



**STRONG PERFORMANCE SUPPORTED BY A PROVEN STRATEGY**

MOL Hungarian Oil and Gas plc. (Reuters: MOLB.BU, MOLBq.L, Bloomberg: MOL HB, MOL LI; homepage: www.mol.hu), today announced its 2004 second quarter and first half year preliminary results. This report contains consolidated financial statements for the period ended 30 June 2004 as prepared by management in accordance with International Financial Reporting Standards (IFRS).

**Financial highlights**

| MOL Group financial results (IFRS) | Q2 2003       |                    | Q2 2004     |                    | Change %      |               | H1 2003     |                    | H1 2004      |                    | Change %   |            |
|------------------------------------|---------------|--------------------|-------------|--------------------|---------------|---------------|-------------|--------------------|--------------|--------------------|------------|------------|
|                                    | HUF bn        | USD m <sup>1</sup> | HUF bn      | USD m <sup>1</sup> | HUF           | USD           | HUF bn      | USD m <sup>1</sup> | HUF bn       | USD m <sup>1</sup> | HUF        | USD        |
| Net sales revenues                 | 354.1         | 1,603.7            | 421.0       | 2,011.5            | 19            | 25            | 692.8       | 3,094.2            | 883.4        | 4,232.9            | 28         | 37         |
| EBITDA                             | 23.2          | 105.1              | 72.8        | 347.8              | 214           | 231           | 71.5        | 319.3              | 159.6        | 764.7              | 123        | 139        |
| <b>Operating profit/(loss)</b>     | <b>0.3</b>    | <b>1.4</b>         | <b>46.1</b> | <b>220.3</b>       | <b>15,267</b> | <b>16,111</b> | <b>28.4</b> | <b>126.8</b>       | <b>108.1</b> | <b>518.0</b>       | <b>281</b> | <b>308</b> |
| Net financial expenses/(gain)      | 9.6           | 43.5               | 10.9        | 52.1               | 14            | 20            | 18.7        | 83.5               | 6.7          | 32.1               | (64)       | (62)       |
| <b>Net income/(loss)</b>           | <b>(10.9)</b> | <b>(49.4)</b>      | <b>27.9</b> | <b>133.3</b>       | <b>n.a.</b>   | <b>n.a.</b>   | <b>11.8</b> | <b>52.7</b>        | <b>79.9</b>  | <b>382.8</b>       | <b>577</b> | <b>626</b> |
| Operating cash flow                | 37.1          | 168.0              | 76.2        | 364.1              | 105           | 117           | 92.3        | 412.2              | 171.2        | 820.3              | 85         | 99         |

<sup>(1)</sup> In converting HUF financial data into US Dollars, the following average NBH middle rates were used: for Q2 2003:220.8 HUF/USD, for H1 2003:223.9 HUF/USD, for Q2 2004:209.3 HUF/USD, for H1 2004:208.7 HUF/USD.

In the first half of 2004, operating profit increased by HUF 79.7 bn, to HUF 108.1 bn (USD 518.0 mn), supported by our strategic investments, especially by the strong Slovnaft contribution (HUF 29.6 bn), higher refined product sales volumes and the adoption of an EU compliant regulation in the gas business. Net income grew by HUF 68.1 bn to HUF 79.9 bn (USD 382.8 mn) primarily reflecting the strong operating performance and gains realised on the revaluation of foreign currency denominated debt.

**Overview of the environment**

Global economic growth continues to be strong and has shown robustness in spite of the rise in commodity prices and geopolitical uncertainty in Q2 2004. Strong job creation in the US remains a main supporting factor for economic recovery. The Chinese economy is also contributing significantly to global growth and pulling other emerging economies along in its wake. In Japan, consumer sentiment improved strongly (strong industrial production, continuing strong demand for Japanese goods in China and the US and continuing job growth in the services sector). There was also an improvement in the general condition of enterprises in the euro area, particularly in Germany, during the Q2 2004. Growth also remained positive in the non-euro area EU Member States. These international factors lead to an increase in global demand for oil products.

Hungary's recent economic data have been encouraging, in conjunction with a strengthening of major export markets. Furthermore the improving international economic situation has led to dynamic growth in Hungarian exports, which can also be seen in the increase in industrial production and productivity, as well as in rising business investments. However, these favourable indicators have not translated into growth in demand for oil products, in part due to the structure of economic growth. During Q2, the National Bank of Hungary maintained interest rates at elevated levels.

In our other main market, Slovakia, the government continued its effort to restructure the economy and to catch up with regional peers. The Slovak economy remained one of the fastest growing economies in the region, attracting significant foreign direct investment into the country (mainly automotive industry). However, high oil product prices have prevented strong economic growth being reflected in fuel consumption. Slovakia has improved its position in countries ranked according to competitiveness for the year 2004. The quality of its business environment has placed it in 40<sup>th</sup> position in an analysis of sixty countries of the world, compared to last year's ranking of 46<sup>th</sup> position. Meanwhile inflation remained higher than in other central European countries.

The situation in the international oil markets remained unchanged during Q2 2004 – as high oil prices persisted. In the second quarter, the high level of oil prices was influenced foremost by the increased political risk in oil production countries (mainly Iraq and Saudi Arabia), and a higher than expected increase in demand for oil, outpacing the growth of supply. World oil prices are expected to remain at a high level through 2004.

The average CIF Med quoted price of Ural Blend increased by 16% in USD terms and 8% in HUF terms, compared to H1 2003. The Ural Med crack refining margin increased by 20% in H1 y-o-y. Average USD denominated crack spread of FOB Rotterdam gasoline, gas oil and naphtha increased by 52%, 5% and 48%, respectively compared to first half of 2003. The US dollar depreciated by an average of 7% against the Hungarian Forint, while EUR appreciated by an average 4% against Forint in H1 2004 y-o-y. EUR depreciated by 3% from year-end 2003 to 30 June 2004 (from 262.2 to 253.2), while USD closing rate was nearly at the same level at the end of first half as at the year-end. The US dollar depreciated by an average of 13% against the Slovak Crown in H1 2004, while EUR depreciated by an average 3% against the Slovak Crown year on year.



- **Exploration and Production** operating profit in H1 2004 decreased by only HUF 4.4 bn, to HUF 24.8 bn (USD 118.8 mn), in spite of the HUF 20.8 bn supplementary royalty, as a result of increased hydrocarbon production (mainly from the ZMB joint venture) and higher transfer prices.
- **Refining and Marketing** contributed operating profit of HUF 55.9 bn (USD 267.8 mn), an increase of 117.5% (in USD terms 133.3%) over H1 2003, supported by higher motor fuel sales volumes and through integrated Group operations including a strong Slovnaft contribution (HUF 30.5 bn). Estimated clean USD based CCS profit rose 66%.
- The **Natural Gas** segment result improved to a strong operating profit of HUF 32.3 bn (USD 154.8 mn) compared to a loss of HUF 12.0 bn (USD 53.6 mn) in H1 2003, due to the favourable effect of the new EU compliant regulatory environment.
- The **Petrochemical** segment's operating profit increased to HUF 7.1 bn (USD 34.0 mn) in H1 2004, compared to a HUF 4.8 bn (USD 21.4 mn) profit in H1 2003. The negative impact of the business environment was counterbalanced by the strength of Euro against USD, higher polymer sales and efficiency improvement measures.
- We continued our efficiency improvement programs and Group **closing headcount** decreased by 4.6% y-o-y, from 17,307 to 16,509
- **Capital expenditure** and investments grew to HUF 135 bn (USD 646.6 mn) in H1 2004, compared to HUF 99.6 bn (USD 445.0 mn) in H1 2003, due to the capital expenditure related to building of new olefin, polypropylene and polyethylene plants. In addition, the public offer for Slovnaft shares and the exercise of our TVK option also increased CAPEX in H1 2004. MOL's gearing ratio on June 30, 2004 was 31.6% (compared to 29.1% on June 30, 2003) and net debt on June 30, 2004 stood at HUF 313.8 bn.
- **Operating cash flow** before changes in working capital grew by 101% to HUF 155.6 bn (USD 745.6 mn). Including working capital changes and corporate tax paid, operating cash flow increased by 85%, to HUF 171.2 bn (USD 820.3 mn).

### *Management comment*

#### **Mr Zsolt Hernádi, Executive Chairman of MOL commented:**

“The outstanding half-year results demonstrate that our strategy, as launched in 1999 and elaborated further in 2002, is bearing fruit. The results of MOL's regional strategic partners (Slovnaft and TVK) constituted more than 25% of the MOL Group's operating profit in the first half of 2004 and the synergies deriving from their integration also contributed to the favourable results. In the second quarter we remained active and made further steps in order to implement our strategic aims.

In our Upstream business we became a member of a three party consortium with a 22.5% share in an exploration project in Kazakhstan. The block possesses significant oil, condensate and natural gas potential and therefore fits well into MOL's strategy of developing its upstream integration through participation in projects that fit the company's size and risk profile.

As a further step in our regional consolidation strategy, recently we signed an agreement to acquire majority ownership in an Austrian oil product trading company. Austria is traditionally a key market for our petroleum products and this transaction stabilises further our position in the wholesale market, while creating an opportunity to access the end-users of our products thus increasing our captive market.”

