.A.	www.tpsa.pl www.pekao.com.pl
ENERGOPOL S.A. FASING S.A.	www.it.pl/energopol www.fasing.silesia.top.pl

← Most make it easy ...

← But some make it hard..

Search lists and engines can help

- Most web addresses can be found in search engines (Yahoo, Onet);
- WSE website provides a link list (www.gpw.com.pl), but a significant number of links are missing or have invalid/old addresses!

Step 2: Does the website have an Investor Relations area?

IR Online is not a standard area on WSE company websites

- Only 33% of WSE companies have it in Polish;
- Only 16% of WSE companies have a corresponding area in English
 - But naming conventions can, again, be confusing:

Name of online IR service	% of time used
Investors Investor Relations	67%
Company on Stock Exchange About Company Facts	33%

← Most make it easy ...

← But some make it hard..

Accessibility is generally good

- 90% of IR Online pages could be reached in 1 click from the main page;
- 10% in 2 clicks.

Step 3: Does the website tell a company's "story?"

90% of WSE companies had an area presenting "company overview"
... but 10% did not!

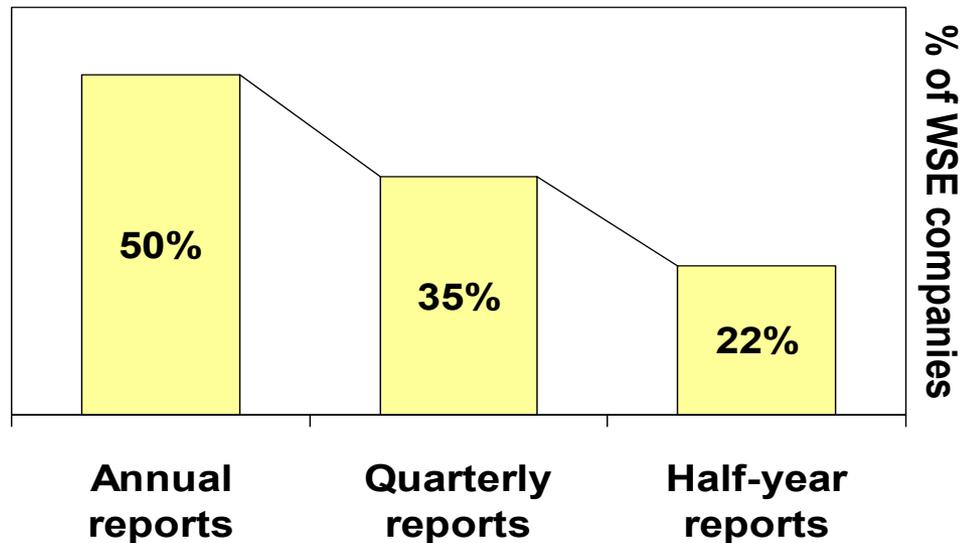
What exactly is presented?

Item	% of all WSE companies showing item online
Company profile	88%
Company history	79%
Management names	61%
Supervisory board names	41%
Ownership structure	37%
Strategy statement	29%
Management team bios	23%

Step 4: Can I see and download the basic financials ?

