



**MAJOR INVESTMENT IN REFINING ASSETS PAYING OFF**

MOL Hungarian Oil and Gas plc. (Reuters: MOLB.BU, MOLBq.L, Bloomberg: MOL HB, MOL LI; homepage: www.mol.hu), today announced its 2005 second quarter and first half year preliminary results. This report contains consolidated financial statements for the period ended 30 June 2005 as prepared by management in accordance with International Financial Reporting Standards (IFRS).

**Financial highlights**

MOL Group financial results (IFRS)	Q2 2004		Q2 2005		Change %		H1 2004		H1 2005		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	424.1	2,026.3	545.1	2,748.9	29	36	896.8	4,297.1	1,116.3	5,789.9	24	35
EBITDA	72.7	347.3	105.2	530.5	45	53	159.3	763.3	223.7	1,160.3	40	52
<b>Operating profit/(loss)</b>	<b>47.7</b>	<b>227.9</b>	<b>76.1</b>	<b>383.8</b>	<b>60</b>	<b>68</b>	<b>109.5</b>	<b>524.7</b>	<b>167.6</b>	<b>869.3</b>	<b>53</b>	<b>66</b>
Net financial expenses/(gain)	10.9	52.1	5.8	29.2	(47)	(44)	6.7	32.1	14.8	76.8	121	139
<b>Net income/(loss)</b>	<b>29.2</b>	<b>139.5</b>	<b>62.9</b>	<b>317.2</b>	<b>115</b>	<b>127</b>	<b>81.0</b>	<b>388.1</b>	<b>133.9</b>	<b>694.5</b>	<b>65</b>	<b>79</b>
Operating cash flow	76.2	364.1	83.0	418.6	9	15	171.2	820.3	180.1	934.1	5	14

<sup>(1)</sup> In converting HUF financial data into US Dollars, the following average NBH middle rates were used: for Q2 2004:209.3 HUF/USD, for H1 2004:208.7 HUF/USD, for Q2 2005:198.3 HUF/USD, for H1 2005:192.8 HUF/USD.

**In H1 2005, operating profit increased by HUF 58.1 bn, to HUF 167.6 bn (USD 869.3 mn), supported by previous years' investments in quality downstream assets, higher product sales volumes and an EU compliant regulation in the gas business. Net income grew by HUF 52.9 bn to HUF 133.9 bn (USD 694.5 mn), primarily reflecting the strong operating performance, which was partially compensated by higher financial expenses, due to a loss on foreign currency denominated debt in H1 2005, compared to a foreign exchange gain in H1 2004.**

**Overview of the environment**

Global economic growth continued to slow in Q2 2005 after its fall in the 1<sup>st</sup> quarter. Still, it remained around 3.5%, high by historical standards. The geographical composition remained uneven. The slowdown was most marked in the growth of industrial production and global trade, although overall growth remained well above its historic trend, while global inflation is the lowest in decades. Low interest rates and improving corporate performance fuelled gains in major stock markets. Nevertheless there are risks in the global economy. Current account imbalances are at record levels with the US deficits financed by surpluses from Asia, the Middle East and Europe. Despite this, the dollar appreciated measurably against the euro and the yen. Perceived fragility is reflected in increasing risk premiums in financial markets.

The geographical composition of growth is very unequal. Although noticeably slowing, the US economy continued to grow faster than other industrialized economies. Forward looking indicators point to a further slowdown in the US. In China, an investment boom continues, and growth remains close to double digits. Growth also fell in Russia in spite of high oil prices. The Eurozone and Japan continued to disappoint. Although Eurozone growth increased due to higher net exports, growth forecasts are reduced from their already low level. Both regions suffer from the lack of domestic demand and business confidence.

The oil market experienced surging prices - up about 50% from a year ago, prices continued to climb in the second quarter, reaching highs of USD 60 recently. Industry consensus attributes this to three main drivers: increased demand, especially China, other Asian countries and the US; failure of the supply side to react in time to demand which lead to a dangerously low level of spare capacity all across the supply chain; and a sizable fear premium built into prices due to the prospect of supply disruption. Since global GDP growth is concentrated in economies with oil intensive production, high prices failed to generate a measurable fall in demand. The „core” industrialized economies (USA, EU15, Japan) grew by 3.2% on average in 2004. However, almost two thirds of this growth was generated by the dynamic US economy, where 1000 dollars of GDP requires 0.7 barrels of oil, compared 0.5 on average in the EU and Japan. Other dynamic industrialized economies like Australia also have a US style economic structure. As growth is primarily occurring in countries requiring more oil, the average oil intensity of the industrialized world has been rising. As compared to a hypothetical average 3.2% growth in all regions, the geographical imbalance itself resulted in growth in daily oil demand of 450 thousand barrels, representing almost 20% of total world demand growth. However recently there have been some signs of a moderate demand reaction in China and the US, which tends to be counterbalanced by growth in other Asian countries. According to IEA data, Q2 2005 oil demand is up by 1.7% to an average 82.5 mn barrels per day, the growth rate being slightly lower than the 2.1% of Q1.

As global energy efficiency is incomparably better than in the 70s and as crude oil's share in primary energy is lower, the negative effect of high oil prices is measurable but limited. However, a risk of higher prices and supply disruptions has already started to dent business confidence, and the longer term effect of high prices is uncertain.

OPEC raised output limits again by 500,000 bpd to 28 million bpd in mid-June as prices failed to ease below \$55. The increase in formal quotas only ratifies the status quo, as OPEC members had already been supplying slightly above 28 million bpd. Nevertheless, observers doubt whether OPEC could significantly increase its supply further without major upstream investments and a considerable delay. Supply in the rest of the world is also close to capacity constraint, and demand growth is expected to stay high in Asia and gain new momentum in China in 2006. Consequently, most analysts expect the oil price to stay at its current high level.



As crude oil demand is driven by motor fuels, demand for refinery capacity also reached its constraint. As a result, refinery margins fluctuated in a band which is well above the historical average.

In Hungary growth is below the Central European average but its structure remains healthy. As exports are growing more rapidly than import markets, the market share of Hungarian exporters is expanding, the economy is still driven mainly by exports and investment. Growth of domestic consumption slowed to a sustainable level. Inflation convergence seems to be on track which enabled a series of interest rate cuts by the National Bank. However, strong investment demand, falling household savings and an excessive budget deficit led to a high current account deficit, though some signs of improvement have been experienced in the recent period. Nevertheless, the country maintained the trust of capital markets. Due to the strength of the forint compared to the dollar, the real price of fuel in HUF remains below its 2001 peak. As a result, the effect of price increases on demand has been limited. However, gasoline demand decreased in the period. Economic performance remained steady in Q2 2005.

In our other main market, Slovakia, the favourable economic performance continued. Current macroeconomic and monetary data underscore the positive economic developments that have followed structural and pro-business reforms aimed at attracting foreign direct investment. Specifically the favourable set up of the tax system has a strong influence on decisions of foreign firms to invest in this region (mainly in the automotive sector). Although the dynamic wage growth is beneficial for customer demand, there are risks stemming from this development. The continued strong wage growth has put pressure on the trade balance and might create inflationary pressures. At the same time, the improvement in the economy and rising purchasing power had a positive impact on new car sales, which rose during the first six months of 2005 in the y-o-y comparison. Although unemployment has fallen measurably, Slovakia still has a high rate of structural unemployment. This tends to depress the growth of consumer demand.

The average CIF Med quoted price of Ural Blend increased by 50% in USD terms and 38% in HUF terms, compared to H1 2004. More importantly for MOL, the Brent-Ural differential grew to 3.7 USD/bbl in H1 2005, due to increasing demand for sweet crude oil and increased sour crude production. Average USD denominated crack spreads of FOB Rotterdam gasoline and naphtha decreased by 18% and 28%, while the crack spread of gas oil increased by 86%, compared to H1 2004. The US dollar depreciated by an average of 8% against the Hungarian Forint, while EUR depreciated by an average 3% against Forint in H1 2005. EUR appreciated by 1% from year-end 2004 to 30 June 2005 (from 245.9 to 247.4), while USD appreciated by 14% from year-end 2004 to 30 June 2005 (from 180.3 to 204.8). The USD depreciated by an average of 9% against the Slovak Crown in H1 2005, while EUR depreciated by an average 4% against the Slovak Crown year on year.