#### **Mr György Mosonyi, Chief Executive Officer of MOL added:**

“In the second quarter, the oil industry environment was favourable, however, weakness of the USD against local currencies continued to have a negative affect on the oil business.

In the exploration and production segment, production of the ZMB field increased dynamically and the average daily production of the venture exceeded 45,000 bbl/day by the end of the quarter, which is a 25% increase compared with the beginning of the year. In the refining and marketing business, in addition to the benefits achieved from deeper integration within the group, we gained from favourable margin developments and growth in sales volumes. Rationalisation of our network resulted in an increase in throughput per site both in Hungary and Slovakia. Furthermore, our proactive expansion in Romania lead to 76% growth in retail fuel volumes on that market. In the gas business the EU compliant gas regulatory environment and good performance in the non-regulated parts of the business had a positive effect on the segment's result. However, it should be noted that growing import gas prices combined with a flat wholesale price could result in a decline in the relative level of profitability in the gas business in the second half. In the petrochemical business, continued weakness in the industry environment was partially offset by efficiency improvements.

Closer co-operation and a transfer of MOL Group experience contributed to a significant improvement in INA's underlying performance.

We also continued our efficiency programs and closing headcount of MOL Group decreased by almost 5% year-on-year.”



## Exploration and Production

### Segment IFRS results

| Exploration & Production           | Q2 2003     |             | Q2 2004     |             | Change %  |           | H1 2003     |              | H1 2004     |              | Change %    |            |
|------------------------------------|-------------|-------------|-------------|-------------|-----------|-----------|-------------|--------------|-------------|--------------|-------------|------------|
|                                    | HUF bn      | USD m       | HUF bn      | USD m       | HUF       | USD       | HUF bn      | USD m        | HUF bn      | USD m        | HUF         | USD        |
| EBITDA                             | 15.8        | 71.6        | 18.7        | 89.3        | 18        | 25        | 39.6        | 176.9        | 36.3        | 173.9        | (8)         | (2)        |
| Operating profit/(loss)            | <b>11.2</b> | <b>50.7</b> | <b>12.9</b> | <b>61.6</b> | <b>15</b> | <b>22</b> | <b>29.2</b> | <b>130.4</b> | <b>24.8</b> | <b>118.8</b> | <b>(15)</b> | <b>(9)</b> |
| CAPEX and investments <sup>1</sup> | 13.0        | 58.9        | 6.6         | 31.5        | (49)      | (47)      | 39.2        | 175.3        | 13.3        | 63.6         | (66)        | (64)       |

### Key segmental operating data

| FY 2003 | HYDROCARBON PRODUCTION<br>(gross figures before royalty)              | Q2 2003    | Q2 2004    | Change %  | H1 2003      | H1 2004      | Change %  |
|---------|---|------------|------------|-----------|--------------|--------------|-----------|
|         | <b>1,755 Crude oil production (kt)</b>                                | <b>533</b> | <b>537</b> | <b>1</b>  | <b>806</b>   | <b>1,052</b> | <b>31</b> |
|         | 1,134 Hungary   | 277        | 271        | (2)       | 550          | 549          | 0         |
|         | 621 International   | 256        | 266        | 4         | 256          | 503          | 96        |
|         | <b>2,821 Natural gas production (million m<sup>3</sup>, net dry)*</b> | <b>639</b> | <b>763</b> | <b>19</b> | <b>1,478</b> | <b>1,530</b> | <b>4</b>  |

\*Excluding original cushion gas production from gas storage.

In Q2 2004 segmental operating profit increased by 15.2% to HUF 12.9 bn compared to Q2 2003. External factors had a mainly positive effect on segmental profit. The USD denominated average Brent crude oil price increased by 35.9%, while it was 29.2 % higher in HUF terms, due to the strength of Forint against USD. The domestic gas transfer price was 38.7 % higher due to a switch to an average import price based transfer price. The ZMB project's contribution to the segmental results also increased. However, the introduction of a supplementary royalty on domestically produced gas in mid-2003 reduced operating profit by HUF 10.8 bn in Q2.

Total crude oil production increased slightly compared to Q2 2003, as our share from the production growth on ZMB field could compensate for slightly lower production on domestic fields. The ZMB project's average daily production reached the 45,000 barrel/day level, compared to 36,000 barrel/day at the end of 2003.

Natural gas production in Q2 2004 was 19.4 % higher than in Q2 2003, due to a number of new fields being brought into production in the period.

MOL's unit cost of oil production (including gasoline production) was 4.5 USD/bbl in Q2 2004, the same as in Q2 2003. Favourable unit production costs at the ZMB field were able to compensate for growth in unit production costs at mature domestic fields. Maintenance costs in Q2 increased by HUF 0.6 bn year-on-year, however, due to seasonal scheduling of maintenance work, they increased by HUF 2.9 bn compared to Q1 2004.

Capital expenditure decreased by 49.2 %, to HUF 6.6 bn, compared to Q2 2003, primarily due to lower spending at the ZMB project (HUF 4.7 bn) and at MOL Yemen (HUF 1.1 bn), because the content of the technical work programs changed compared to Q2 2003 (significantly fewer drilling projects).

<sup>1</sup> The consolidated CAPEX figures exclude capitalised finance costs, but include financial investments and both capitalised and expensed exploration cost.



## Refining and Marketing

### Segment IFRS results

| Refining & Marketing <sup>2</sup>  | Q2 2003     |             | Q2 2004     |              | Change %   |            | H1 2003*    |              | H1 2004     |              | Change %   |            |
|------------------------------------|-------------|-------------|-------------|--------------|------------|------------|-------------|--------------|-------------|--------------|------------|------------|
|                                    | HUF bn      | USD m       | HUF bn      | USD m        | HUF        | USD        | HUF bn      | USD m        | HUF bn      | USD m        | HUF        | USD        |
| EBITDA                             | 23.3        | 105.5       | 45.4        | 216.9        | 95         | 106        | 43.2        | 192.9        | 80.8        | 387.2        | 87         | 101        |
| Operating profit/(loss)            | <b>12.2</b> | <b>55.3</b> | <b>32.2</b> | <b>153.8</b> | <b>164</b> | <b>178</b> | <b>25.7</b> | <b>114.8</b> | <b>55.9</b> | <b>267.8</b> | <b>118</b> | <b>133</b> |
| CAPEX and investments <sup>1</sup> | 11.8        | 53.5        | 13.3        | 63.5         | 13         | 19         | 14.8        | 66.3         | 20.8        | 99.4         | 40         | 50         |

| FY 2003     |                            | Q2 2003     | Q2 2004     | Change     | H1 2003*    | H1 2004     | Change     |
|-------------|----------------------------|-------------|-------------|------------|-------------|-------------|------------|
| HUF bn      |                            | HUF bn      | HUF bn      | %          | HUF bn      | HUF bn      | %          |
| <b>67.6</b> | <b>Reported EBIT</b>       | <b>12.2</b> | <b>32.2</b> | <b>164</b> | <b>25.7</b> | <b>55.9</b> | <b>118</b> |
| 6.7         | One-off items              | 0.0         | 0.0         | -          | 0.0         | 0.0         | -          |
| 5.2         | Replacement modification   | 8.6         | (2.6)       | n.a.       | 7.9         | (5.7)       | n.a.       |
| <b>79.5</b> | <b>Estimated clean CCS</b> | <b>20.8</b> | <b>29.6</b> | <b>42</b>  | <b>33.6</b> | <b>50.2</b> | <b>49</b>  |

### Key segmental operating data

| FY 2003 | REFINED PRODUCT SALES                       | Kt | Q2 2003      | Q2 2004      | Change % | H1 2003*     | H1 2004      | Change %  |
|---------|---|----|--------------|--------------|----------|--------------|--------------|-----------|
|         | 4,263 Hungary                               |    | 1,047        | 989          | (6)      | 1,928        | 1,815        | (6)       |
|         | 1,192 Slovakia                              |    | 351          | 377          | 7        | 383          | 733          | 91        |
|         | 4,781 Other markets                         |    | 1,344        | 1,493        | 11       | 1,872        | 2,729        | 46        |
|         | <b>10,236 TOTAL CRUDE OIL PRODUCT SALES</b> |    | <b>2,742</b> | <b>2,859</b> | <b>4</b> | <b>4,183</b> | <b>5,277</b> | <b>26</b> |

\* Slovnaft included from Q2 2003.

In Q2 2004 segmental operating profit increased significantly, by HUF 20.0 bn, due to higher sales volumes and favourable crack spreads, which was compensated to some extent by the strength of local currencies against USD. Slovnaft contributed HUF 16.8 bn to the result. Due to an increase of captured market demand, refining output increased by 7 % (including raw material consumption of naphtha and chemical gasoil within the MOL Group). The capacity utilisation of distillation and conversion units' increased in both refineries.

Consolidated Group sales volumes increased by 117 kt in Q2 2004 compared to the same period in 2003, due to coordinated commercial actions across the region. The reduction in Hungarian refinery product sales was primarily the result of a reduction in sales of lower value fuel oil, while the increase in Slovakia was driven by LPG and other refined products.

Refinery and wholesale coverage in fuels both in Hungary and Slovakia was slightly lower than in the previous year, as extremely high crack spreads resulted in an increase of imports. Motor fuel consumption in Hungary increased in the first four months of year, though high prices led to stagnation in the remainder of Q2.