Limited Availability

- Less than half of WSE companies make their financial reports available online



Limited timeliness

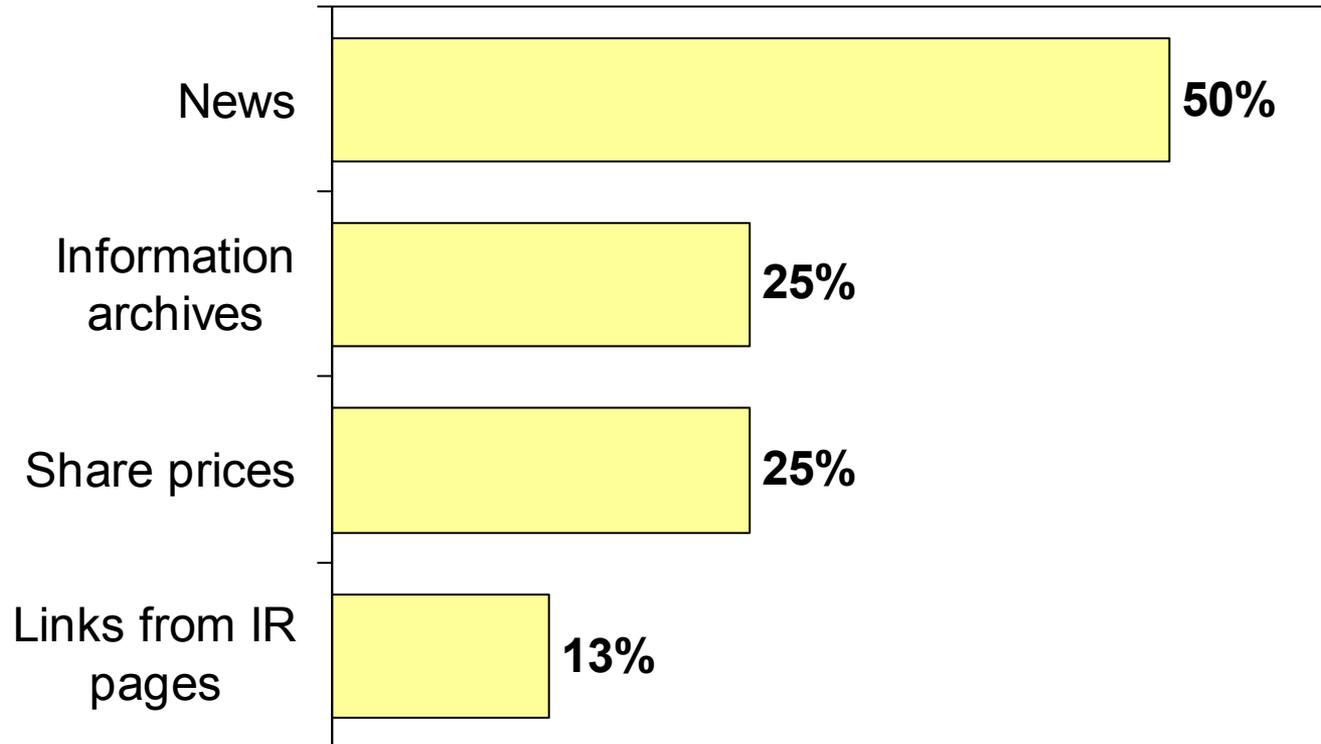
- Only 31% of all WSE companies had their 2000 (latest) annual report available online in late July 2001

