



CONTINUED STRONG PERFORMANCE IN KEY BUSINESSES

MOL Hungarian Oil and Gas Plc. (Reuters: MOLB.BU, MOLBq.L, Bloomberg: MOL HB, MOL LI; homepage: www.mol.hu), today announced its 2006 second quarter and first half year preliminary results. This report contains consolidated financial statements for the period ended 30 June 2006 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

**Financial highlights**

MOL Group financial results (IFRS)	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		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	545.1	2,748.9	702.2	3,312.3	29	20	1,116.3	5,789.9	1,500.8	7,085.9	34	22
EBITDA	106.6	537.6	135.2	637.7	27	19	225.9	1,171.7	322.0	1,520.3	43	30
<b>Operating profit</b>	<b>77.4</b>	<b>390.3</b>	<b>102.3</b>	<b>482.5</b>	<b>32</b>	<b>24</b>	<b>169.8</b>	<b>880.7</b>	<b>257.5</b>	<b>1,215.8</b>	<b>52</b>	<b>38</b>
<b>Operating profit adjusted by discontinuing operation <sup>(2)</sup></b>	<b>73.3</b>	<b>369.6</b>	<b>102.3</b>	<b>482.5</b>	<b>40</b>	<b>31</b>	<b>141.0</b>	<b>731.3</b>	<b>176.5</b>	<b>833.3</b>	<b>25</b>	<b>14</b>
Net financial expenses/(gain)	5.8	29.2	13.2	62.3	126	113	14.8	76.8	39.7	187.4	168	144
<b>Net income</b>	<b>64.3</b>	<b>324.3</b>	<b>76.7</b>	<b>361.8</b>	<b>19</b>	<b>12</b>	<b>136.1</b>	<b>705.9</b>	<b>187.4</b>	<b>884.8</b>	<b>38</b>	<b>25</b>
Operating cash flow	83.0	418.6	162.2	765.1	95	83	180.1	934.1	253.6	1,197.4	41	28

<sup>(1)</sup> In converting HUF financial data into US Dollars, the following average NBH rates were used: for Q2 2005:198.3 HUF/USD, for H1 2005: 192.8 HUF/USD, for Q2 2006:212.0 HUF/USD, for H1 2006: 211.8 HUF/USD.

<sup>(2)</sup> Operating profit excluding the one-off gain on the gas transaction and the profit of the subsidiaries sold in this transaction (Wholesale and Storage).

In H1 2006, operating profit increased by HUF 87.7 bn, to HUF 257.5 bn (USD 1,215.8 mn). Operating profit adjusted by discontinuing operation grew by 25% in H1 2006 and by 40% in Q2 2006 on a like for like basis. Q2 results were positively influenced by high oil prices and gasoline crack spreads, wider Brent-Ural spread and growth in downstream sales. Net income grew by HUF 51.3 bn to HUF 187.4 bn (USD 884.8 mn) in H1 2006, primarily reflecting the strong operating performance of exploration and production and the gas transaction gain, which was partially offset by higher financial expenses, due to a higher loss on foreign currency denominated debt and a higher corporate tax expense.