Motor fuel sales in regional countries excluding Hungary and Slovakia increased by 14% from 912 kt to 1,043 kt, mainly due to our good performance in the Czech Republic, Austria and Poland.

In the second quarter of 2004, MOL's Hungarian retail fuel sales volumes (incl. franchise) decreased by 2.1 % compared to the same period of previous year as a result of network rationalisation in 2003. Our motor fuel market share according to MÁSZ (Hungarian Petroleum Association) decreased by 0.4 % from 43.5 % in Q2 2003 to 43.1 % in Q2 2004. Our motor gasoline market share declined by 0.8% to 40.3 % compared to Q2 2003, while our gas oil market share remained broadly the same (46.9 %). Our fleet card fuel sales continued to increase (by 6.7%).

In Slovakia we observed a decrease in retail demand during Q2 as a result of high prices: retail fuel sales volumes decreased by 1.3 % compared to the same period of last year. Nevertheless, Slovnaft's retail market share according to SAPPO data remained unchanged (45%) in spite of station closures.

At the end of June 2004, the MOL Group had 797 filling stations, out of which 355 were operated in Hungary, 297 in Slovakia, 74 in Romania, and 42 in the Czech Republic. In Q2 2004 we took over a further 5 stations under our asset purchase agreement with Shell in Romania, and we opened an additional 4 green-field stations.

In 2003 we implemented a retail network efficiency improvement program in Hungary and in Slovakia, which resulted in the closure of several (20 and 18 stations respectively) lower turnover sites. The network efficiency program helped MOL to increase average throughput of own stations in Hungary by 4.1 % in Q2 2004 compared to same period of 2003, while average throughput improved by 2.7 % in Slovakia. In Hungary we increased our shop sales and shop sales per litre increased by 4.3%, while in Slovakia our shop sales per litre grew more significantly, by 10.0 %.

Our Hungarian lubricants market share decreased by 4.3% compared to Q2 2003. Both retail sales and wholesale LPG sales on the Hungarian market remained unchanged y-o-y, while our wholesale market share was 82%.

Capital expenditure increased by HUF 1.5 bn in Q2 2004 compared to Q2 2003, due to the progress of the EU 2005 fuel quality project and Romanian retail network development.

<sup>1</sup> The consolidated CAPEX figures exclude capitalised finance costs, but include financial investments and both capitalised and expensed exploration cost.

<sup>2</sup> Slovnaft is fully consolidated from Q2 2003. Operating figures from this period onward contain Slovnaft segment data accordingly.



## Natural Gas

### Segment IFRS results

| Natural Gas                        | Q2 2003 |        | Q2 2004 |       | Change % |      | H1 2003 |        | H1 2004 |       | Change % |      |
|------------------------------------|---------|--------|---------|-------|----------|------|---------|--------|---------|-------|----------|------|
|                                    | HUF bn  | USD m  | HUF bn  | USD m | HUF      | USD  | HUF bn  | USD m  | HUF bn  | USD m | HUF      | USD  |
| EBITDA                             | (7.0)   | (31.7) | 13.7    | 65.5  | n.a.     | n.a. | (6.3)   | (28.1) | 36.9    | 176.8 | n.a.     | n.a. |
| Operating profit/(loss)            | (9.7)   | (43.9) | 11.3    | 54.0  | n.a.     | n.a. | (12.0)  | (53.6) | 32.3    | 154.8 | n.a.     | n.a. |
| CAPEX and investments <sup>1</sup> | 1.7     | 7.7    | 0.8     | 3.8   | (53)     | (50) | 2.0     | 9.1    | 1.0     | 4.9   | (50)     | (47) |

### Key segmental operating data

| FY 2003                | NATURAL GAS BALANCE                        | Q2 2003      | Q2 2004      | Change %   | H1 2003      | H1 2004      | Change %   |
|------------------------|--|--------------|--------------|------------|--------------|--------------|------------|
| Million m <sup>3</sup> |  |              |              |            |              |              |            |
| 2,598                  | Sales from production                      | 341          | 520          | 52         | 1,497        | 1,522        | 2          |
| 11,344                 | Sales from import                          | 1,809        | 1,591        | (12)       | 6,272        | 5,972        | (5)        |
| <b>13,942</b>          | <b>TOTAL SOURCES</b>                       | <b>2,150</b> | <b>2,111</b> | <b>(2)</b> | <b>7,769</b> | <b>7,494</b> | <b>(4)</b> |
| 10,645                 | Sales to Gas Distribution Companies (GDCs) | 1,328        | 1,401        | 5          | 6,157        | 6,061        | (2)        |
| 2,393                  | Sales to power sector                      | 651          | 600          | (8)        | 1,164        | 1,184        | 2          |
| 904                    | Sales to industrial and other consumers    | 171          | 110          | (36)       | 448          | 249          | (44)       |
| <b>13,942</b>          | <b>TOTAL THIRD PARTY SALES</b>             | <b>2,150</b> | <b>2,111</b> | <b>(2)</b> | <b>7,769</b> | <b>7,494</b> | <b>(4)</b> |
| 646                    | Loss and own consumption*                  | 159          | 151          | (5)        | 347          | 295          | (15)       |
| <b>14,588</b>          | <b>TOTAL SALES AND LOSSES</b>              | <b>2,309</b> | <b>2,262</b> | <b>(2)</b> | <b>8,116</b> | <b>7,789</b> | <b>(4)</b> |
| 2,044                  | Natural gas transit                        | 320          | 401          | 25         | 1,115        | 1,309        | 17         |

| 31 Dec 2003            | MOBILE NATURAL GAS INVENTORIES   | 30 June 2003   | 30 June 2004   | Change %    |
|------------------------|----------------------------------|----------------|----------------|-------------|
| Million m <sup>3</sup> |                                  |                |                |             |
| 377.9                  | From domestic sources            | 274.0          | 355.0          | 30          |
| 2,112.7                | From import sources              | 1,626.8        | 1,219.5        | (25)        |
| <b>2,490.6</b>         | <b>TOTAL CLOSING INVENTORIES</b> | <b>1,900.8</b> | <b>1,574.5</b> | <b>(17)</b> |

| FY 2003            | NATURAL GAS PRICES                | Q2 2003 | Q2 2004 | Change % | H1 2003 | H1 2004 | Change % |
|--------------------|-----------------------------------|---------|---------|----------|---------|---------|----------|
| HUF/m <sup>3</sup> |                                   |         |         |          |         |         |          |
| 31.8               | Average import price              | 31.9    | 30.2    | (5)      | 30.8    | 30.0    | (3)      |
| 30.1               | Average MOL selling price         | 32.1    | 41.2    | 28       | 27.6    | 38.4    | 39       |
| 28.9               | Wholesale price to GDCs           | 31.1    | 44.3    | 42       | 26.0    | 39.2    | 50       |
| 33.9               | Wholesale price to industry/power | 33.7    | 35.1    | 4        | 33.4    | 35.2    | 5        |

\* Including gas sales to TVK.

The operating result of the segment in Q2 2004 increased by HUF 21.0 bn compared to Q2 2003, to HUF 11.3 bn, mainly due to the significant rise in the gas wholesale price under the new regulatory environment. In Q2 2004 a further HUF 3.1 bn of income was deferred in the accounts, as the excess profit earned on lower import gas prices (lower than anticipated by the regulator) is expected to be returned to the market via regulatory price adjustments in the following periods.

Import gas prices decreased by 5.3% in HUF terms, as the strengthening of HUF against USD compensated for the 1.3% increase of USD based import prices. The average wholesale sales price was 28.3% higher in Q2 2004 compared to Q2 2003, as a result of the price increases during 2003 and a price rise on January 1, 2004.

In Q2 2004 we sold 1.6 bn m<sup>3</sup> natural gas from import, and 0.5 bn m<sup>3</sup> from domestic production. The injection into domestic storage facilities started in Q2. The mobile closing stock of June was 1.6 bn m<sup>3</sup>, 17.2% lower than in June 2003, as we currently do not require Ukrainian toll storage facilities, following the introduction of more favourable import contracts. Sales to gas distribution companies increased by 5.5% in Q2 2004, due to the cooler spring months and the reclassification of Dunaferri into this category following its receipt of a gas trading licence. Sales to power plants decreased by 7.8%, while sales to industrial consumers decreased by 35.7%, as Dunaferri was transferred to the GDC category and another major industrial consumer stepped out of the public utility market and purchases natural gas also from another supplier.

The revenue from gas transit in Q2 grew to HUF 1.5 bn (HUF 1.3 bn in Q2 2003), basically as a consequence of the 25.1% increase of volumes transmitted to Serbia and Bosnia.

<sup>1</sup> The consolidated CAPEX figures exclude capitalised finance costs, but include financial investments and both capitalised and expensed exploration.