Limited historical financials

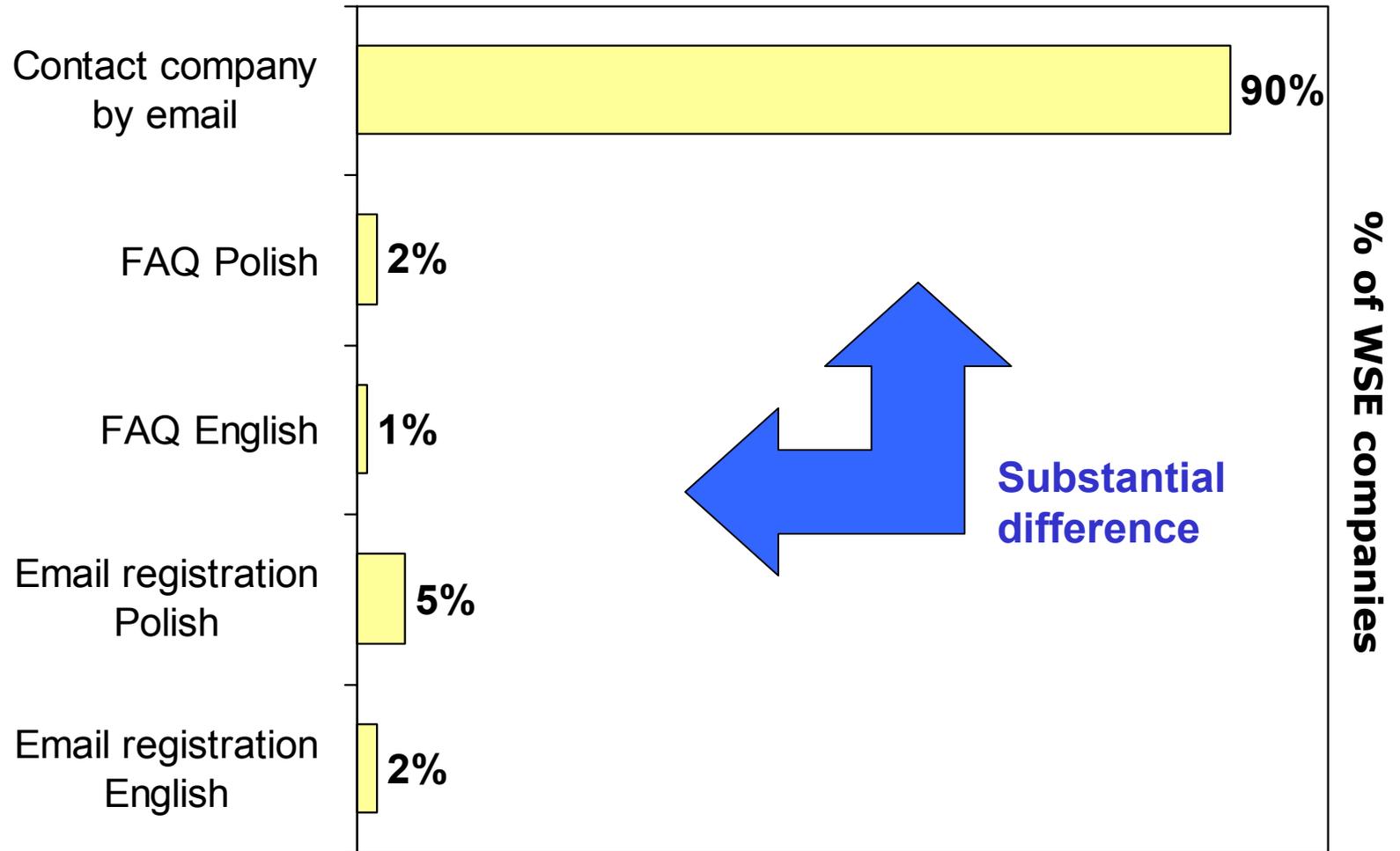
- A total of only 212 current and historical annual reports was available online for all 216 WSE companies

Step 5: What other IR-related information is available online?

% of WSE companies showing online:

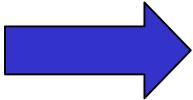


Step 6: I have more questions, how can I get help?