- **Exploration and Production** operating profit in H1 2005 increased by HUF 16.2 bn, to HUF 41.0 bn (USD 212.7 mn), as a strong increase in international crude production and higher transfer prices could compensate for the lower domestic hydrocarbon production and increasing royalty charges.
- **Refining and Marketing** contributed operating profit of HUF 87.3 bn (USD 452.8 mn), an increase of 56% (in USD terms 69%) over H1 2004, supported by higher sales volumes, the increased Ural to Brent discount, higher diesel crack spreads, integrated Group operations and the positive effect of inventory holding. Estimated clean USD based CCS profit rose 27%.
- **Natural Gas** operating profit increased by HUF 8.4 to HUF 42.4 bn (USD 219.9 mn), mainly due to higher sales volumes and the different accounting treatment of cushion gas in storage, compared to the same period of the previous year.
- The **Petrochemical** segment's operating profit increased to HUF 13.3 bn (USD 69.0 mn) in H1 2005, compared to a HUF 7.1 bn (USD 34.0 mn) profit in H1 2004. Higher sales, efficiency improvement measures and an improvement in the business environment contributed to the significant strengthening of operational results.
- We continued our **efficiency improvement** programs and we achieved a USD 248 mn benefit by the end of Q2 2005, 95% of the USD 260 mn combined efficiency target set for the end of 2005. Group **closing headcount** decreased by 5% y-o-y, from 16,509 to 15,669.
- **Capital expenditure** and investments decreased to HUF 79.1 bn (USD 410.7 million) in H1 2005, compared to HUF 135.0 bn (USD 646.9 million) in H1 2004, due to the lower acquisition expenditure and the completion of the petrochemical development project in TVK in 2004. The Group's main investments included the acquisition of Shell's operation in Romania and the waste water project at the R&M segment. MOL's gearing ratio on June 30, 2005 was 20% (the gearing ratio was 24% on December 31, 2004). Net debt at the end of June 2005 was HUF 237.2 bn.
- **Operating cash flow** before changes in working capital grew by 25% to HUF 194.1 bn (USD 1,006.9 mn). Including working capital changes and corporate tax paid, operating cash flow increased by 5%, to HUF 180.1 bn (USD 934.1 mn).

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

“Our investment decisions, business integration and a favourable industry environment all contributed to increased earnings in all business segments in the first half of the year compared to the same period last year.

We continued our proactive role in the regional consolidation process by closing the Shell Romania transaction and being selected for negotiations, together with our partner INA, in the Energopetrol privatisation.

As an important step in the gas partnership transaction we received the approval of the Hungarian Energy Office and we expect the approval of the European Commission DG Competition in November.

Our shareholders benefited from the significant increase in cash distribution; we tripled our dividend after the 2004 financial year and purchased almost 2% treasury shares in the first half of the year.”



## Exploration and Production

### Segment IFRS results

Exploration & Production	Q2 2004		Q2 2005		Change %		H1 2004		H1 2005		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	18.7	89.3	30.5	153.8	63	72	36.2	173.5	53.9	279.6	49	61
Operating profit/(loss)	<b>12.9</b>	<b>61.6</b>	<b>24.0</b>	<b>121.0</b>	<b>87</b>	<b>96</b>	<b>24.8</b>	<b>118.8</b>	<b>41.0</b>	<b>212.7</b>	<b>65</b>	<b>79</b>
CAPEX and investments <sup>1</sup>	6.6	31.5	7.5	37.8	14	20	13.3	63.7	13.9	72.2	5	13

### Key segmental operating data

FY 2004	HYDROCARBON PRODUCTION (gross figures before royalty)	Q2 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
				%			%
	<b>2,225 Crude oil production (kt)</b>	<b>537</b>	<b>570</b>	<b>6</b>	<b>1,052</b>	<b>1,145</b>	<b>9</b>
	1,077 Hungary	271	233	(14)	549	482	(12)
	1,148 International	266	337	27	503	664	32
	<b>2,928 Natural gas production (million m<sup>3</sup>, net dry)*</b>	<b>763</b>	<b>640</b>	<b>(16)</b>	<b>1,530</b>	<b>1,367</b>	<b>(11)</b>

\*Domestic production, excluding original cushion gas production from gas storage.

Segmental operating profit in H1 2005 increased by HUF 16.2 bn to HUF 41.0 bn, compared to H1 2004. Higher operating profit reflected the increase in international crude production and favourable developments in the external environment. The USD denominated average Brent crude oil price increased by 47.2% compared to H1 2004, while it was only 35.6 % higher in HUF terms, due to the strengthening of the Forint against the USD (7.6%). The increase in the gas transfer price was 24.8 %.

Segment revenue increased by HUF 27.0 bn, in H1 2005 y-o-y. At the same time, operating costs increased by HUF 10.8 bn, mainly due to an increase in production at the ZMB field and a higher Hungarian mining royalty. ZMB's operating profit increased significantly, due to the increase in sales volume and higher crude oil prices. Mining royalty on Hungarian production increased by HUF 1.6 bn to HUF 31.1 bn, due to higher crude oil and gas prices.

Crude oil production from Hungarian fields in H1 2005 was 12.2% lower than in the same period of 2004, due to a natural decrease in the fields' yield, largely as a result of an increase in the water cut. The decline in domestic oil production was compensated by an increase of 32.0% in international oil production, basically as a result of field development in 2004. Domestic natural gas production decreased by 10.7% in H1 2005 compared with the same period of last year, due to the natural decrease in the yield, only partially compensated by new fields brought into production.

As a result of the favourable effect of international crude oil production and despite the strengthening HUF, MOL Group's unit cost of oil production (including gasoline production) remained unchanged at 3.7 USD/bbl, the same as in H1 2004.

Capital expenditure increased by HUF 0.6 bn compared to H1 2004, as a result of the expansion of our international activity. While we spent HUF 0.5 bn less in Yemen (mainly because the Balharak-S-1 well was spudded during the base period in block 49), and HUF 0.3 bn less in the ZMB project in Russia, we entered into the Fedorovsky exploration block in Kazakhstan in Q3 2004, and also increased our participation early this year, which resulted in a HUF 1.6 bn increase in the capital expenditure compared to H1 2004.

<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	Q2 2004		Q2 2005		Change %		H1 2004		H1 2005		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	45.3	216.4	64.3	324.3	42	50	80.7	386.7	114.7	594.9	42	54
Operating profit/(loss)	<b>32.2</b>	<b>153.8</b>	<b>49.8</b>	<b>251.1</b>	<b>55</b>	<b>63</b>	<b>55.8</b>	<b>267.4</b>	<b>87.3</b>	<b>452.8</b>	<b>56</b>	<b>69</b>
CAPEX and investments <sup>1</sup>	13.3	63.5	25.8	130.2	94	105	20.8	99.7	53.6	278.3	158	179

  

FY 2004		Q2 2004	Q2 2005	Change	H1 2004	H1 2005	Change
HUF bn		HUF bn	HUF bn	%	HUF bn	HUF bn	%
<b>158.9</b>	<b>Reported EBIT</b>	<b>32.2</b>	<b>49.8</b>	<b>55</b>	<b>55.8</b>	<b>87.3</b>	<b>56</b>
(8.9)	Replacement modification	(2.6)	(14.7)	(465)	(5.7)	(28.4)	(398)
<b>150.0</b>	<b>Estimated clean CCS</b>	<b>29.6</b>	<b>35.1</b>	<b>19</b>	<b>50.1</b>	<b>58.9</b>	<b>18</b>

### Key segmental operating data

FY 2004	REFINED PRODUCT SALES	Kt	Q2 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
4,082	Hungary		989	1,038	5	1,815	1,846	2
1,411	Slovakia		377	351	(7)	665	620	(7)
6,000	Other markets		1,494	1,592	7	2,730	2,990	10
<b>11,493</b>	<b>TOTAL CRUDE OIL PRODUCT SALES</b>		<b>2,860</b>	<b>2,981</b>	<b>4</b>	<b>5,210</b>	<b>5,456</b>	<b>5</b>

Segmental operating profit in H1 2005 increased significantly, by HUF 31.5 bn compared to the first half of the previous year, due to higher sales volumes, favourable crack spreads and the positive effect of inventory holding. The widening Brent-Ural spread also supported the increase in profitability. MOL's realised refining margin was higher than the reference margin, due to the more favourable product slate, which is in turn the result of the significant quality improvement investments made in recent years. These favourable factors were partially compensated by the strength of local currencies against USD.