## Petrochemicals

### Segment IFRS results

| Petrochemicals <sup>2</sup>        | Q2 2003    |             | Q2 2004    |             | Change %   |            | H1 2003*   |             | H1 2004    |             | Change %  |           |
|------------------------------------|------------|-------------|------------|-------------|------------|------------|------------|-------------|------------|-------------|-----------|-----------|
|                                    | HUF bn     | USD m       | HUF bn     | USD m       | HUF        | USD        | HUF bn     | USD m       | HUF bn     | USD m       | HUF       | USD       |
| EBITDA                             | 6.4        | 29.0        | 6.3        | 30.1        | (2)        | 4          | 9.8        | 43.8        | 12.9       | 61.8        | 32        | 41        |
| Operating profit/(loss)            | <b>3.6</b> | <b>16.3</b> | <b>3.4</b> | <b>16.2</b> | <b>(6)</b> | <b>(0)</b> | <b>4.8</b> | <b>21.4</b> | <b>7.1</b> | <b>34.0</b> | <b>48</b> | <b>59</b> |
| CAPEX and investments <sup>1</sup> | 12.2       | 55.3        | 22.9       | 109.4       | 88         | 98         | 17.8       | 79.5        | 37.7       | 180.5       | 112       | 127       |

### Key segmental operating data

| FY 2003 PETROCHEMICAL SALES BY PRODUCT GROUP Kt  | Q2 2003      | Q2 2004      | Change % | H1 2003*     | H1 2004      | Change %  |
|--|--------------|--------------|----------|--------------|--------------|-----------|
| 329.8 Olefin products                            | 85.2         | 53.8         | (37)     | 138.8        | 100.0        | (28)      |
| 762.8 Polymer products                           | 190.1        | 228.2        | 20       | 343.3        | 442.8        | 29        |
| FY 2003 PETROCHEMICAL SALES (external) Kt        | Q2 2003      | Q2 2004      | Change % | H1 2003*     | H1 2004      | Change %  |
| 393.3 Hungary                                    | 90.3         | 116.6        | 29       | 183.1        | 221.6        | 21        |
| 79.1 Slovakia                                    | 19.1         | 18.1         | (5)      | 22.7         | 35.7         | 57        |
| 620.2 Other markets                              | 165.9        | 147.3        | (11)     | 276.3        | 285.5        | 3         |
| <b>1,092.6 TOTAL PETROCHEMICAL PRODUCT SALES</b> | <b>275.3</b> | <b>282.0</b> | <b>2</b> | <b>482.1</b> | <b>542.8</b> | <b>13</b> |

\* Slovnaft included from Q2 2003.

In the second quarter of 2004 the operating profit of the Petrochemical segment decreased slightly to HUF 3.4 bn, due to the unfavourable petrochemical environment. The quoted naphtha price increased by 59 % in USD terms, while polymer quotations rose by only 2-14% in EUR y-o-y. However, this unfavourable effect was mitigated by the positive effects of weakening USD against EURO, increasing polymer sales volumes and the effect of efficiency improvement projects.

Polyethylene (PE) quoted prices increased by 4-13%, while the polypropylene (PP) quotations increased by 3-6% y-o-y. However, the integrated petrochemical margin calculated from EUR denominated quoted prices, decreased by 23% compared to the same period of last year due to the aforementioned strong rise in feedstock prices. The ethylene margin decreased by 36%, PP margin increased by 10-19% y-o-y, while PE margin fell by 17-31%.

In Q2 2004 product sales grew by 2.4% to 282 kt, mainly due to the increase in polymer sales. Hungarian sales increased due to both our improving market share and also a change in consolidation circle. Sales through fully consolidated Innocomp Kft were accounted as exports in 2003, but this year, as Innocomp is no longer consolidated, these sales are reported as domestic sales. In Q2 2004 polymer sales volumes increased by 20% to 228.2 kt. From the polymer sales 34% was LDPE, 25% HDPE and 41% PP. The MOL Group's market share in Hungary was 63%, 45% and 68% in LDPE, HDPE and PP markets. The MOL Group grew its market share in all product groups, most significantly in the LDPE market (+9%), as TVK was able to increase its domestic sales in excess of market growth.

Sales on the Slovakian market decreased slightly to 18.1 kt because some products were transferred to R&M segment from the product portfolio of petrochemicals. On the other hand polymer sales increased by 26%, mainly in LDPE market. The MOL Group's market share in Slovakia in LDPE and PP products was 72% and 39%, respectively, which translates into a 3% increase in PE market share.

On other European markets, total Group sales decreased by 19 kt compared to Q2 2003, mainly due to the rationalisation of our product portfolio, however polymer sales increased by 10.7 kt on these markets. On our main export markets; in Germany, Poland and Italy, TVK and Slovnaft implemented the single-channel sales operation for polymer products focusing on the higher profitability end-user markets. The sales on German and Polish markets grew by 20% compared to the same period of last year.

Capital expenditure in 2004 increased considerably compared to 2003 Q2, mainly due to TVK's strategic capacity development project. At TVK, the implementation of strategic projects (olefin and HDPE plants) is on schedule. At Slovnaft, the implementation of the new polypropylene plant is proceeding according to the plan.

<sup>1</sup> The consolidated CAPEX figures exclude capitalised finance costs, but include financial investments and both capitalised and expensed exploration cost.

<sup>2</sup> Slovnaft is fully consolidated from Q2 2003. Operating figures of this period contain Slovnaft segment data accordingly. For previous periods only TVK figures are reflected.



## **Financial overview**

### ***Changes in accounting policies and estimates***

As of 1 January, 2004 MOL decided to reclassify cushion gas in gas storage and technological gas in pipelines to property, plant and equipment instead of inventories to comply with international best practice and in consultation with Hungarian mining authorities and its external auditors. Presentation of these items in comparative periods has been restated accordingly.

The Group has also decided to adopt early the revised IAS 21 – The Effects of Changes in Foreign Exchange Rates from 1 January, 2004. The Hungarian forint is considered to be the presentation currency of the consolidated financial statements as well as the functional currency of MOL and its domestic subsidiaries. Subsidiaries with functional currencies differing from the Hungarian forint are translated according to the revised IAS 21: assets and liabilities at closing rates, income and expense items at a rate which approximates the date of the transaction, with all resulting exchange differences recognised in translation reserve. Comparative periods have been restated accordingly.

From 1 January, 2004 the useful life of gas business assets have been revised, in connection with the unbundling of the business. As a result of this revision, a HUF 1 bn lower depreciation charge was recognised in H1 2004, compared to H1 2003.

### ***Operations***

The majority of changes in income statement items still reflect the effect of Slovnaft consolidation since comparative H1 figures include Slovnaft contribution only from Q2 2003 while current figures include Slovnaft first half performance in total. In the first half of 2004, Group net sales revenues increased by 28% to HUF 883.4 bn, reflecting increased average selling prices of refining products and natural gas. Group sales to customers outside Hungary reached HUF 303.1 bn, up by 22%, and represented 34% of total sales. The value of raw materials and consumables used increased only by 17%, well under the growth rate of sales. Within this, raw material costs increased by 53%, primarily as a result of the sharp increase in crude oil import prices and Slovnaft Q1 contribution of HUF 70.0 bn. The cost of goods purchased for resale decreased by 12%, mainly being the consequence of Slovnaft full consolidation from Q2 2003, as in the value of comparative figures the intragroup income and expenses on business transactions between Slovnaft and MOL Group was not eliminated in the equity consolidation in Q1 2003, as required by IFRS. The value of material-type services used increased by 23% to HUF 51.2 bn. Other operating expenses increased by 82% to HUF 81.1 bn, primarily as a result of increased mining royalty and taxes. Personnel expenses for the period increased by 30%, reflecting the HUF 4.1 bn Slovnaft Q1 contribution and the HUF 3.5 bn accrued expenses as a one-off consequence of smoothing extra salary payments over the year. The “change in inventory of finished goods and work in progress” decreased total operating expenses by HUF 27.0 bn in H1 2004, compared to an increase of HUF 1.6 bn in H1 2003. This change reflects both higher crude oil prices and higher downstream inventory volume to overcome the planned maintenance closure of a production unit.

Total financial income in H1 2004 was HUF 8.1 bn, 61% higher than in H1 2003, mainly due to the foreign exchange gain of HUF 4.7 bn incurred in the period compared to the net foreign exchange loss of HUF 13.2 bn recognised in H1 2003. Total financial expenses for H1 2004 amounted to HUF 14.8 bn, of which interest payable was HUF 9.1 bn, up by 26% due to the combined effect of lower average effective interest rates and higher average outstanding debt than in the comparable period. Income from associates was HUF 2.3 bn, including INA’s H1 contribution of HUF 1.9 bn (net of additional depreciation on assets revalued to their fair value). Corporate tax expense increased to HUF 20.7 bn in H1 2004, reflecting the current tax contribution of Slovnaft (19%) and the gas companies (16%), HUF 5.0 bn and HUF 4.4 bn respectively, as well as the corporate tax payable on the profit of the ZMB project (HUF 1.5 bn). MOL Rt will benefit from the HUF 62.4 bn statutory tax loss carried forward in 2004, consequently in H1 no current tax expense has yet been recorded. The reversal of deferred tax assets contributed HUF 9.1 bn to the income tax expense in 2004 H1, due to the utilisation of the tax loss of MOL Rt., and the tax deductible depreciation of the property, plant and equipment of the gas business. Corporate tax actually paid to the authorities by the Group amounted to HUF 1.9 bn in H1 2004. Minority interests increased by HUF 2.2 bn reflecting the contribution from TVK in H1 and Slovnaft in January 2004.