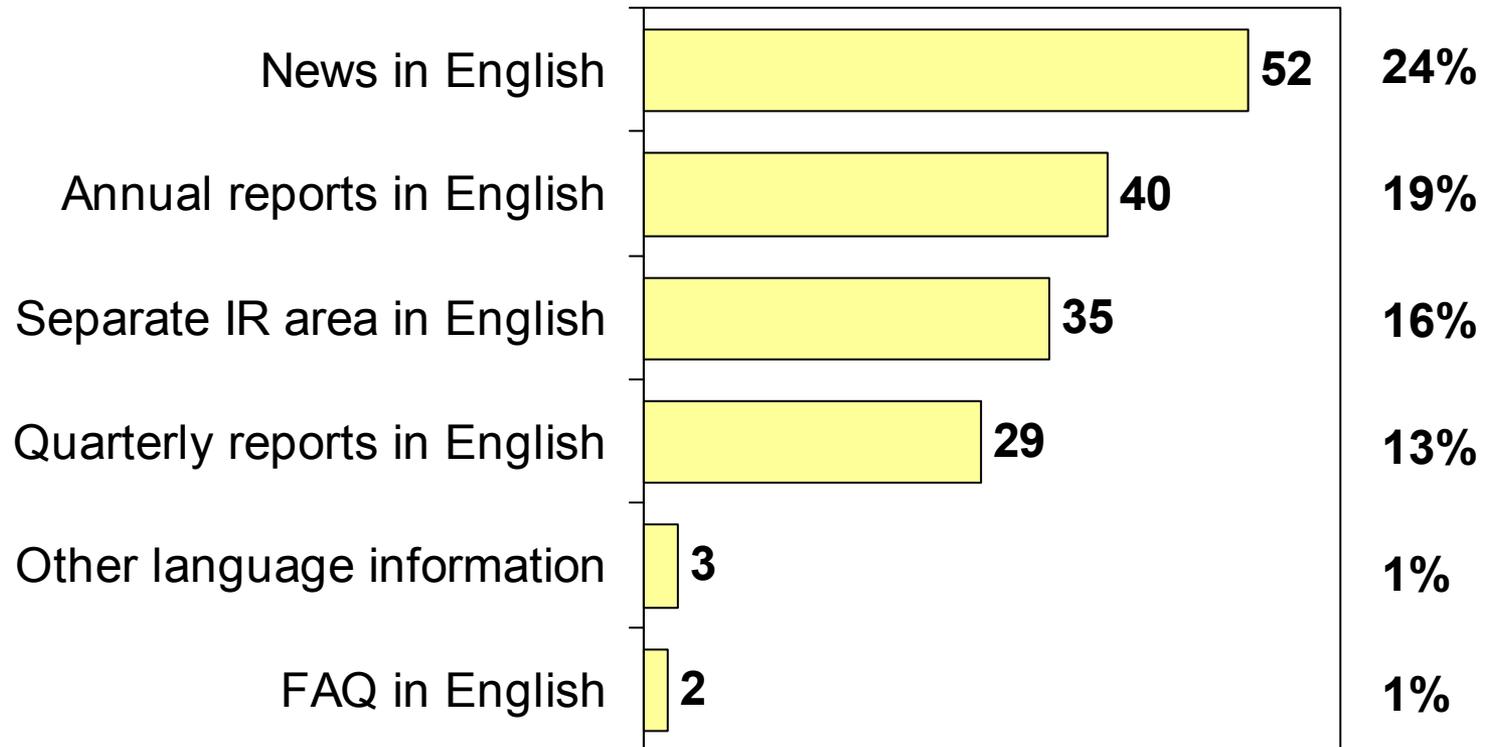
Agenda

- How did we conduct the survey?
- Six basic steps to Investor Relations (IR) Online
- **What if you don't understand Polish?**
- Which Polish companies do it best?
- IR Online – new element of PR strategy



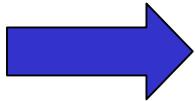
Non-Polish speakers will not learn much online...

Number of WSE companies showing:



Agenda

- How did we conduct the survey?
- Six basic steps to Investor Relations (IR) Online
- What if you don't understand Polish?
- **Which Polish companies do it best?**
- IR Online – new element of PR strategy



Big companies are generally much better than average ...

WIG20

In Polish	In English
80%	70%
80%	65%
80%	65%
80%	80%
50%	40%

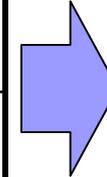
All listed companies (216)

	In Polish	In English
IR service	32%	16%
Annual reports	43%	19%
Quarterly reports	35%	13%
News	44%	18%
Share prices	25%	11%

...But the best are not all big

We ranked WSE companies by online IR feature availability

Company	Points by version*		Total
	Polish	English	
TPSA (telecom)	20	8	28
PBK (bank)	20	8	28
EFL (finance)	20	8	28
Elbudowa (construction)	22	6	28
Mostostal Export (construction)	20	7	27



- Top scorers represent different industries and company sizes
- Of the top 5, all had IR departments!
- 57% of companies achieved less than 10 points for the Polish version
- 54% of companies scored 0 points for the English version

*Maximum points: 22 for Polish and 8 for English version

Case Study (1): We briefly interviewed an IR manager at a large Polish bank....