Consolidated Group sales volumes in H1 2005 increased by 4.7% (246 kt) to 5.5 Mt compared to the 5.2 Mt in H1 2004. The main reason for this growth was the higher sales to export markets. In Hungary sales also grew slightly compared to the previous year. Total sales in Slovakia were 6.8% lower than in H1 2004. The growth in the Group's Hungarian refinery product sales was the result of higher sales of gas oil, kerosene and bitumen. At the same time, low price-level fuel oil sales decreased by 44 %, resulting in a positive change of our sales product slate.

According to our market assessment, in Hungary demand for motor gasoline decreased slightly due to high market prices, and our sales decreased by 1.5%, in line with the market trend. At the same time, the consumption of motor diesel, which is more directly influenced by general economic development than price changes, increased by 8%, due to higher demand from the transportation industry, as a consequence of intense investment in the Hungarian economy. Regional competition strengthened due to the high gasoil crack spreads, which promoted more aggressive import activity. We increased our domestic gasoil sales by 4 %, resulting in a 4 % decrease of refinery coverage, to 81 %. A fall in total product sales in Slovakia reflected the lower sales of motor gasoline and kerosene. In Slovakia, the trend in the motor gasoline and gas oil market was similar to that of Hungary. Gasoline consumption was lower than in H1 2004, and MOL Group sales decreased by approximately 8%. Demand for gasoil increased by nearly 10%, while our sales went up by 1% as a result of the strengthening competition.

Total sales outside of Hungary and Slovakia increased by 260 kt, from 2,730 kt in H1 2004 to 2,990 kt in H1 2005, due to optimisation of refinery production and Group level supply chain management, resulting in greater regional competitiveness. Our motor fuel export volume in the region increased by 8%. The successful operation of our Austrian depot resulted in an increase of sales volume with a high level of customer service.

We also significantly increased the volume of petrochemical feedstock (naphtha and chemical gasoil) supplied to the Petrochemical segment, in line with the recent cracking capacity increase completed last year. The volume supplied is continuously optimised at Group level.

Following major investment of HUF 60bn at the Duna refinery, in gasoline and gasoil desulphurisation, a new hydrogen plant and the reconstruction of the gasoil blender, which was completed in June, MOL is able to produce motor fuels with a maximum 10ppm sulphur content. This achievement will not only enable the Group to maintain its quality leadership in Hungary and Slovakia, but also strengthen its market positions in export countries.

In H1 2005, MOL's Hungarian retail fuel sales volumes decreased by 1.2% compared to H1 2004. The main reason for the decrease was the significant price increase, which made motor fuel demand more sensitive, and which encouraged a small part of the customer base to turn to discount retailers. The 6.5% fall in motor gasoline sales was compensated by a 4.8% rise in diesel sales due in part to strengthened card sales. Our motor fuel market share according to MÁSZ (Hungarian Petroleum Association) fell from 42.6% to 41.9% in H1 2005.

Slovnaft's retail market share in Slovakia, according to SAPPO data, fell from 44.8% to 42.0%. Our motor gasoline sales decreased by 8.4% y-o-y in Slovakia, as a result of the demand, which changed in the same way as in Hungary. Our motor diesel sales increased by 3.4%.

At the end of June 30, 2005, the MOL Group had 855 filling stations, out of which 358 were operated in Hungary, 264 in Slovakia,



**2005 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF MOL HUNGARIAN OIL AND GAS PLC.**

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135 in Romania, and 42 in the Czech Republic.

In 2005 we continued the implementation of our Slovakian retail network efficiency improvement program, which resulted in the closure of 12 lower turnover stations in Q2 2005. As a result of this, the average throughput of our filling stations increased by 5.5 % in H1 2005 compared to the same period of 2004. In the Czech Republic, within the framework of a similar programme, the sale of 13 of our 42 filling stations is in progress.

In Hungary our shop sales increased by 1% in H1 2005, which represented a 3.5% increase in shop sales per litre year-on-year. Our fuel card sales rose further (by 6.5%) compared to the same period of the previous year. In H1 2005, on the Slovakian market, our shop sales increased by 56.6% compared to H1 2004, in large part due to higher sales of tobacco and motorway tickets, and the opening of restaurants at two filling stations.

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



## Natural Gas

### Segment IFRS results

Natural Gas	Q2 2004		Q2 2005		Change %		H1 2004		H1 2005		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	13.7	65.5	13.5	68.1	(1)	4	36.9	176.8	45.5	236.0	23	33
Operating profit/(loss)	<b>13.1</b>	<b>62.6</b>	<b>11.9</b>	<b>60.0</b>	<b>(9)</b>	<b>(4)</b>	<b>34.0</b>	<b>162.9</b>	<b>42.4</b>	<b>219.9</b>	<b>25</b>	<b>35</b>
CAPEX and investments <sup>1</sup>	0.8	3.8	3.5	17.7	338	366	1.0	4.8	8.5	44.1	750	819

### Key segmental operating data

FY 2004	NATURAL GAS BALANCE	Q2 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
	Million m <sup>3</sup>						
2,656	Sales from production	520	224	(57)	1,522	1,463	(4)
10,635	Sales from import	1,591	1,773	11	5,972	6,138	3
<b>13,291</b>	<b>TOTAL SOURCES</b>	<b>2,111</b>	<b>1,997</b>	<b>(5)</b>	<b>7,494</b>	<b>7,601</b>	<b>1</b>
10,535	Sales to Gas Distribution Companies (GDCs)	1,401	1,374	(2)	6,061	6,166	2
2,256	Sales to power sector	600	461	(23)	1,184	1,118	(6)
500	Sales to industrial and other consumers	110	162	47	249	317	27
<b>13,291</b>	<b>TOTAL THIRD PARTY SALES</b>	<b>2,111</b>	<b>1,997</b>	<b>(5)</b>	<b>7,494</b>	<b>7,601</b>	<b>1</b>
696	Loss and own consumption*	151	203	34	295	461	56
<b>13,987</b>	<b>TOTAL SALES AND LOSSES</b>	<b>2,262</b>	<b>2,200</b>	<b>(3)</b>	<b>7,789</b>	<b>8,062</b>	<b>4</b>
2,526	Natural gas transit	401	417	4	1,309	1,315	0

31 Dec 2004	MOBILE NATURAL GAS INVENTORIES	30 June 2004	30 June 2005	Change %
	Million m <sup>3</sup>			
512.3	From domestic sources	354.9	298.6	(16)
1,889.7	From import sources	1,219.6	1,294.8	6
<b>2,402.0</b>	<b>TOTAL CLOSING INVENTORIES</b>	<b>1,574.5</b>	<b>1,593.4</b>	<b>1</b>

FY 2004	NATURAL GAS PRICES	Q2 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
	HUF/m <sup>3</sup>						
30.5	Average import price	30.1	40.1	33	29.9	37.5	25
39.1	Average MOL selling price	41.3	47.3	15	38.4	43.4	13
40.0	Public utility wholesale price to GDCs	44.3	50.5	14	39.2	44.2	13
35.4	Public utility wholesale price to industry/power	35.0	40.2	15	35.2	39.7	13

\*including gas sales to TVK

Operating profit of the segment in H1 2005 increased by HUF 8.4 bn to HUF 42.4 bn, compared to H1 2004. The increased sales volume, which reflected the growth of consumer demand (+HUF 3.5 bn), and the cost reducing effect of storage cushion gas capitalization (+ HUF 5.1 bn), which was accounted as an expenditure in H1 2004, contributed to the improvement in profit. In the same period of the previous year, due to the development of import purchase prices, which were more favorable than the import price calculated at the regulatory price setting, we calculated with a regulatory payment liability of HUF 13.4 bn, while in H1 2005 it was only HUF 4.4 bn.