### ***Balance sheet***

As Slovnaft was already consolidated in the balance sheet at the end of the first half of 2003, balance sheet items are comparable with those of the current reporting period. Total assets amounted to HUF 1,505.3 bn at the end of June 2004, representing an increase of 19%. Within this, property, plant and equipment increased by 11%, reflecting capital expenditures at TVK and on the ZMB project. Investments increased notably compared to 30 June 2003, following the acquisition of a 25% shareholding in INA, accounted for under the equity method. Intangible assets decreased notably and have a negative value as a consequence of HUF 29.3 bn negative goodwill recognised regarding the acquisition of remaining Slovnaft shares in January, following the completion of the public offer made on the basis of the average historical stock exchange price. The change in



deferred tax assets is the combined result of the deferred tax asset reversed following the use of previous years' statutory loss of MOL Rt and deferred tax asset recognised in Q4 2003, representing the fair value based tax deductible depreciation of the assets of the gas business following its unbundling at year-end 2003. Long-term debt including long-term debt repayable within one year increased by 18%, due to the effect of net loans drawn during the interim period, mainly due to the financial requirement of the 2003 INA acquisition. Trade and other payables increased by 32% to HUF 296.7 bn reflecting primarily our increased capital expenditures, working capital needs and outstanding tax payables. Short-term debt (excluding the current portion of long-term debt) was HUF 122.0 bn, almost doubled compared to 30 June 2003, primarily as a result of the financial requirement of the 2004 Slovnaft public offer and the refinancing of maturing HUF denominated bonds. As at 30 June 2004, 49% of the MOL Group's total debt was denominated in Euro, 40% in USD and 11% in HUF. At the end of June 2004, MOL's gearing (net debt to net debt plus shareholders' equity plus minority interests) was 32% compared with 29% at the end of June 2003.

### *Changes in contingencies and commitments*

As a result of settlement of prior obligations capital contractual commitments decreased by HUF 32.0 bn and obligations resulting from litigation in which the Group acts as defendant decreased by HUF 5.7 bn resulting from a final positive judgement in a case where Slovnaft acted as defendant. Those cases in which MOL Group has filed suits were increased by 1.8 bn, while operating leases and rentals did not change significantly compared to the amounts reported in the 2003 Annual Report of the MOL Group.

### *Cash flow*

Operating cash flow in H1 2004 was HUF 171.2 bn, an 86% increase compared to the comparable 2003 figure. Operating cash flow before movements in working capital increased by 101%. The change of working capital position increased funds by HUF 17.5 bn, arising from HUF 37.8 bn increase in other current liabilities and the HUF 8.8 bn decrease in trade receivables, being offset by the negative effect of the HUF 11.8 bn increase in inventories, the HUF 10.8 bn increase in other receivables and the HUF 6.5 bn decrease in trade payables. Corporate tax paid amounted to HUF 1.9 bn, related mainly to Slovnaft.

Net cash used in investing activities was HUF 114.1 bn compared with HUF 88.0 bn in H1 2003, reflecting mainly our further acquisitions of shares in Slovnaft and TVK. Organic CAPEX increased due to the consolidation of Slovnaft, the ongoing major investment at TVK and capital expenditure on the Zapadno-Malobalyk field. The divestment of our minority shareholdings in two major gas distribution companies in Q1 had a positive HUF 11.7 bn effect on our cash flow from investing activities.

Net financing cash outflows amounted to HUF 48.9 bn, being the combined result of the repayment of long-term debt and the HUF 33 bn in maturing bonds and the issuance of new short-term debt, mainly to finance the Slovnaft transaction.



## APPENDIX I

**CONSOLIDATED IFRS STATEMENT OF OPERATIONS FOR THE MOL GROUP  
FOR THE PERIOD ENDED 30 JUNE 2004  
Unaudited quarterly figures (in HUF millions)**

| <b>FY 2003</b>   | <b>Q2 2003</b>  | <b>Q2 2004</b> | <b>Ch. %</b>  | <b>H1 2003</b> | <b>H1 2004</b> | <b>Ch. %</b> |
|--|-----------------|----------------|---------------|----------------|----------------|--------------|
| 1,504,038 Net sales  | 354,146         | 420,979        | 19            | 692,779        | 883,387        | 28           |
| 20,001 Other operating income                                  | 2,891           | 2,465          | (15)          | 5,471          | 6,288          | 15           |
| <b>1,524,039 Total operating revenues</b>                      | <b>357,037</b>  | <b>423,444</b> | <b>19</b>     | <b>698,250</b> | <b>889,675</b> | <b>27</b>    |
| 541,702 Raw material costs                                     | 131,983         | 174,374        | 32            | 219,289        | 334,593        | 53           |
| 95,909 Value of material-type services used                    | 28,087          | 29,461         | 5             | 41,764         | 51,197         | 23           |
| 542,201 Cost of goods purchased for resale                     | 114,451         | 88,010         | (23)          | 285,650        | 252,434        | (12)         |
| <i>1,179,812 Raw material and consumables used</i>             | <i>274,521</i>  | <i>291,845</i> | <i>6</i>      | <i>546,703</i> | <i>638,224</i> | <i>17</i>    |
| 80,140 Personnel expenses                                      | 22,770          | 27,709         | 22            | 38,253         | 49,853         | 30           |
| 95,450 Depreciation, depletion, amortisation and impairment    | 22,917          | 26,720         | 17            | 43,094         | 51,509         | 20           |
| 121,989 Other operating expenses                               | 26,914          | 44,377         | 65            | 44,672         | 81,133         | 82           |
| (25,014) Ch. In inventory of finished goods & work in progress | 13,065          | (6,829)        | n.a.          | 1,643          | (26,951)       | n.a.         |
| (11,409) Work performed by the enterprise and capitalised      | (3,442)         | (6,500)        | 89            | (4,554)        | (12,211)       | 168          |
| <b>1,440,968 Total operating expenses</b>                      | <b>356,745</b>  | <b>377,322</b> | <b>6</b>      | <b>669,811</b> | <b>781,557</b> | <b>17</b>    |
| <b>83,071 Operating profit</b>                                 | <b>292</b>      | <b>46,122</b>  | <b>15,695</b> | <b>28,439</b>  | <b>108,118</b> | <b>280</b>   |
| 3,055 Interest received  | 561             | 737            | 31            | 1,198          | 2,120          | 77           |
| 274 Dividends received   | 298             | 170            | (43)          | 375            | 170            | (55)         |
| 6,586 Exchange gains and other financial income                | 2,832           | (5,333)        | n.a.          | 3,444          | 5,804          | 69           |
| <b>9,915 Total financial income</b>                            | <b>3,691</b>    | <b>(4,426)</b> | <b>n.a.</b>   | <b>5,017</b>   | <b>8,094</b>   | <b>61</b>    |
| 16,795 Interest on borrowings                                  | 4,087           | 3,741          | (8)           | 7,262          | 9,136          | 26           |
| 5,085 Interest on provisions                                   | 1,250           | 1,303          | 4             | 2,500          | 2,597          | 4            |
| 734 Write-off of financial investments                         | (157)           | 149            | n.a.          | (157)          | 149            | n.a.         |
| 3,376 Exchange losses and other financial expenses             | 8,160           | 1,249          | (85)          | 14,103         | 2,893          | (79)         |
| <b>25,990 Total financial expense</b>                          | <b>13,340</b>   | <b>6,442</b>   | <b>(52)</b>   | <b>23,708</b>  | <b>14,775</b>  | <b>(38)</b>  |
| <b>16,075 Financial expense/(gain), net</b>                    | <b>9,649</b>    | <b>10,868</b>  | <b>13</b>     | <b>18,691</b>  | <b>6,681</b>   | <b>(64)</b>  |
| (5,405) Income from associates                                 | (835)           | (2,145)        | 157           | (4,401)        | (2,346)        | (47)         |
| <b>72,401 Profit before tax</b>                                | <b>(8,522)</b>  | <b>37,399</b>  | <b>n.a.</b>   | <b>14,149</b>  | <b>103,783</b> | <b>634</b>   |
| (32,476) Income tax expense/(benefit)                          | 667             | 8,661          | 1,199         | 1,431          | 20,736         | 1,349        |
| <b>104,877 Profit after tax</b>                                | <b>(9,189)</b>  | <b>28,738</b>  | <b>n.a.</b>   | <b>12,718</b>  | <b>83,047</b>  | <b>553</b>   |
| (4,896) Minority interests <sup>1</sup>                        | (1,730)         | (804)          | (54)          | (958)          | (3,191)        | 233          |
| <b>99,981 Net income</b>                                       | <b>(10,919)</b> | <b>27,934</b>  | <b>n.a.</b>   | <b>11,760</b>  | <b>79,856</b>  | <b>579</b>   |
| <b>987 Basic earnings per share (HUF)</b>                      | <b>(105)</b>    | <b>272</b>     | <b>n.a.</b>   | <b>119</b>     | <b>773</b>     | <b>550</b>   |
| <b>984 Diluted earnings per share (HUF)</b>                    | <b>(105)</b>    | <b>270</b>     | <b>n.a.</b>   | <b>119</b>     | <b>767</b>     | <b>545</b>   |

<sup>1</sup>As a result of the issuance of SIC 33 prescribing the inclusion of potential voting rights when determining control over subsidiaries, TVK is fully consolidated from 1 January 2002 as the sum of actual and potential voting rights exceeds 50%. Still, MOL's share in TVK's profits is calculated observing the 44.3% shareholding in the first quarter of 2003 and for the full year of 2003. Following the exercise of an option for further 8.0% stake in TVK at the end of March 2004, MOL's shareholding in TVK increased to 52.3%. MOL's share in TVK's profits is calculated observing a 52.3% shareholding from the second quarter of 2004. Minority interest at Slovnaft was calculated with 30.0% until the end of January 2004 and with 1.6% thereafter, when public bid for remaining Slovnaft shares successfully ended.