Stated objective for IR Online

- Passive information source for investors, making basic financial information available online

IR Online considered of “medium-but-growing” importance

- Website email option generates on average only two IR-related questions per month – bank responds usually in 2 days;
- Currently no separate measurement of web traffic on the IR part of the website.

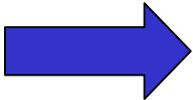
Case Study (2): We briefly interviewed an IR manager at a large Polish bank

Example: this bank's annual report distribution

1st day	10 minutes later	1 day later	2 days later	Next "few days"	"Few days" later
Submit to WSE	Mail to investors and analysts who requested it	Presentation in Warsaw	Presentation in London	Presentations in other financial centers	Posted on the company website

Agenda

- How did we conduct the survey?
- Six basic steps to Investor Relations (IR) Online
- What if you don't understand Polish?
- Which Polish companies do it best?
- **IR Online – new element of PR strategy**



Conclusions (1): IR Online as new element of PR strategy – but what about disclosure?

WSE companies treat IR Online as a new element of PR strategy

- Desire for better communication with investors

But provide variable level of information disclosure to investors

- Selective disclosure: IR managers provide “one-on-one” contacts
- No linkage to compliance with disclosure requirements
- Information often goes to the web page last

Conclusions (2): Potential of IR Online not realized

Most existing IR Online services look the same

- “Passive” information source with poor navigation and some information missing, or not timely
- No differentiating features

Lack of management involvement often evident

- IR Online should not be a “techie” job only
- Service should be integrated to avoid missing, late or wrong information online

Conclusions (3): IR Online – no guidelines on how to do it

British companies can look to www.irbestpractice.org

Polish companies have no such resource

- CEE Stock exchanges and investor associations have not tackled the subject yet
- PR agencies offer limited (but growing) PR-related assistance:
 - Out of 52 PR agencies in Poland, 8 offered IR services in 2001* (only 4 did so in 2000*)
- Most IR services created internally or by hired web designers, only 2-3 years ago

*source: Warsaw Business Journal "Book of lists" edition 2001 and 2000.

IR Online in CEE – issues for further discussion

Would guidelines for IR online be helpful?

- PR versus disclosure;
- Cooperative work with stock exchanges, investor associations and companies.

Can PR agency initiatives help?

- Support companies to keep current investors (especially small and medium-size companies without their own IR departments);
- Prepare for return of investor interest after current market declines.

Should additional surveys/case studies be conducted?

- Would help in developing guidelines for regional IR online (additional country surveys, investor survey and company case studies)

Please contact us if you know of interesting IR online cases ...

For more information or to order the full report, please contact us at:

In Poland

Digital Strategies Sp. z o.o.
Al. Jerozolimskie 56 C
00-803 Warsaw, Poland
+48 (22) 630-2430 phone
+48 (22) 630-2432 fax

Attn. Elzbieta Wydrzynska-Glowacka
elzbieta@dsgterra.com

Attn. Jacek Sobczak
jacek@dsgterra.com

In the United States

Digital Strategies Group, Inc.
23 Glenwood Avenue
Newton, MA 02459, U.S.A.
+1 (617) 969-7733 phone
+1 (425) 928-2403 fax