- **Exploration and Production** operating profit in H1 2006 increased by HUF 29.6 bn to HUF 70.7 bn (USD 333.8 mn). Operating profit in Q2 2006 increased by HUF 8.4 bn to HUF 32.5 bn, due to higher crude oil prices, stronger USD against HUF and a 2% increase in hydrocarbon production.
- **Refining and Marketing** contributed operating profit of HUF 93.3 bn (USD 440.5 mn), an increase of 6% (in USD terms a 3% decrease) over H1 2005. Segmental operating profit in Q2 2006 increased by HUF 18.9 bn to HUF 69.1 bn, due to higher sales volumes, higher gasoline crack spreads, higher Brent-Ural differential and stronger USD against the HUF.
- The **Petrochemical** segment's operating profit decreased to HUF 7.6 bn (USD 35.9 mn) in H1 2006, compared to a HUF 13.3 bn (USD 69.0 mn) profit in H1 2005. In Q2 2006, operating profit grew by HUF 0.2 bn to HUF 3.9 bn, due to higher integrated petrochemical margin and higher sales.
- **Gas Transmission** operating profit increased by HUF 0.9 bn to HUF 17.8 bn (USD 84.0 mn) in H1 2006. In Q2 2006, operating profit decreased by HUF 0.7 bn to HUF 5.6 bn, mainly due to lower tariff revenues and higher natural gas cost.
- A **net financial expense** of HUF 39.7 bn was recorded in H1 2006, which includes a net foreign exchange loss of HUF 24.7 bn and a HUF 5.0 bn fair value valuation loss on the conversion option embedded in the capital security.
- Group **closing headcount** decreased by 7.9% y-o-y, from 15,669 to 14,433.
- **Capital expenditure** and investments decreased to HUF 43.8 bn (USD 206.9 million) in H1 2006, compared to HUF 79.1 bn (USD 410.7 million) in H1 2005, as H1 2005 figures included some large cash payments related to a longer investment period (waste water treatment project, EU 2005 fuel quality project) and the Shell acquisition in Romania. In Q2 2006, capital expenditure and investments decreased by HUF 9.5 bn to HUF 28.4 bn year-on-year. Net cash at the end of June 2006 was HUF 44.4 bn, while net cash to the sum of net debt and total equity was 4.0%.
- **Operating cash flow** before changes in working capital increased by 26% to HUF 244.0 bn (USD 1,151.9 mn) in H1 2006. Including working capital changes and corporate tax paid, operating cash flow increased by 41%, to HUF 253.6 bn (USD 1,197.4 mn). In Q2 2006 operating cash flow increased by 95% to HUF 162.2 bn (USD 765.1 mn).

**Mr Zsolt Hernádi, Chairman-CEO of MOL commented:**

"MOL continued to deliver strong results in key businesses, upstream and downstream, in the second quarter of 2006. Favourable external environment, increased sales volumes and a disciplined capital expenditure program helped to achieve record cash flow. Our strong balance sheet supports our strategy to create shareholder value through growth in upstream and downstream. The purchase of 10% treasury shares in a transaction with the State transformed MOL to a practically fully privatised oil company."



## *Overview of the environment*

Global economic growth remained robust in Q2 2006 after a decline in most of 2005. Although slower than in 2004, it remained over 3%. There is some equalization in the geographical composition of growth. The rebound continued in the US after the very low growth in Q4 2005. In China, an investment boom continues and growth remains close to double digits. Although Eurozone economies remained weak, their growth rate may improve slightly this year.

According to IEA data, Q2 2006 oil demand is up by 1% to an average 83.3 mn barrels per day, a sharp deceleration of growth compared to over 3% in 2004. Demand growth is slowing especially in South East Asia which used to be a key driver. On the other hand, demand rebounded in China and to a lesser extent in the US, which suggests an acceleration of global demand in the rest of the year.

On the supply side, the speed of recovery of crude production after the hurricanes exceeded expectations. This and other new capacities mainly from the Caspian region added substantial additional crude supply. On the other hand, technical problems and political instability caused a substantial fall in production in Iran and Nigeria. Together with the slowing growth in demand, this has created a relative oversupply of crude oil, which is reflected in increasing stocks of crude. Yet, prices were also in an upward trend due to increasing risk premium and concerns over the developments in Nigeria, and especially in Iran. The recent sell-off on the global asset markets halted this trend only temporarily.

OPEC did not change its quotas in the 2nd quarter. Most OPEC countries operate at almost full capacity, and further quota increases would not have resulted in additional supplies. Most of OPEC spare capacity and, in fact most of global spare capacity is in Saudi Arabian heavy sour crude for which demand is limited by refinery capacity constraints. Iran's current oil exports are double of all available spare crude capacity. Consequently, any political events causing a disruption in Iranian oil exports would lead to an extremely severe price spike. This raises risk premiums and the willingness of market participants to keep large stocks. As a result, markets again witnessed record prices despite of the adequate crude supply-demand balance.

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 notable but limited.

Since crude oil demand is driven by motor fuels, refining capacity has reached its limit. As a result, refinery margins were well above the historical average.