## APPENDIX II

## CONSOLIDATED IFRS BALANCE SHEETS FOR THE MOL GROUP

AS AT 30 JUNE 2004

Unaudited quarterly figures (in HUF millions)

| 31 Dec 2003                                 |   | 30 June 2003     | 30 June 2004     | Change %    |
|---|---|------------------|------------------|-------------|
| <b>Assets</b>                               |   |                  |                  |             |
| <b>Non-current assets</b>                   |   |                  |                  |             |
| 29,160                                      | Intangible assets                                 | 27,945           | (3,994)          | n.a.        |
| 855,951                                     | Property, plant and equipment                     | 787,150          | 877,043          | 11          |
| 134,435                                     | Investments                                       | 25,184           | 121,180          | 381         |
| 52,895                                      | Deferred tax asset                                | 20,716           | 44,798           | 116         |
| 19,333                                      | Other non-current assets                          | 14,336           | 17,603           | 23          |
| <b>1,091,774</b>                            | <b>Total non-current assets</b>                   | <b>875,331</b>   | <b>1,056,630</b> | <b>21</b>   |
| <b>Current assets</b>                       |   |                  |                  |             |
| 155,926                                     | Inventories                                       | 149,734          | 166,925          | 11          |
| 165,057                                     | Trade receivables, net                            | 137,021          | 155,640          | 14          |
| 9,228                                       | Marketable securities                             | 9,311            | 2,341            | (75)        |
| 47,909                                      | Other current assets                              | 53,970           | 51,427           | (5)         |
| 62,841                                      | Cash and cash equivalents                         | 41,421           | 72,369           | 75          |
| <b>440,961</b>                              | <b>Total current assets</b>                       | <b>391,457</b>   | <b>448,702</b>   | <b>15</b>   |
| <b>1,532,735</b>                            | <b>Total assets</b>                               | <b>1,266,788</b> | <b>1,505,332</b> | <b>19</b>   |
| <b>Liabilities and shareholders' equity</b> |   |                  |                  |             |
| <b>Shareholders' equity</b>                 |   |                  |                  |             |
| 93,128                                      | Share capital <sup>1</sup>                        | 93,260           | 94,238           | 1           |
| 330,760                                     | Reserves  | 332,002          | 439,312          | 32          |
| 99,981                                      | Net income for the period                         | 11,760           | 79,856           | 579         |
| <b>523,869</b>                              | <b>Total shareholders' equity</b>                 | <b>437,022</b>   | <b>613,406</b>   | <b>40</b>   |
| 155,752                                     | Minority interest                                 | <b>153,808</b>   | <b>65,915</b>    | <b>(57)</b> |
| <b>Non-current liabilities</b>              |   |                  |                  |             |
| 288,701                                     | Long-term debt, net of current portion            | 172,114          | 209,990          | 22          |
| 55,781                                      | Provisions for liabilities and charges            | 49,439           | 50,504           | 2           |
| 14,213                                      | Deferred tax liability                            | 19,889           | 14,327           | (28).       |
| 72,482                                      | Other non-current liabilities                     | 65,765           | 51,402           | (22)        |
| <b>431,177</b>                              | <b>Total non-current liabilities</b>              | <b>307,207</b>   | <b>326,223</b>   | <b>6</b>    |
| <b>Current liabilities</b>                  |   |                  |                  |             |
| 260,420                                     | Trade and other payables                          | 224,129          | 296,732          | 32          |
| 26,172                                      | Provisions for liabilities and charges            | 23,125           | 24,533           | 6           |
| 70,756                                      | Short-term debt                                   | 68,665           | 121,959          | 78          |
| 64,589                                      | Current portion of long-term debt                 | 52,832           | 56,564           | 7           |
| <b>421,937</b>                              | <b>Total current liabilities</b>                  | <b>368,751</b>   | <b>499,788</b>   | <b>36</b>   |
| <b>1,532,735</b>                            | <b>Total liabilities and shareholders' equity</b> | <b>1,266,788</b> | <b>1,505,332</b> | <b>19</b>   |

<sup>1</sup> Compared to HAS, registered share capital in IFRS does not include issued MOL shares owned by Slovintegra-Slovbena (treated as liability due to the connecting option structure) and is decreased by the face value of treasury shares.



## APPENDIX III

**MOVEMENT IN SHAREHOLDERS' EQUITY FOR THE MOL GROUP**  
**FOR THE PERIOD ENDED 30 JUNE 2004**  
**Unaudited quarterly figures (in HUF millions)**

|   | Share capital | Hedging reserve | Translation reserve | Treasury shares | Equity component of compound debt instruments | Retained earnings | Total reserves | Net income    | Total          |
|---|---------------|-----------------|---------------------|-----------------|---|-------------------|----------------|---------------|----------------|
| <b>Opening balance 1 January 2003</b>                         | 93,245        | 2,081           | (7,038)             | (20,926)        | -   | 272,817           | 246,934        | 65,262        | 405,441        |
| Transfer to reserves of retained profit for the previous year |               |                 |                     |                 |   | 65,262            | 65,262         | (65,262)      | 0              |
| Dividend for year 2002  |               |                 |                     |                 |   | (5,128)           | (5,128)        |               | (5,128)        |
| Net change in balance of treasury shares held                 | 15            |                 |                     | 102             |   |                   | 102            |               | 117            |
| Cash flow hedges  |               | 2,661           |                     |                 |   |                   | 2,661          |               | 2,661          |
| Currency translation differences                              |               |                 | 20,862              |                 |   |                   | 20,862         |               | 20,862         |
| Slovnaft acquisition  |               |                 |                     |                 | 1,309   |                   | 1,309          |               | 1,309          |
| Retained profit for the period                                |               |                 |                     |                 |   |                   |                | 11,760        | 11,760         |
| <b>Closing balance 30 June 2003</b>                           | <b>93,260</b> | <b>4,742</b>    | <b>13,824</b>       | <b>(20,824)</b> | <b>1,309</b>                                  | <b>332,951</b>    | <b>332,002</b> | <b>11,760</b> | <b>437,022</b> |
| <b>Opening balance 1 January 2004</b>                         | <b>93,128</b> | <b>7,832</b>    | <b>8,602</b>        | <b>(21,427)</b> | <b>2,857</b>                                  | <b>332,896</b>    | <b>330,760</b> | <b>99,981</b> | <b>523,869</b> |
| Transfer to reserves of retained profit for the previous year |               |                 |                     |                 |   | 99,981            | 99,981         | (99,981)      |                |
| Dividend for year 2003  |               |                 |                     |                 |   | (5,952)           | (5,952)        |               | (5,952)        |
| Net change in balance of treasury shares held                 | 126           |                 |                     | 651             |   |                   | 651            |               | 777            |
| Cash flow hedges  |               | (1,581)         |                     |                 |   |                   | (1,581)        |               | (1,581)        |
| Currency translation reserve                                  |               |                 | 677                 |                 |   |                   | 677            |               | 677            |
| Slovnaft acquisition  | 984           |                 |                     |                 | 14,776  |                   | 14,776         |               | 15,760         |
| Retained profit for the period                                |               |                 |                     |                 |   |                   |                | 79,856        | 79,856         |
| <b>Closing balance 30 June 2004</b>                           | <b>94,238</b> | <b>6,251</b>    | <b>9,279</b>        | <b>(20,776)</b> | <b>17,633</b>                                 | <b>426,925</b>    | <b>439,312</b> | <b>79,856</b> | <b>613,406</b> |