In H1 2005 HUF denominated import purchase prices increased by 25.4%, as the 34.0% increase in USD based import prices were partially compensated by a 7.6% strengthening of HUF against the USD. The public utility sales price increased by 13.0% on average in H1 2005 compared to H1 2004 as a consequence of the official gas price rises. Competitive trade prices increased by 8.8% compared to H1 2004.

In H1 2005 6.1 bn m<sup>3</sup> natural gas was sold from import and 1.5 bn m<sup>3</sup> from domestic production. Total sales increased by 1.4%. Sales to gas suppliers increased by 1.7%, due to the colder weather. Sales to power plants decreased by 5.6%, as domestic power plants produced less electric power, due to cheaper electricity imports, while industrial gas sales increased by 27.3%, due to our successful marketing efforts on the free market. Injection into domestic storage started in Q2, and mobile closing stock was 1.6 bn m<sup>3</sup> at the end of June 2005. Closing mobile natural gas inventory volume was higher by 1.2% at the end of June, 2005, compared to the June closing volume of 2004.

Gas transit revenue in H1 2005 was HUF 5.3 bn (HUF 4.9 bn in H1 2004). Higher revenue was the result of both the 0.5% increase of volumes transmitted to Serbia and Bosnia, the favorable development of USD/SDR exchange rate, which serves as the base for transit tariffs, and the higher gas price.

Pursuant to the new gas business regulation from January 1<sup>st</sup> 2004 all non residential consumers are entitled to leave public utility supply. Several consumers have already entered the free market. Competitive trade sales represented 2.8% of the total realized natural gas sold by MOL in H1 2005, compared to 1.9% in H1 2004. Competitive trade sales from other parties represented approximately the same weight on the Hungarian gas market.

Investment in H1 2005 increased by HUF 7.5 bn compared to the same period of 2004, as a result of an increase in technical expenditure of HUF 2.4 bn and the replacement and supplement of cushion gas (+HUF 5.1 bn).

<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	Q2 2004		Q2 2005		Change %		H1 2004		H1 2005		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	6.3	30.1	7.4	37.3	17	24	12.9	61.8	20.4	105.8	58	71
Operating profit/(loss)	<b>3.4</b>	<b>16.2</b>	<b>3.7</b>	<b>18.7</b>	<b>9</b>	<b>15</b>	<b>7.1</b>	<b>34.0</b>	<b>13.3</b>	<b>69.0</b>	<b>87</b>	<b>103</b>
CAPEX and investments <sup>1</sup>	23.0	109.9	*0.9	*4.5	(96)	(96)	37.7	180.6	*3.6	*18.7	(90)	(90)

\* These figures do not contain the effect of the test run.

### Key segmental operating data

FY 2004 PETROCHEMICAL SALES BY PRODUCT GROUP Kt	Q2 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
185 Olefin products	54	57	6	100	111	11
872 Polymer products	228	272	19	443	496	12
FY 2004 PETROCHEMICAL SALES (external) Kt	Q2 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
430 Hungary	117	116	0	222	221	0
77 Slovakia	18	18	0	36	33	(8)
550 Other markets	147	195	33	285	353	24
<b>1,057 TOTAL PETROCHEMICAL PRODUCT SALES</b>	<b>282</b>	<b>329</b>	<b>17</b>	<b>543</b>	<b>607</b>	<b>12</b>

The operating profit of the Petrochemical segment reached HUF 13.3 bn in the first half of 2005, which represented an increase of 87% y-o-y, due to the combined effect of a more favourable external environment, the increase in sales volumes from new capacities, developing commercial performance and the continuously improving operational efficiency, in spite of the negative market tendencies which appeared in second quarter. The continuously improving operational efficiency is demonstrated by a 114 person decrease in segmental closing headcount, compared to H1 2004, in spite of the growth in production capacity.

The performance of the segment was positively influenced by the favourable external factors. In the first half, the naphtha price increased by 31% in USD y-o-y, but it was compensated by the 21-25% growth in Euro denominated quoted polymer prices and the strengthening EUR against USD, therefore the integrated petrochemical margin increased by 24%. However, in the second quarter, the quoted prices of polymers decreased compared to Q1, while the naphtha price increased further, therefore the integrated margin in Q2 2005 exceeded that of Q2 2004 by only 4% and decreased by 34% compared to Q1 2005.

In H1 2005, the volume of polymer sales reached 496 kt, which represents an increase of 12% compared to the same period of last year. The most significant growth was in HDPE products, mainly as a result of the new HDPE plant start-up in TVK. The structure of polymer sales has changed, the portion of HDPE sales rose to 32%, beside LDPE (29%) and PP (39%) products. The start-up of new PP plant in Slovnaft did not have a significant impact on sales figures compared to H1 2004, because the test run was in progress in the new plant and the filling up of commercial stocks had just began.

Hungarian polymer sales were practically unchanged, and the MOL Group's market share was 54%, 47% and 70% in Hungarian LDPE, HDPE and PP markets respectively. In Slovakia, polymer sales decreased by 3 kt and our market shares were 66% and 33% in LDPE and PP markets. The weight of export sales increased in our sales portfolio due to the new capacities and the improving commercial efficiency as a result of the single channel sales activity, mainly in Italian, French and German markets. As a result of these, we increased our export polymer sales by 68 kt.

Beside polymers, the sales of olefin products also increased significantly, by 11% y-o-y, due to the start-up of the new olefin plant in TVK.

In H1 2005, capital expenditure decreased compared to 2004, as the construction work of new plants was completed. At the end of last year, the test run of the Olefin 2 plant in TVK was started and the HDPE 2 plant was put into operation. At Slovnaft, the new PP plant was mechanically completed in the first quarter, and the test run is in progress. Through these projects MOL Group ethylene capacity has increased by 42% to 839 kt per annum, while total polymer capacity has increased by 41% to 1,281 kt per annum.

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



## **Financial overview**

MOL has applied IFRS / IAS since the first stage of its privatisation in 1995.

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

Changes in IFRS effective from 1 January 2005 were adopted by the Group and their impact is reflected in the H1 Flash Report. Apart from some minor modifications in the current policies and disclosures, major changes are summarized as follows.

IFRS 2 –Share-based Payment requires an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The main impact of IFRS 2 on the Group is the expensing of directors' share conversion rights included in the convertible bond program, being a long-term incentive (qualifying as an equity-settled transaction). The negative effect of the adoption of IFRS 2 on the current half year net profit of the Group is HUF 0.6 bn. Prior periods have been restated as required by the standard, with a negative impact of HUF 0.4 bn and HUF 0.9 bn on the comparative net profit of 2004 H1 and 2004 full year, respectively.

In accordance with the transitional requirements of IFRS 3 – Business Combinations, previously recorded negative goodwill on acquisitions prior to 31 March 2004 have been reclassified into opening retained earnings as of 1 January 2005. Moreover, amortization of goodwill of entities acquired before 31 March 2004 ceased as of 1 January 2005, being replaced by annual impairment tests on the carrying amount of goodwill, based on the value-in-use of the cash generating units the goodwill belongs to or is allocated to, in accordance with the revised IAS 36 – Impairment of Assets.

In accordance with the amendments of IAS 39 – Financial Instruments: Recognition and Measurement, fair value changes of financial instruments available for sale are recorded directly in equity, except for those financial instruments which are specifically designed at inception by the Group to be fair valued through profit and loss.

The amendments required by the IAS 16 – Property, Plant and Equipment have a positive HUF 4.0 bn impact on 2005 H1 reported Group net income. The implementation of these changes is prospective, as required by the revised standard.