Attn. Dariusz Szwarcewicz
darius@dsgterra.com

On the web: www.dsgterra.com

Budapest, 10 October 2001

Szabolcs Czenthe - IR manager

IR challenges in an exciting environment



Partner in progress

Agenda

- Introduction of MOL
- Investor Relations at MOL
- Challenges of IR

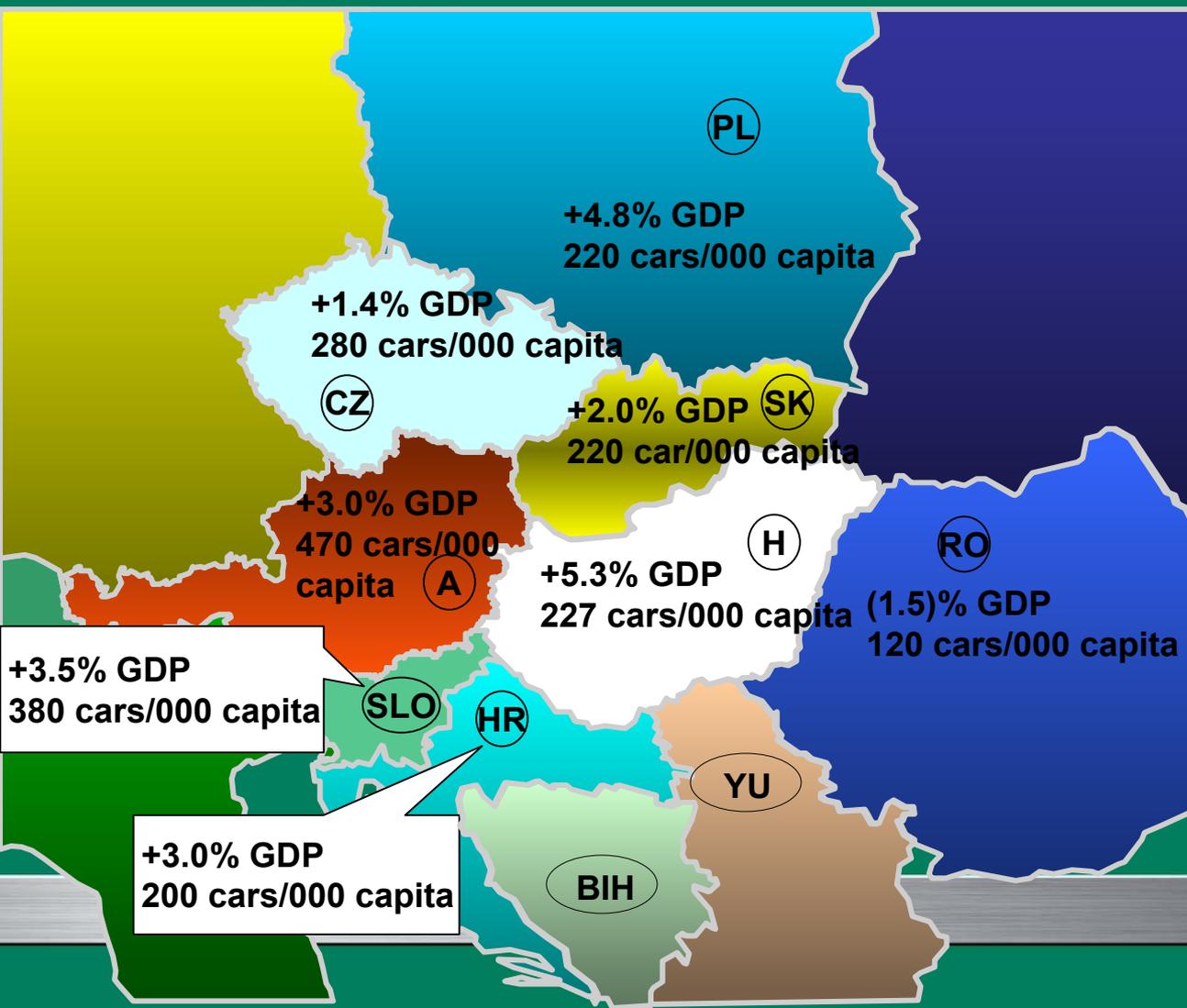
MOL today

- First significant oil and gas company in Central Europe to be privatised
- Successful operation in market environment for the last five years
- Enjoys domestic leadership in all of its core businesses and is well positioned to become the regional champion in the growing Central European market
- First major regional consolidation step concluded: the Slovnaft acquisition
- Internationally experienced management team