## APPENDIX IV

**CONSOLIDATED IFRS STATEMENTS OF CASH FLOWS FOR THE MOL GROUP  
FOR THE PERIOD ENDED 30 JUNE 2004  
Unaudited quarterly figures (in HUF millions)**

| <b>FY 2003</b>  | <b>Q2 2003</b>  | <b>Q2 2004</b>  | <b>Ch. %</b>  | <b>H1 2003</b>  | <b>H1 2004</b>   | <b>Ch. %</b> |
|---|-----------------|-----------------|---------------|-----------------|------------------|--------------|
| <b>82,806 Profit from operations</b>  | <b>292</b>      | <b>46,122</b>   | <b>15,695</b> | <b>28,439</b>   | <b>108,118</b>   | <b>280</b>   |
| <i>Adjustments to reconcile operating profit to net cash provided by operating activities</i> |                 |                 |               |                 |                  |              |
| 95,137 Depreciation, depletion, amortisation and impairment                                   | 22,428          | 25,670          | 14            | 42,577          | 50,253           | 18           |
| (1,377) Net unrealised (gain)/loss recorded on financial instruments                          | (1,055)         | 152             | n.a.          | (1,947)         | 152              | n.a.         |
| 985 Write-off of inventories  | 5,622           | (313)           | n.a.          | 5,822           | 73               | (99)         |
| 5,644 Impairment losses, net  | 620             | 1,072           | 73            | 801             | 1,288            | 61           |
| 5,367 Increase in provisions  | (2,091)         | (6,460)         | 209           | (1,286)         | (9,709)          | 655          |
| (1,119) Net (gain)/loss on sale of fixed assets   | 1,468           | (169)           | n.a.          | (167)           | (562)            | 237          |
| (9,877) Net (gain)/loss on sale of subsidiaries   | 225             |                 | n.a.          | 225             |                  | n.a.         |
| 9,389 Exploration and development costs expensed during the year                              | 2,419           | 2,843           | 18            | 4,703           | 6,314            | 34           |
| (1,510) Other non cash items  | (1,711)         | (597)           | (65)          | (1,558)         | (281)            | (82)         |
| <b>185,445 Operating cash flow before changes in working capital</b>                          | <b>28,217</b>   | <b>68,320</b>   | <b>142</b>    | <b>77,609</b>   | <b>155,646</b>   | <b>101</b>   |
| (21,051) Decrease / (increase) in inventories   | (34,260)        | (49,447)        | 44            | (14,957)        | (11,783)         | (21)         |
| (5,344) Decrease / (increase) in accounts receivable  | 19,658          | 9,822           | (50)          | 12,492          | 8,800            | (30)         |
| 786 (Increase)/decrease in other receivables  | 4,572           | 5,878           | 29            | 4,985           | (10,847)         | n.a.         |
| 39,455 Increase/(decrease) in accounts payable  | 21,979          | 34,704          | 58            | 15,370          | (6,457)          | n.a.         |
| 10,006 Increase in other current liabilities  | (873)           | 6,997           | n.a.          | (766)           | 37,786           | n.a.         |
| (6,139) Corporate taxes paid  | (2,215)         | (119)           | (95)          | (2,464)         | (1,947)          | (21)         |
| <b>203,158 Net cash provided by operating activities</b>                                      | <b>37,078</b>   | <b>76,155</b>   | <b>105</b>    | <b>92,269</b>   | <b>171,198</b>   | <b>86</b>    |
| (186,875) Capital expenditures, exploration and development costs                             | (30,595)        | (35,781)        | 17            | (46,228)        | (73,110)         | 58           |
| 3,069 Proceeds from disposals of fixed assets   | 503             | 624             | 24            | 726             | 1,832            | 152          |
| (11,811) Acquisition of subsidiaries, net cash  | (1,080)         |                 | n.a.          | (46,265)        | (67,767)         | 46           |
| (22,517) Acquisition of joint ventures, net cash  |                 |                 |               |                 |                  |              |
| 21,573 Net cash inflow on sales of subsidiary undertakings                                    | 3,323           |                 | (100)         | 3,323           |                  | n.a.         |
| (113,729) Acquisition of associated companies   |                 |                 |               |                 |                  |              |
| (241) Acquisition of other investments  | (241)           |                 | n.a.          | (241)           |                  | n.a.         |
| 2,894 Proceeds from disposal of investments   | 594             |                 | n.a.          | 594             | 11,661           | 1,863        |
| 307 Changes in loans given and long-term bank deposits  | 413             | (881)           | n.a.          | (254)           | 1,273            | n.a.         |
| (1,750) Changes in short-term investments   | (2,565)         | 4,181           | n.a.          | (4,494)         | 7,709            | n.a.         |
| 6,711 Interest received and other financial income  | 1,539           | 1,545           |               | 2,793           | 3,807            | 36           |
| 3,840 Dividends received  | 1,930           | 492             | (75)          | 2,007           | 492              | (75)         |
| <b>(298,529) Net cash used in investing activities</b>  | <b>(26,179)</b> | <b>(29,820)</b> | <b>14</b>     | <b>(88,039)</b> | <b>(114,103)</b> | <b>30</b>    |
| 9,200 Issuance of long term notes   |                 |                 |               |                 |                  |              |
| - Issuance of zero coupon notes   | 12,190          |                 | n.a.          | 30,943          |                  | n.a.         |
| - Repayment of zero coupon notes  |                 | (3,000)         | n.a.          | (20,000)        | (33,000)         | 65           |
| 397,087 Long-term debt drawn down   | 35,709          | 18,769          | (47)          | 72,378          | 43,113           | (40)         |
| (255,716) Repayments of long-term debt  | (33,043)        | (37,735)        | 14            | (69,299)        | (128,279)        | 85           |
| 485 Changes in other long term liabilities  | (4)             | (283)           | 6,975         | (473)           | 435              | n.a.         |
| (9,232) Changes in short-term debt  | (15,035)        | 6,057           | (140)         | (21,179)        | 84,630           | n.a.         |
| (20,810) Interest paid and other financial costs  | (5,066)         | (5,069)         | n.a.          | (10,582)        | (10,019)         | (5)          |
| (5,210) Dividends paid to shareholders  |                 | (5,870)         |               |                 | (5,870)          | n.a.         |
| (547) Dividends paid to minority interest   | (401)           | (606)           | 51            | (401)           | (606)            | 51           |
| 25,965 Sale of treasury shares  | 106             | 758             | 615           | 108             | 906              | 739          |
| (26,583) Repurchase of treasury shares  |                 | (4)             | n.a.          |                 | (166)            | n.a.         |
| <b>114,639 Net cash provided by financing activities</b>                                      | <b>(5,544)</b>  | <b>(26,983)</b> | <b>387</b>    | <b>(18,505)</b> | <b>(48,856)</b>  | <b>164</b>   |
| <b>19,268 (Decrease)/increase in cash and cash equivalents</b>                                | <b>5,355</b>    | <b>19,352</b>   | <b>261</b>    | <b>(14,275)</b> | <b>8,239</b>     | <b>n.a.</b>  |
| 42,251 Cash at the beginning of the year  | 22,621          | 52,757          | 133           | 42,251          | 62,841           | 49           |
| 221 Cash effect of consolidation of subsidiaries previously                                   | 12,147          |                 | n.a.          | 12,147          | 1,185            | (90)         |
| 1,101 Exchange differences on the consolidation of foreign                                    | 1,298           | 260             | (80)          | 1,298           | 104              | (92)         |
| <b>62,841 Cash at the end of the period</b>   | <b>41,421</b>   | <b>72,369</b>   | <b>75</b>     | <b>41,421</b>   | <b>72,369</b>    | <b>75</b>    |



## APPENDIX V

## KEY IFRS FINANCIAL DATA BY BUSINESS SEGMENT (in HUF millions)

| FY 2003          | NET EXTERNAL SALES REVENUES <sup>1</sup> | Q2 2003        | Q2 2004        | Ch. %     | H1 2003        | H1 2004        | Ch. %     |
|------------------|--|----------------|----------------|-----------|----------------|----------------|-----------|
| 10,287           | Exploration and Production               | 6,763          | 9,318          | 38        | 7,036          | 15,454         | 120       |
| 890,639          | Refining and Marketing                   | 230,827        | 270,410        | 17        | 383,590        | 487,426        | 27        |
| 430,162          | Natural Gas                              | 71,233         | 85,343         | 20        | 220,484        | 279,531        | 27        |
| 169,006          | Petrochemicals                           | 46,953         | 49,201         | 5         | 80,284         | 93,345         | 16        |
| 3,944            | Corporate and other                      | (1,630)        | 6,707          | n.a.      | 1,385          | 7,631          | 451       |
| <b>1,504,038</b> | <b>TOTAL</b>                             | <b>354,146</b> | <b>420,979</b> | <b>19</b> | <b>692,779</b> | <b>883,387</b> | <b>28</b> |

| FY 2003       | OPERATING PROFIT <sup>1</sup>       | Q2 2003    | Q2 2004       | Ch. %         | H1 2003       | H1 2004        | Ch. %      |
|---------------|-------------------------------------|------------|---------------|---------------|---------------|----------------|------------|
| 43,494        | Exploration and Production          | 11,193     | 12,866        | 15            | 29,156        | 24,840         | (15)       |
| 67,634        | Refining and Marketing              | 12,182     | 32,217        | 164           | 25,665        | 55,888         | 118        |
| 6,164         | Natural Gas                         | (9,652)    | 11,333        | n.a.          | (11,975)      | 32,263         | n.a.       |
| 1,287         | Petrochemicals                      | 3,554      | 3,376         | (5)           | 4,821         | 7,132          | 48         |
| (35,365)      | Corporate and other                 | (11,599)   | (10,328)      | (11)          | (17,192)      | (15,827)       | (8)        |
| (143)         | Intersegment transfers <sup>2</sup> | (5,386)    | (3,342)       | (38)          | (2,036)       | 3,822          | n.a.       |
| <b>83,071</b> | <b>TOTAL</b>                        | <b>292</b> | <b>46,122</b> | <b>15,695</b> | <b>28,439</b> | <b>108,118</b> | <b>280</b> |