### ***Operations***

In H1 2005, Group net sales revenues increased by 24% to HUF 1,116.3 bn, primarily reflecting increased volumes and average selling prices of refining products and natural gas. Group sales to customers outside Hungary reached HUF 513.3 bn, representing 46% of total sales. The value of raw materials and consumables used increased by 26%, slightly above the growth rate of sales. Within this, raw material costs increased by 31%, primarily as a result of the sharp increase in crude oil import prices and the increased quantity of crude oil processed. Cost of goods sold increased by 21%, mainly as a consequence of higher gas sales volume to gas distribution companies and industrial customers and the higher import prices representing HUF 27.0 bn. The value of material-type services used increased by 11% to HUF 56.7 bn. Other operating expenses increased by 2% to HUF 95.8 bn. Personnel expenses for the period increased by 4%, reflecting an additional HUF 2.5 bn severance payment redemption charge, which was not recognised in the earlier provision established for this event, and the average salary increase of 7% which was compensated by a 6% decrease in the MOL Group average headcount. Out of the production costs incurred in the current period, HUF 39.0 bn is attributable to the increase in the level of finished goods inventory and work in progress, as opposed to the HUF 27.0 bn in H1 2004.

A net financial expense of HUF 14.8 bn was recorded in H1 2005 compared to a net financial expense of HUF 6.7 bn in the same period of 2004, due to the combined effect of interest payable, which amounted to HUF 6.1 bn, and a foreign exchange loss of HUF 9.5 bn incurred in the period compared to the interest payable of HUF 9.1 bn and foreign exchange gain of HUF 4.7 bn recognised in H1 2004. Income from associates was HUF 1.6 bn, including INA's H1 2005 contribution. Corporate tax expense decreased by HUF 4.3 bn to HUF 16.7 bn in H1 2005, reflecting the current tax contribution of Slovnaft (at 19%) and the gas companies (at 16%), of HUF 5.5 bn and HUF 4.8 bn respectively, as well as the corporate tax payable on the profit of the ZMB project (HUF 3.2 bn). In 2005 MOL Rt. and TVK Rt. enjoy a 100% tax holiday.



## ***Balance sheet***

Total assets amounted to HUF 1,704.0 bn at the end of June 2005, representing an increase of 4%, compared to 31 December 2004. Within this, Property, plant and equipment increased by 5%, reflecting petrochemical capital expenditure at TVK and Slovnaft, and EU-2005 quality investment in refining. Intangible assets include goodwill of HUF 9.8 bn arising from the acquisitions of Roth Group (HUF 6.0 bn) and the Romanian operation of Shell (HUF 3.8 bn). As a consequence of the transitional requirements of IFRS 3 (see above), HUF 27.6 bn negative goodwill has been reclassified into Reserves, recognised on the acquisition of remaining Slovnaft shares, following the completion of the public offer in early 2004. Inventories increased by 19% to HUF 204.6 bn due to the higher purchase price of crude oil at the refineries. Trade and other payables increased by 17% to HUF 372.5 bn, reflecting primarily our working capital needs. Additionally, the option structure connected to the "A" shares transferred as a consideration for the shares of Slovnaft in Q2 2003 will expire within a year, consequently the relevant liability has been reclassified from Other non-current liabilities to Trade and other payables. The total amount of provisions was HUF 76.0 bn at the end of H1 2005 representing a decrease compared to Q4 2004 as a result of the release of provisions for the redemption of extra severance payments and the favourable closing of litigation in which MOL Group acted as defendant. Short-term debt (excluding the current portion of long-term debt) was HUF 6.3 bn, a decrease of 88% over the year, reflecting our improved liquidity. As at 30 June 2005, 80% of the MOL Group's total debt was denominated in Euro, 15% in USD and 5% in HUF. The currency composition of debt reflects both the operating currency exposure and the expected cash income at the closing of the gas partnership transaction. At the end of June 2005, MOL's gearing (net debt to net debt plus shareholders' equity plus minority interests) was 20% compared with 32% at the end of June 2004.

## ***Changes in contingencies and commitments***

Due to the completion of EU-2005 and Petrochemical Development Projects, the capital contractual commitments decreased by HUF 11.7 bn to HUF 20.7 bn compared with HUF 32.4 bn at the end of 2004. Our other contingencies and commitments (operating lease liabilities, obligations resulting from litigation in which the Group acts as defendant, and those cases in which MOL Group has filed suits) did not change significantly in H1 2005 compared to the amounts reported in the 2004 Annual Report of MOL Group.

On 6 July, 2005 the Slovak Ministry of Finance repeated its first instance decision in the procedure against Slovnaft in respect of the fuel price audit performed last year. Slovnaft issued its appeal against the repeated decision, the second instance decision is expected in Q3 2005.

The tax investigation carried out in respect of the ZMB project has been closed by the Russian authorities with no findings.

## ***Cash flow***

Operating cash flow in H1 2005 was HUF 180.1 bn, a 5% increase compared to the H1 2004 figure. Operating cash flow before movements in working capital increased by 25%. The change of working capital position increased funds by HUF 4.2 bn, arising from an increase in inventories, other receivables and other current liabilities (of HUF 30.8 bn, HUF 1.6 bn and HUF 14.9 bn) and a decrease in accounts receivable and accounts payable (of HUF 22.4 bn, and HUF 0.7 bn). Corporate taxes paid amounted to HUF 18.2 related to cash outflow of Slovnaft's corporate tax liabilities arising in 2004 and prepayments for 2005.

Net cash used in investing activities was HUF 93.9 bn compared with HUF 114.1 bn in H1 2004, reflecting mainly acquisitions made in the period. Organic CAPEX decreased compared to the H1 2004 due the finalization of the strategic petrochemical project at Slovnaft and TVK. The H1 2005 cash spent also includes the consideration paid for Shell Romania, while the comparative figure of 2004 contains our further acquisition of shares in Slovnaft and TVK. Net financing cash outflows amounted to HUF 119.9 bn, being mainly the result of the net repayment of long-term debt and the HUF 21.9 bn buyback of treasury shares on the Budapest Stock Exchange. The share buyback from Slovintegra-Slovbena is reflected as Acquisition of subsidiaries.



## APPENDIX I

**CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE MOL GROUP PREPARED  
IN ACCORDANCE WITH IFRS  
FOR THE PERIOD ENDED 30 JUNE 2005**

Unaudited figures (in HUF millions)

FY 2004 restated	Q2 2004 restated	Q2 2005	Change %	H1 2004 restated	H1 2005	Change %
1,955,830 Net sales	424,077	545,054	29	896,834	1,116,283	24
16,126 Other operating income	2,465	6,379	159	6,288	9,520	51
<b>1,971,956 Total operating revenues</b>	<b>426,542</b>	<b>551,433</b>	<b>29</b>	<b>903,122</b>	<b>1,125,803</b>	<b>25</b>
734,969 Raw material costs	174,374	222,442	28	334,593	438,189	31
107,538 Value of material-type services used	29,461	30,796	5	51,197	56,701	11
503,424 Cost of goods purchased for resale	88,010	121,031	38	252,434	306,382	21
<i>1,345,931 Raw material and consumables used</i>	<i>291,845</i>	<i>374,269</i>	<i>28</i>	<i>638,224</i>	<i>801,272</i>	<i>26</i>
123,295 Personnel expenses	28,809	27,836	(3)	51,128	53,020	4
108,559 Depreciation, depletion, amortisation and impairment	24,983	29,196	17	49,772	56,083	13
191,748 Other operating expenses	46,550	38,934	(16)	93,655	95,798	2
(18,994) Change in inventory of finished goods and work in progress	(6,829)	10,603	n.a.	(26,951)	(39,039)	45
(27,283) Work performed by the enterprise and capitalised	(6,500)	(5,456)	(16)	(12,211)	(8,955)	(27)
<b>1,723,256 Total operating expenses</b>	<b>378,858</b>	<b>475,382</b>	<b>25</b>	<b>793,617</b>	<b>958,179</b>	<b>21</b>
<b>248,700 Operating profit</b>	<b>47,684</b>	<b>76,051</b>	<b>59</b>	<b>109,505</b>	<b>167,624</b>	<b>53</b>
4,147 Interest received	737	688	(7)	2,120	1,681	(21)
260 Dividends received	170	5	(97)	170	5	(97)
32,078 Exchange gains and other financial income	(5,333)	1,013	n.a.	5,804	1,935	(67)
<b>36,485 Total financial income</b>	<b>(4,426)</b>	<b>1,706</b>	<b>n.a.</b>	<b>8,094</b>	<b>3,621</b>	<b>(55)</b>
16,784 Interest on borrowings	3,741	2,873	(23)	9,136	6,093	(33)
4,988 Interest on provisions	1,303	1,298	-	2,597	2,460	(5)
403 Write-off of financial investments	149	18	(88)	149	18	(88)
9,155 Exchange losses and other financial expenses	1,249	3,362	169	2,893	9,858	241
<b>31,330 Total financial expense</b>	<b>6,442</b>	<b>7,551</b>	<b>17</b>	<b>14,775</b>	<b>18,429</b>	<b>25</b>
<b>(5,155) Financial expense/(gain), net</b>	<b>10,868</b>	<b>5,845</b>	<b>(46)</b>	<b>6,681</b>	<b>14,808</b>	<b>122</b>
7,985 Income from associates	(2,145)	(463)	(78)	(2,346)	(1,553)	(34)
<b>261,840 Profit before tax</b>	<b>38,961</b>	<b>70,669</b>	<b>81</b>	<b>105,170</b>	<b>154,369</b>	<b>47</b>
47,817 Income tax expense	8,939	6,545	(27)	21,014	16,740	(20)
<b>214,023 Profit after tax</b>	<b>30,022</b>	<b>64,124</b>	<b>114</b>	<b>84,156</b>	<b>137,629</b>	<b>64</b>
(5,589) Minority interests <sup>1</sup>	(804)	(1,248)	55	(3,191)	(3,713)	16
<b>208,434 Net income</b>	<b>29,218</b>	<b>62,876</b>	<b>115</b>	<b>80,965</b>	<b>133,916</b>	<b>65</b>
<b>2,021 Basic earnings per share (HUF)</b>	<b>284</b>	<b>617</b>	<b>117</b>	<b>784</b>	<b>1,305</b>	<b>66</b>
<b>1,997 Diluted earnings per share (HUF)</b>	<b>282</b>	<b>610</b>	<b>116</b>	<b>777</b>	<b>1,291</b>	<b>66</b>