In Hungary, the expected 4% GDP growth is below the Central European average but the economy, driven by exports and investment, remains healthy. Q2 2006 witnessed further weakening of the forint, amid concerns over financial sustainability and the recent global sell-off in the asset markets affecting emerging economies. The reelected government announced plans to decrease the budget deficit, mainly through increasing tax revenues, which may also result in slower growth for the next few years. The Slovak economy continued its dynamic expansion during the last months. GDP growth is estimated to exceed 6%. After the parliamentary elections in Slovakia a new government was formed, which is planning to implement a different economic policy, but its effect on the economy can be assessed only after concrete measures were taken. Despite high prices, fuel demand continued to grow robustly in Hungary and Slovakia, driven mainly by dynamic growth in diesel consumption.

The average CIF Med quoted price of Ural Blend increased by 34% in USD terms, compared to H1 2005. Brent-Ural differential increased to 4.2 USD/bbl in H1 2006 from 3.7 USD/bbl in H1 2005. Average USD denominated crack spreads of FOB Rotterdam gasoline increased by 43%, while crack spread of gas oil decreased by 7% compared to H1 2005. The US dollar appreciated by an average of 10% against the Hungarian Forint, while the Euro appreciated by an average 5% against the Forint in H1 2006. The Euro appreciated by 12% from year-end 2005 to 30 June 2006 (from 252.7 to 281.9), while the US dollar appreciated by 4% from year-end 2005 to 30 June 2006 (from 213.6 to 221.8). The US dollar appreciated by an average of 2% against the Slovak Crown in H1 2006, while the Euro depreciated by an average 3% against the Slovak Crown year on year.



## Exploration and Production

### Segment IFRS results

Exploration & Production	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	30.6	154.3	41.7	196.7	36	27	54.0	280.1	87.3	412.2	62	47
Operating profit/(loss)	<b>24.1</b>	<b>121.5</b>	<b>32.5</b>	<b>153.3</b>	<b>35</b>	<b>26</b>	<b>41.1</b>	<b>213.2</b>	<b>70.7</b>	<b>333.8</b>	<b>72</b>	<b>57</b>
CAPEX and investments <sup>1</sup>	7.5	37.8	10.1	47.6	35	26	13.9	72.2	15.4	72.7	11	1

### Key segmental operating data

HYDROCARBON PRODUCTION (gross figures before royalty)	Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
<b>Crude oil production (kt) *</b>	<b>555</b>	<b>542</b>	<b>(2)</b>	<b>1,113</b>	<b>1,095</b>	<b>(2)</b>
Hungary	218	208	(5)	449	423	(6)
Russia	337	334	(1)	664	672	1
<b>Natural gas production (million m<sup>3</sup>, net dry) **</b>	<b>647</b>	<b>695</b>	<b>7</b>	<b>1,378</b>	<b>1,557</b>	<b>13</b>
Hungary	640	685	7	1,367	1,536	12
Pakistan	7	10	43	11	21	91
<b>Condensate (kt)</b>	<b>50</b>	<b>52</b>	<b>4</b>	<b>107</b>	<b>116</b>	<b>8</b>
<b>LPG and other gas products (kt)</b>	<b>58</b>	<b>57</b>	<b>(2)</b>	<b>128</b>	<b>134</b>	<b>5</b>
<b>Average hydrocarbon prod. (boe/d)</b>	<b>96,778</b>	<b>99,148</b>	<b>2</b>	<b>99,702</b>	<b>105,317</b>	<b>6</b>

\*Excluding separated condensate

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

The operating profit of the Upstream segment in first half year in 2006 was HUF 70.7 HUF (USD 333.8 million), 72% higher than the corresponding figure for the first half of 2005, while profit growth quarter on quarter was 35%. Key drivers of profit improvement were steadily rising oil prices (33% higher during this period), and the 10% stronger USD compared to the HUF. As a result of these factors, the oil price increased by 46% in HUF terms versus the first half year in 2005, while the selling price of domestically produced natural gas increased by 63%. This, together with higher gas production volumes was behind the strong results. The ZMB project contribution to the operating profit increased to HUF 12.4 bn.