| FY 2003        | PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES ACQUIRED | Q2 2003       | Q2 2004       | Ch. %      | H1 2003       | H1 2004       | Ch. %     |
|----------------|---|---------------|---------------|------------|---------------|---------------|-----------|
| 22,721         | Exploration and Production                          | 13,487        | 2,202         | (84)       | 14,741        | 5,893         | (60)      |
| 74,285         | Refining and Marketing                              | 12,942        | 13,360        | 3          | 15,534        | 21,162        | 36        |
| 11,019         | Natural Gas   | 1,606         | 691           | (57)       | 2,237         | 904           | (60)      |
| 64,921         | Petrochemicals                                      | 12,804        | 23,218        | 81         | 18,638        | 37,826        | 103       |
| 5,578          | Corporate and other                                 | 925           | 1,309         | 42         | 1,323         | 1,618         | 22        |
| <b>178,524</b> | <b>TOTAL</b>  | <b>41,764</b> | <b>40,780</b> | <b>(2)</b> | <b>52,473</b> | <b>67,403</b> | <b>28</b> |

| FY 2003       | DEPRECIATION               | Q2 2003       | Q2 2004       | Ch. %     | H1 2003       | H1 2004       | Ch. %     |
|---------------|----------------------------|---------------|---------------|-----------|---------------|---------------|-----------|
| 21,048        | Exploration and Production | 4,578         | 5,841         | 28        | 10,431        | 11,436        | 10        |
| 41,030        | Refining and Marketing     | 11,087        | 13,154        | 19        | 17,523        | 24,915        | 42        |
| 10,927        | Natural Gas                | 2,682         | 2,344         | (13)      | 5,672         | 4,638         | (18)      |
| 13,215        | Petrochemicals             | 2,809         | 2,949         | 5         | 4,987         | 5,749         | 15        |
| 9,230         | Corporate and other        | 1,761         | 2,432         | 38        | 4,481         | 4,771         | 6         |
| <b>95,450</b> | <b>TOTAL</b>               | <b>22,917</b> | <b>26,720</b> | <b>17</b> | <b>43,094</b> | <b>51,509</b> | <b>20</b> |

| 31/12/2003     | TANGIBLE ASSETS            | 30/06/2003     | 30/06/2004     | Ch. %     |
|----------------|----------------------------|----------------|----------------|-----------|
| 101,237        | Exploration and Production | 97,605         | 94,336         | (3)       |
| 398,805        | Refining and Marketing     | 371,352        | 437,680        | 18        |
| 105,050        | Natural Gas                | 113,765        | 101,403        | (11)      |
| 176,716        | Petrochemicals             | 141,133        | 187,248        | 33        |
| 74,143         | Corporate and other        | 63,295         | 56,376         | (11)      |
| <b>855,951</b> | <b>TOTAL</b>               | <b>787,150</b> | <b>877,043</b> | <b>11</b> |

<sup>1</sup> Net external sales revenues include only sales to third parties outside the MOL Group; operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Exploration and Production transfers domestically produced crude oil, condensates and LPG to Refining and Marketing and natural gas to the Natural Gas segment. Refining and Marketing transfers chemical feedstock, propylene and isobutane to Petrochemicals and Petrochemicals transfers various by-products to Refining and Marketing. The internal transfer prices used are based on prevailing market prices. However, in respect of transfers of natural gas, the transfer price until 31 December 2003 was limited to the average regulated wholesale selling price (not taking into account the higher price applicable from November 2000 to non-residential customers consuming over 500 m<sup>3</sup>/h), adjusted to exclude storage, transport and inventory holding fees, where this is below the prevailing market price as was the case in 2003. From January 2004, the gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

<sup>2</sup> This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. In previous years this unrealised profit effect was not shown separately, but was included in the reported segmental result of the receiving segment. Unrealised profits arise principally in respect of transfers from Exploration & Production to Natural Gas and from Refining & Marketing to Petrochemicals.



## APPENDIX VI

## MAIN EXTERNAL PARAMETERS

|   | Q2 2003 | Q2 2004 | Change % | H1 2003 | H1 2004 | Change % |
|---|---------|---------|----------|---------|---------|----------|
| Brent dated (USD/bbl)                     | 26.0    | 35.3    | 36       | 28.8    | 33.7    | 17       |
| Ural Blend (USD/bbl)                      | 23.9    | 32.5    | 36       | 26.5    | 30.7    | 16       |
| Reuters refining margin (Ural crack)      | 2.95    | 5.27    | 79       | 3.78    | 4.53    | 20       |
| Premium unleaded gasoline 50 ppm (USD/t)* | 274.9   | 403.3   | 47       | 292.5   | 366.9   | 25       |
| Gas oil - ULSD (USD/t)*                   | 246.4   | 336.5   | 37       | 277.9   | 317.7   | 14       |
| Naphtha (USD/t)*                          | 226.9   | 348.6   | 54       | 271.7   | 333.3   | 23       |
| Ethylene (EUR/t)                          | 575     | 607     | 6        | 575     | 594     | 3        |
| HUF/USD average                           | 220.8   | 209.3   | (5)      | 223.9   | 208.7   | (7)      |
| SKK/USD average                           | 36.3    | 33.3    | (8)      | 37.7    | 32.9    | (13)     |
| 3m USD LIBOR (%)                          | 1.17    | 1.25    | 7        | 1.23    | 1.16    | (6)      |
| 3m EURIBOR (%)                            | 2.37    | 2.08    | (12)     | 2.53    | 2.07    | (18)     |
| 3m BUBOR (%)                              | 6.99    | 11.57   | 66       | 6.75    | 12.03   | 78       |
|   | Q1 2004 | Q2 2004 | Change % | Q4 2003 | Q2 2004 | Change % |
| HUF/USD closing                           | 203.7   | 208.8   | 3        | 207.8   | 208.8   | 0        |
| HUF/EUR closing                           | 248.9   | 253.2   | 2        | 262.2   | 253.2   | (3)      |

\* FOB Rotterdam parity

## APPENDIX VII

## EXTRAORDINARY ANNOUNCEMENTS IN Q2 2004

| Announcement date |   |
|-------------------|---|
| 8 April           | Main items of MOL's audited financial statements for 2003   |
| 15 April          | Announcement of MOL Plc. on the transformation of "C" shares into "A" shares  |
| 30 April          | Joint statement by MOL and PKN Orlen on the progress of their cooperation discussions   |
| 30 April          | Resolutions of MOL's Annual General Meeting   |
| 3 May             | Share sale  |
| 6 May             | Announcement of MOL Plc. on the settlement of cash compensation of those printed shares that were not submitted for dematerialization |
| 13 May            | Dividend announcement of the board of directors of MOL Hungarian Oil and Gas Plc. dividends for the 2003 financial year               |
| 18 May            | Share distribution for the Board of Directors and MOL management  |
| 19 May            | Share sale  |
| 25 May            | Share distribution for MOL management   |
| 25 May            | The gross dividend per share is HUF 57.86   |
| 3 June            | Share sale  |
| 8 June            | Share distribution for MOL management   |



## APPENDIX VIII

### SHAREHOLDER STRUCTURE (%) AND TREASURY SHARES

| Shareholder groups  | 31 Dec 2002 | 30 June 2003 | 30 Sept 2003 | 31 Dec 2003 | 31 March 2004 | 30 June 2004 |
|---|-------------|--------------|--------------|-------------|---------------|--------------|
| Foreign investors (mainly institutional)                    | 42.4        | 37.0         | 37.7         | 36.4        | 50.7          | 54.1         |
| OMV   | 10.0        | 9.1          | 9.1          | 9.1         | 9.1           | 9.1          |
| Slovbena, Slovintegra                                       | 0.0         | 10.0         | 10.0         | 9.8         | 8.0           | 8.0          |
| ÁPV Rt. (Hungarian State Privatisation and Holding Company) | 25.0        | 22.7         | 22.7         | 22.7        | 11.8          | 11.8         |
| Hungarian institutional investors                           | 5.1         | 8.7          | 8.7          | 9.5         | 5.7           | 4.9          |
| Depositories (mainly Hung. private investors)               | 12.2        | 8.6          | 7.7          | 8.4         | 9.5           | 7.2          |
| MOL Rt. (treasury shares)                                   | 5.2         | 3.8          | 4.0          | 4.0         | 5.1           | 4.9          |
| Unregistered shares   | 0.1         | 0.1          | 0.1          | 0.1         | 0.1           | 0.0          |

According to the Share Register, beside ÁPV Rt. with 12.4%, only 3 shareholders had more than 2% influence over MOL Rt. at 30 June 2004: JP Morgan Chase Bank, the depository bank for MOL's GDR programme, which had 15.2%, Slovbena-Slovintegra having 8.4%, and OMV having 9.6% influence over MOL.

In April, the transformation of all but 578 "C" series shares into "A" series shares was completed. The number of "A" series treasury shares held by MOL increased by 1,180,179 as a result of transformation and decreased by 122,308 as a result of share distribution to members of Board of Directors and MOL managers. Therefore at the end of the period MOL had 5,342,462 "A" series and 369 "C" series shares.

Please note that in Hungary, the Share Register does not fully reflect the ownership structure, as registration is not mandatory.

#### Changes in organisation and senior management:

There were no relevant changes in the governing bodies of MOL during the period. However, on 6 July 2004 MOL announced that Mr. Béla Váradi, Human Resources Director will leave MOL under mutual consent and Mr. József Simola, Corporate Center Director has been provisionally appointed to the position of Human Resources Director from 6 July, 2004.