<sup>1</sup> MOL's share in TVK's profits was calculated observing the 44.3% shareholding in the first quarter of 2004. Following the exercise of an option for a 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 at 30.0% until the end of January 2004 and at 1.6% thereafter, when public bid for remaining Slovnaft shares was successfully completed.



## APPENDIX II

**CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP  
PREPARED IN ACCORDANCE WITH IFRS**

AS AT 30 JUNE 2005

Unaudited figures (in HUF millions)

31 Dec 2004 restated	30 June 2004 restated	30 June 2005	Change %
<b>Assets</b>			
<b>Non-current assets</b>			
5,401	(3,994)	33,173	n.a.
925,069	878,780	974,241	11
118,167	121,180	123,382	2
36,210	44,520	34,175	(23)
16,538	17,603	15,286	(13)
<b>1,101,385</b>	<b>1,058,089</b>	<b>1,180,257</b>	<b>12</b>
<b>Current assets</b>			
172,450	166,925	204,648	23
218,950	155,640	203,448	31
-	2,341	361	(85)
53,969	51,427	58,463	14
88,126	72,369	56,780	(22)
<b>533,495</b>	<b>448,702</b>	<b>523,700</b>	<b>17</b>
<b>1,634,880</b>	<b>1,506,791</b>	<b>1,703,957</b>	<b>13</b>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>			
94,634	94,238	93,315	(1)
431,749	439,662	640,371	46
208,434	80,965	133,916	65
<b>734,817</b>	<b>614,865</b>	<b>867,602</b>	<b>41</b>
68,020	65,915	73,284	11
<b>802,837</b>	<b>680,780</b>	<b>940,886</b>	<b>38</b>
<b>Non-current liabilities</b>			
199,893	209,990	246,405	17
53,647	50,504	59,270	17
12,995	14,327	14,722	3
53,181	51,402	5,540	(89)
<b>319,716</b>	<b>326,223</b>	<b>325,937</b>	<b>0</b>
<b>Current liabilities</b>			
318,918	296,732	372,462	26
46,038	24,533	16,769	(32)
54,384	121,959	6,286	(95)
92,987	56,564	41,617	(26)
<b>512,327</b>	<b>499,788</b>	<b>437,134</b>	<b>(13)</b>
<b>1,634,880</b>	<b>1,506,791</b>	<b>1,703,957</b>	<b>13</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**  
**MOVEMENTS IN SHAREHOLDERS' EQUITY FOR THE MOL GROUP**  
**FOR THE PERIOD ENDED 30 JUNE 2005**  
 Unaudited figures (in HUF millions)

	Share capital	Share premium	Fair valuation reserve	Translation reserve	Equity component of compound debt instruments	Retained earnings	Total reserves	Net income	Total	Minority interest
<b>Opening balance 1 January 2004</b>	<b>93,128</b>	<b>145,157</b>	<b>7,832</b>	<b>8,606</b>	<b>2,857</b>	<b>166,308</b>	<b>330,760</b>	<b>99,981</b>	<b>523,869</b>	<b>155,752</b>
Effect of IFRS 2 - Cost of share-based payment	-	-	-	-	234	-	234	(234)	-	-
<b>Restated opening balance 1 January 2004</b>	<b>93,128</b>	<b>145,157</b>	<b>7,832</b>	<b>8,606</b>	<b>3,091</b>	<b>166,308</b>	<b>330,994</b>	<b>99,747</b>	<b>523,869</b>	<b>155,752</b>
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	99,747	99,747	(99,747)	-	-
Dividends	-	-	-	-	-	(5,952)	(5,952)	-	(5,952)	(787)
Net change in balance of treasury shares held	126	651	-	-	-	-	651	-	777	-
Cash flow hedges	-	-	(1,581)	-	-	-	(1,581)	-	(1,581)	-
Currency translation differences	-	-	-	677	-	-	677	-	677	81
Cost of share-based payment	-	-	-	-	350	-	350	-	350	-
Slovnaft acquisition	984	4,124	-	-	10,652	-	14,776	-	15,760	-
Business combinations	-	-	-	-	-	-	-	-	-	(92,322)
Retained profit for the period	-	-	-	-	-	-	-	80,965	80,965	3,191
<b>Closing balance 30 June 2004</b>	<b>94,238</b>	<b>149,932</b>	<b>6,251</b>	<b>9,283</b>	<b>14,093</b>	<b>260,103</b>	<b>439,662</b>	<b>80,965</b>	<b>614,865</b>	<b>65,915</b>
<b>Opening balance 1 January 2005</b>	<b>94,634</b>	<b>151,764</b>	<b>8,387</b>	<b>(3,184)</b>	<b>14,679</b>	<b>260,103</b>	<b>431,749</b>	<b>208,434</b>	<b>734,817</b>	<b>68,020</b>
Effect of IFRS 3 - Transfer of previously recorded negative goodwill to retained earnings	-	-	-	-	-	27,634	27,634	-	27,634	-
Effect of IFRS 3 – Associates	-	-	-	-	-	352	352	-	352	-
<b>Restated opening balance 1 January 2005</b>	<b>94,634</b>	<b>151,764</b>	<b>8,387</b>	<b>(3,184)</b>	<b>14,679</b>	<b>288,089</b>	<b>459,735</b>	<b>208,434</b>	<b>762,803</b>	<b>68,020</b>
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	208,434	208,434	(208,434)	-	-
Dividends	-	-	-	-	-	(16,998)	(16,998)	-	(16,998)	(1,036)
Net change in balance of treasury shares held	(1,319)	(19,553)	-	-	-	-	(19,553)	-	(20,873)	-
Cash flow hedges	-	-	(3,295)	-	-	-	(3,295)	-	(3,295)	-
Fair value changes of financial instruments – Associates	-	-	(855)	-	-	-	(855)	-	(855)	-
Currency translation reserve	-	-	-	17,165	-	-	17,165	-	17,165	139
Cost of share-based payment	-	-	-	-	564	-	564	-	564	-
Slovnaft acquisition	-	-	-	-	(4,826)	-	(4,826)	-	(4,826)	-
Business combinations	-	-	-	-	-	-	-	-	-	2,448
Retained profit for the period	-	-	-	-	-	-	-	133,916	133,916	3,713
<b>Closing balance 30 June 2005</b>	<b>93,315</b>	<b>132,211</b>	<b>4,237</b>	<b>13,981</b>	<b>10,417</b>	<b>479,525</b>	<b>640,371</b>	<b>133,916</b>	<b>867,602</b>	<b>73,284</b>