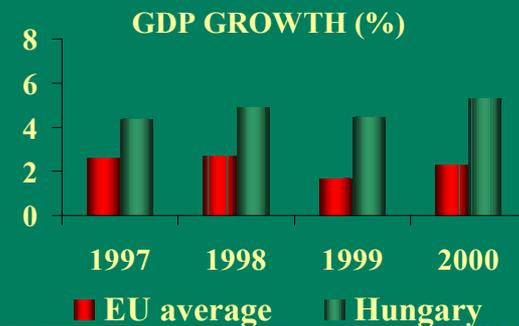
Shareholding structure (approximate)



Rapid Growth and Converging Markets



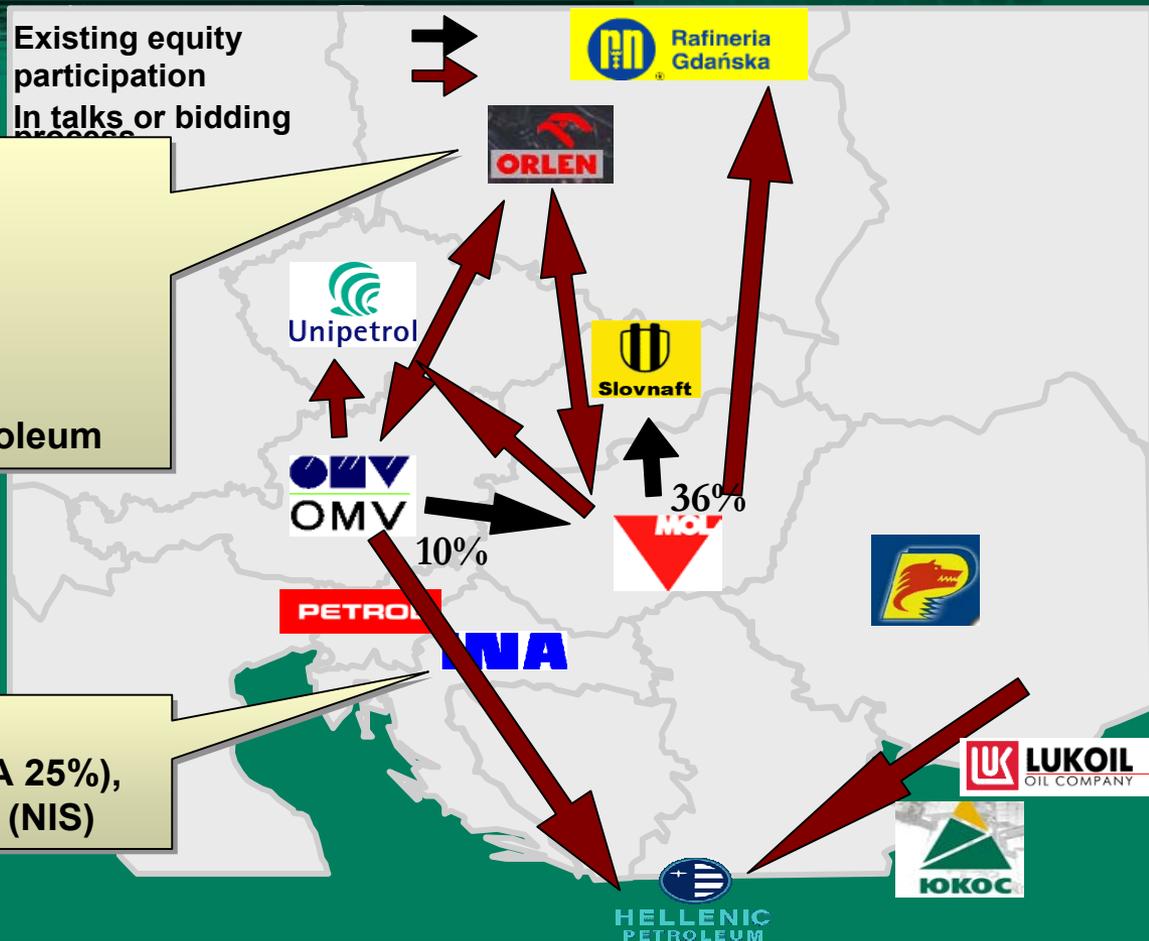
- Population of more than 100 m, with high growth in car density and usage
- Markets converging towards the EU
- Improving road infrastructure
- Growing regional trade