## APPENDIX IV

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE MOL GROUP PREPARED IN  
ACCORDANCE WITH IFRS  
FOR THE PERIOD ENDED 30 JUNE 2005  
Unaudited figures (in HUF millions)**

FY 2004 restated	Q2 2004 restated	Q2 2005	Ch. %	H1 2004 restated	H1 2005	Ch. %
<b>248,700 Profit from operations</b>	<b>47,684</b>	<b>76,051</b>	<b>59</b>	<b>109,505</b>	<b>167,624</b>	<b>53</b>
<i>Adjustments to reconcile operating profit to net cash provided by operating activities</i>						
107,244 Depreciation, depletion, amortisation and impairment	24,582	29,196	19	49,165	56,083	14
400 Net unrealised loss recorded on financial instruments	152	927	510	152	1,277	740
1,062 Write-off / (reversal of write-off) of inventories	(313)	441	n.a.	73	303	315
139 Damages and reversal of impairment losses on PP&E	609	(397)	n.a.	639	(588)	n.a.
12,445 Increase / (decrease) in provisions	(6,460)	(30,207)	368	(9,709)	(31,662)	226
(875) Net (gain) / loss on sale of fixed assets	(169)	(595)	252	(562)	(593)	6
10,118 Write-off / (reversal of write-off) of receivables	260	(3,039)	n.a.	541	(3,054)	n.a.
(2,289) Unrealised foreign exchange (gain) / loss on receivables and payables	278	462	66	(604)	(540)	(11)
8,547 Exploration and development costs expensed during the year	2,843	2,625	(8)	6,314	5,164	(18)
891 Cost of share-based payment	175	282	61	350	564	61
(559) Other non cash items	(597)	(402)	(33)	(281)	(449)	60
<b>385,823 Operating cash flow before changes in working capital</b>	<b>69,044</b>	<b>75,344</b>	<b>9</b>	<b>155,583</b>	<b>194,129</b>	<b>25</b>
(16,281) (Increase) / decrease in inventories	(49,447)	(31,108)	(37)	(11,783)	(30,760)	161
(57,758) (Increase) / decrease in accounts receivable	9,548	16,410	72	8,642	22,416	159
(5,284) (Increase) / decrease in other receivables	5,692	(1,125)	n.a.	(10,847)	(1,645)	(85)
21,735 Increase / (decrease) in accounts payable	34,440	24,525	(29)	(6,236)	(686)	(89)
14,433 Increase / (decrease) in other current liabilities	6,997	5,294	(24)	37,786	14,857	(61)
(18,287) Corporate taxes paid	(119)	(6,291)	5,187	(1,947)	(18,191)	834
<b>324,381 Net cash provided by operating activities</b>	<b>76,155</b>	<b>83,049</b>	<b>9</b>	<b>171,198</b>	<b>180,120</b>	<b>5</b>
(185,336) Capital expenditures, exploration and development costs	(33,945)	(40,879)	20	(73,110)	(65,023)	(11)
2,947 Proceeds from disposals of fixed assets	624	1,479	137	1,832	1,873	2
(71,701) Acquisition of subsidiaries, net cash	-	(2,896)	n.a.	(67,767)	(28,279)	(58)
(507) Acquisition of joint ventures, net cash	-	-	-	-	(712)	n.a.
(1,987) Acquisition of other investments	-	-	-	-	-	-
13,956 Proceeds from disposal of investments	-	58	n.a.	11,661	58	(100)
586 Changes in loans given and long-term bank deposits	(882)	(4,589)	420	1,273	(4,234)	n.a.
9,111 Changes in short-term investments	4,181	319	(92)	7,709	(1)	n.a.
6,283 Interest received and other financial income	1,545	1,016	(34)	3,807	2,271	(40)
1,837 Dividends received	492	178	(64)	492	178	(64)
<b>(224,811) Net cash used in investing activities</b>	<b>(27,985)</b>	<b>(45,314)</b>	<b>62</b>	<b>(114,103)</b>	<b>(93,869)</b>	<b>(18)</b>
1,800 Issuance of long-term notes	-	-	-	-	-	-
(33,000) Repayment of zero coupon notes	(3,000)	(15,000)	400	(33,000)	(15,000)	(55)
195,476 Long-term debt drawn down	18,769	191,462	920	43,113	228,538	430
(238,272) Repayments of long-term debt	(39,538)	(112,845)	185	(128,279)	(232,479)	81
71 Changes in other long-term liabilities	(283)	(288)	2	435	(604)	n.a.
23,845 Changes in short-term debt	6,057	(58,539)	n.a.	84,630	(51,924)	n.a.
(19,577) Interest paid and other financial costs	(5,069)	(7,589)	50	(10,019)	(9,732)	(3)
(5,954) Dividends paid to shareholders	(5,870)	(15,628)	166	(5,870)	(15,628)	166
(814) Dividends paid to minority interest	(606)	(1,249)	106	(606)	(1,252)	107
936 Sale of treasury shares	726	-	n.a.	906	38	(96)
(168) Repurchase of treasury shares	(4)	(19,261)	481,425	(166)	(21,866)	13,072
<b>(75,657) Net cash provided by financing activities</b>	<b>(28,818)</b>	<b>(38,937)</b>	<b>35</b>	<b>(48,856)</b>	<b>(119,909)</b>	<b>145</b>
<b>23,913 Increase / (decrease) in cash and cash equivalents</b>	<b>19,352</b>	<b>(1,202)</b>	<b>n.a.</b>	<b>8,239</b>	<b>(33,658)</b>	<b>n.a.</b>
62,841 Cash at the beginning of the period	52,757	56,419	7	62,841	88,126	40
1,185 Cash effect of consolidation of subsidiaries previously accounted for as other investment	-	1,131	n.a.	1,185	1,131	(5)
187 Exchange differences on the consolidation of foreign subsidiaries	260	432	66	104	1,181	1,036
<b>88,126 Cash at the end of the period</b>	<b>72,369</b>	<b>56,780</b>	<b>(22)</b>	<b>72,369</b>	<b>56,780</b>	<b>(22)</b>



## APPENDIX V

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

FY 2004	NET EXTERNAL SALES REVENUES <sup>1</sup>	Q2 2004	Q2 2005	Ch. %	H1 2004	H1 2005	Ch. %
40,328	Exploration and Production	9,318	8,436	(9)	15,454	12,163	(21)
1,183,106	Refining and Marketing	270,410	372,859	38	487,426	639,726	31
530,344	Natural Gas	88,441	96,612	9	292,978	335,458	14
197,539	Petrochemicals	49,201	66,423	35	93,345	126,876	36
4,513	Corporate and other	6,707	724	(89)	7,631	2,060	(73)
<b>1,955,830</b>	<b>TOTAL</b>	<b>424,077</b>	<b>545,054</b>	<b>29</b>	<b>896,834</b>	<b>1,116,283</b>	<b>24</b>

FY 2004	OPERATING PROFIT <sup>1</sup>	Q2 2004	Q2 2005	Ch. %	H1 2004	H1 2005	Ch. %
54,144	Exploration and Production	12,851	24,027	87	24,810	40,961	65
158,857	Refining and Marketing	32,180	49,834	55	55,814	87,304	56
64,838	Natural Gas	13,070	11,946	(9)	34,000	42,390	25
18,911	Petrochemicals	3,376	3,684	9	7,132	13,317	87
(52,087)	Corporate and other	(10,451)	(8,882)	(15)	(16,073)	(22,074)	37
4,037	Intersegment transfers <sup>2</sup>	(3,342)	(4,558)	36	3,822	5,726	50
<b>248,700</b>	<b>TOTAL</b>	<b>47,684</b>	<b>76,051</b>	<b>59</b>	<b>109,505</b>	<b>167,624</b>	<b>53</b>