Major strategic issue - the regional consolidation

- Oil sector assets due for privatisation
 - Rafineria Gdanska
 - PKN
 - Unipetrol
 - Transpetrol
 - 30% of Hellenic Petroleum

- Further candidates for consolidation in Croatia (INA 25%), Slovenia (Petrol) and Serbia (NIS)



Regional players seek defensive alliances against increasing exposure to possibility of take-overs

Outsider investors mainly from the East also try to consolidate the region

MOL's Strategy

- Focus on the CEE region in downstream oil and petrochemicals with an appropriate upstream weighting
- Growth in core businesses: both organic and through selective investments
- Divest non-core activities
- Efficiency: in terms of both capital and operations
- Excellence: develop into a downstream benchmark for Europe

Upstream and Gas Strategy

DOMESTIC E&P

- PRODUCTION - continued focus on production costs, efficiency
- Maintain production cost below **4.5 USD/bbl**
- 3-year average F&D cost below **4.5 USD/bbl**

INTERNATIONAL E&P

- Phased withdrawal from international exploration
- Focus on reserve acquisition e.g. PSA project with Yukos

GAS BUSINESS

- Exit the business in a way that maximises shareholder value

Downstream Strategy

REFINING

- Increase unit efficiency
- Meet EU 2005 specifications

RETAIL

- Focus on efficiency and unit costs (CoCo-CoDo)
- Continue focus on non-fuel sales (grew over 50% in H1 2001)

PETROCHEMICALS

- Rationalise and optimise the group's petrochemical assets, placing the focus on olefin and polyolefin value chain

The purpose of Investor Relations

- Ensure that the share price fairly reflects the value of the company
- Promote liquidity in the company's shares
- Maintain access to capital markets (primarily equity)
- Diversification of the shareholder base
- Management of capital market expectations

Investor Relations Responsibilities...

External Reporting

- Extraordinary (press releases, extraordinary announcements)
- Ordinary (Annual Report, quarterly Flash Reports, General Meeting documentation, etc)

Internal reporting

- capital market day for the businesses
- top management monthly and weekly reporting

Listing regulations, peer group analysis

Roadshows, conferences, investor & analyst meetings

Shareholder identification project



Key challenges in the past

- Transformation from a state-enterprise into a widely held public company
- Explain significant changes in the strategy
- Natural gas business
 - change in strategy
 - loss making position
 - drawn-out process
- Explanation of MOL's petrochemical business
- First cross-border transaction : Slovnaft partnership

Integration of Slovnaft into investor communications

- Build up an understanding of the company
- Analyst Open Day



- Harmonisation of the reporting structure and timing !
- Clarification of IR role in Slovnaft !

The appropriate IR team

- **Small team with strong professional background and language skills**
- **In-depth knowledge of the company, the industry and its peers**
- **A broad understanding of the capital markets**
- **IR should represent the company's view point, not personal opinions**
- **Developed relationships with fund managers and analysts**
- **Access to senior management**

Structural challenges

- IR: in-depth knowledge, details are crucial, strategic lines

Chinese wall situation

No info, no involvement ->lost credibility, unprofessional team image

- Harmonisation of information released by the company
- Losing shareholder's interest and trust in the company
 - capital market trends
 - company credibility
- Internal reporting vs external requirements

Recognition from the financial community

HUNGARY

- best Annual Report (granted twice by the Budapest Stock Exchange)

INTERNATIONAL RECOGNITION

- In the “Best emerging market company IR” category
 - 1997: No.1
 - 1998: No. 1
 - 2000: No. 3



Represents probably one of the most recognised IR activities in Hungary and Central-Europe