FY 2004	PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES ACQUIRED	Q2 2004	Q2 2005	Ch. %	H1 2004	H1 2005	Ch. %
22,820	Exploration and Production	2,202	4,633	110	5,893	7,994	36
71,729	Refining and Marketing	13,360	26,642	99	21,162	33,477	58
13,982	Natural Gas	691	4,561	560	904	9,044	900
57,834	Petrochemicals	23,218	(259)	n.a.	37,826	926	(98)
9,676	Corporate and other	1,309	1,335	2	1,618	2,284	41
<b>176,041</b>	<b>TOTAL</b>	<b>40,780</b>	<b>36,912</b>	<b>(9)</b>	<b>67,403</b>	<b>53,725</b>	<b>(20)</b>

FY 2004	DEPRECIATION	Q2 2004	Q2 2005	Ch. %	H1 2004	H1 2005	Ch. %
22,581	Exploration and Production	5,841	6,465	11	11,436	12,907	13
56,173	Refining and Marketing	13,154	14,490	10	24,915	27,385	10
6,594	Natural Gas	607	1,568	158	2,901	3,101	7
12,292	Petrochemicals	2,949	3,738	27	5,749	7,096	23
10,919	Corporate and other	2,432	2,935	21	4,771	5,594	17
<b>108,559</b>	<b>TOTAL</b>	<b>24,983</b>	<b>29,196</b>	<b>17</b>	<b>49,772</b>	<b>56,083</b>	<b>13</b>

31/12/2004	TANGIBLE ASSETS	30/06/2004	30/06/2005	Ch. %
92,917	Exploration and Production	94,336	104,943	11
465,134	Refining and Marketing	437,680	498,937	14
112,095	Natural Gas	103,140	117,612	14
193,538	Petrochemicals	187,248	185,411	(1)
61,385	Corporate and other	56,376	67,338	19
<b>925,069</b>	<b>TOTAL</b>	<b>878,780</b>	<b>974,241</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. 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 2004	Q2 2005	Change %	H1 2004	H1 2005	Change %
Brent dated (USD/bbl)	35.3	51.6	46	33.7	49.6	47
Ural Blend (USD/bbl)	32.5	48.5	49	30.7	45.9	50
Premium unleaded gasoline 50 ppm (USD/t)*	403.3	507.2	26	366.9	469.3	28
Gas oil - ULSD (USD/t)*	336.5	525.0	56	317.7	494.2	56
Naphtha (USD/t)*	348.6	438.6	26	333.3	432.1	30
Ethylene (EUR/t)	607	750	24	594	745	25
Integrated petrochemical	335	349	4	355	441	24
HUF/USD average	209.3	198.3	(5)	208.7	192.8	(8)
SKK/USD average	33.3	30.9	(7)	32.9	30.1	(9)
3m USD LIBOR (%)	1.25	3.21	157	1.16	2.99	158
3m EURIBOR (%)	2.08	2.12	2	2.07	2.13	3
3m BUBOR (%)	11.57	7.37	(36)	12.03	7.87	(35)
	Q1 2005	Q2 2005	Change %	Q4 2004	Q2 2005	Change %
HUF/USD closing	190.8	204.8	7	180.3	204.8	14
HUF/EUR closing	247.2	247.4	0	245.9	247.4	1

\* FOB Rotterdam parity

## APPENDIX VII

## EXTRAORDINARY ANNOUNCEMENTS IN H1 2005

Announcement date	
4 January	MOL signed a purchase agreement to increase its ownership to 100% in MOL Austria Handels GmbH
6 January	Mr Ray Leonard has joined MOL to lead its international upstream activities
10 January	New oil and gas discovery in Pakistan
18 January	Alliance Capital Management L.P. change in influence
20 January	MOL has concluded a long-term supply agreement with Lukoil
31 January	Material factors affecting MOL Group earnings
23 February	MOL increased stake in prospective Kazakh exploration block and takes over operations for the exploration phase
24 February	Sale of treasury share
25 February	Purchase of treasury shares
3 March	Organisational changes in MOL Exploration and Production Division
17 March	Order to purchase treasury shares
17,21,22,23,29,30 and 31 March	Purchase of treasury shares
29 March	Personnel change at MOL
1 April	Redemption of MOL 2005/A notes at maturity
6,8,12,14,15,18,22,28 and 29 April	Purchase of treasury shares
11 April	MOL and INA submitted binding bid for the acquisition of Energopetrol
28 April	Personnel changes at Slovnaft
29 April	MOL has new partners in the ZMB project
2,4,5,6,9,10,11,12,13, 19,23 and 25 May	Purchase of treasury shares
13 May	MOL's Board of Directors has decided on the dividend payment date
17 and 18 May	Share transactions of MOL managers
23 May	MOL signs a EUR 700 million revolving facility agreement, the largest bank facility to date in Hungary
25 May	Share distribution for the MOL management
27 May	Dividend announcement of the Board of Directors of MOL Plc. dividend for the 2004 financial year
21 and 27 June	Share transactions of MOL managers
28 June	Purchase of treasury shares
28 June	The Hungarian Energy Office approved the partial sale of MOL's gas business



## APPENDIX VIII

### SHAREHOLDER STRUCTURE (%) AND TREASURY SHARES

Shareholder groups	31 Dec 2003	30 June 2004	30 Sept 2004	31 Dec 2004	31 March 2005	30 June 2005
Foreign investors (mainly institutional)	36.4	54.1	56.2	56.0	56.6	56.6
OMV	9.1	9.1	9.1	10.0	10.0	10.0
Slovbena, Slovintegra	9.8	8.0	8.0	8.0	7.7	7.3
ÁPV Rt. (Hungarian State Privatisation and Holding Company)	22.7	11.8	11.8	11.8	11.8	11.8
Hungarian institutional investors	9.5	4.9	4.1	4.2	4.0	3.3
Depositories (mainly Hung. private investors)	8.4	7.2	5.9	5.1	4.6	4.4
MOL Rt. (treasury shares)	4.0	4.9	4.9	4.9	5.3	6.6
Unregistered shares	0.1	0.0	0.0	0.0	0.0	0.0

According to the Share Register, beside ÁPV Rt. with 12.7%, only 3 shareholders had more than 5% influence over MOL Rt. At 30 June 2005: JP Morgan Chase Bank, the depository bank for MOL's GDR programme, which had 13.7%, Slovintegra-Slovbena having 7.9%, and OMV having 10% influence over MOL. Please note that influence is calculated as the number of shares held to total shares less treasury stock. Furthermore, according to the Articles of Association, influence is limited at 10% for any single shareholder group, with the exception of ÁPV Rt., as the representative of the Hungarian State. JP Morgan Chase Bank, as the depository bank for MOL's GDR programme does not qualify as a shareholder group for the purpose of influence.

On 13 September 2004 "The Capital Group Companies, Inc." announced that it owned 5,713,830 ordinary shares. On 16 December 2004 FMR Corporation (Fidelity) announced that its influence increased to 5.06%. On 18 January 2005 "Alliance Capital Management L.P." announced that its ownership decreased to 4,211,208 shares. These changes have not been registered in the share register.

The number of "A" series treasury shares held by MOL at the end of the period increased by 1,858,257 from 5,337,439 to 7,195,696 as a result of purchasing shares both from Slovintegra-Slovbena and other investors on the Budapest Stock Exchange (+1,944,115) and the share distribution to MOL managers (-85,858). There was no change in the number of "C" series Treasury shares held by MOL (369).

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:

From 1 March 2005, MOL's Exploration and Production Division operates under a new organisational structure. The aim of the new organisational and operational concept is to provide a solid base for the future success in the area of international growth. The change includes the creation of four major sectors under the direct control of the Exploration and Production Managing Director: Upstream Portfolio Development, International Exploration and Production, Central European E&P and Technology and Operations Centre. Upstream Portfolio Development, following the closing of the transaction of the gas business partnership, will supervise MOL's midstream natural gas portfolio.

From 1 April 2005, Dr. József Szórád relinquished his position as Managing Director of the Retail Services division. Dr Szórád continues his work at MOL as a chief advisor to the Chairman-CEO. Mr. Slavomir Jankovic, previously the manager of MOL's retail business in the Southern Region, has been appointed to the position of acting Managing Director of the Retail Services division from 1 April, 2005.