MOL's combined average daily hydrocarbon production exceeded 105 thousands boe/day, showing a 6% increase compared to the first half of last year. Combined crude oil production declined by 2%, as the 6% drop in production from the mature domestic fields was only partially compensated by a 1% production growth in the Russian ZMB field. We can still see the favourable effect of the recent Hungarian gas field developments (Hosszúpályi field) on natural gas volumes: gas production was 12%, condensate production 8%, and the volume of other gas products 5% higher. The volume of gas produced in the Manzalai field in Pakistan (where pilot production started last year) nearly doubled, though its share in the total production is not yet significant. Continued increase in production is expected as a result of the full development of the field. Unit opex for oil production in the first half of 2006 was a very competitive 3.3 USD/bbl, which is 17% lower than in H1 2005, helped also by a stronger USD.

Segment revenues grew by HUF 70.1 bn, whereas expenditures were HUF 40.5 bn higher. Within such rising costs, various taxes linked to prices (e.g. extra mining royalty after domestically produced natural gas, Russian export duty) continued to dominate. The mining royalty after domestic production increased nearly by 81%, and the abovementioned extra mining royalty on natural gas was 71% of the total payments in the first half-year (HUF 39.9 from HUF 56.4 bn).

In June we signed a concession agreement in North-Eastern Oman. This new concession underlines our commitment to the Middle East, which is one of our core strategic growth regions.

The segment investment activity has increased versus the basis period, as the the total capex for the period increased from HUF 13.9 bn to HUF 15.4 bn or by 11%. Some 75% of this capex was dedicated for Hungarian projects (43% or HUF 6.6 bn for Hungarian production projects). MOL's share in the roll-out of the ZMB field development project required capex of HUF 1.1 bn, while the figure in the Manzalai field development project in Pakistan amounted to HUF 0.4 bn in this period. Total exploration cost was HUF 5.0 bn, HUF 3.3 bn was spent for Hungarian exploration projects, and HUF 1.7 bn for international projects (in Kazakhstan, Yemen and Pakistan).

<sup>1</sup> Consolidated CAPEX figures exclude capitalised finance costs, but include financial investments.



## Refining and Marketing

### Segment IFRS results

Refining & Marketing	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	64.7	326.3	84.7	399.5	31	22	115.2	597.5	124.8	589.2	8	(1)
Operating profit/(loss)	<b>50.2</b>	<b>253.2</b>	<b>69.1</b>	<b>325.9</b>	<b>38</b>	<b>29</b>	<b>87.9</b>	<b>455.9</b>	<b>93.3</b>	<b>440.5</b>	<b>6</b>	<b>(3)</b>
CAPEX and investments <sup>1</sup>	25.8	130.2	11.5	54.1	(56)	(58)	53.6	278.3	17.2	81.2	(68)	(71)

FY 2005		Q2 2005	Q2 2006	Change	H1 2005	H1 2006	Change
HUF bn		HUF bn	HUF bn	%	HUF bn	HUF bn	%
<b>177.0</b>	<b>Reported EBIT</b>	<b>50.2</b>	<b>69.1</b>	<b>38</b>	<b>87.9</b>	<b>93.3</b>	<b>6</b>
8.6	One – off items	0.0	0.0	-	0.0	0.0	-
(39.1)	Replacement modification	(14.7)	(14.6)	1	(28.4)	(23.1)	19
<b>146.5</b>	<b>Estimated clean CCS</b>	<b>35.5</b>	<b>54.5</b>	<b>54</b>	<b>59.5</b>	<b>70.2</b>	<b>18</b>

### Key segmental operating data

FY 2005	REFINERY PROCESSING	Kt	Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
908.1	Domestic crude oil		231.5	205.8	(11)	441.3	389.5	(12)
11,503.3	Imported crude oil		2,608.3	2,761.0	6	5,581.3	5,832.4	4
210.0	Condensates		48.1	57.0	19	105.9	109.1	3
2,308.3	Other feedstock		551.9	550.8	0	1,161.7	1,183.7	2
<b>14,929.7</b>	<b>TOTAL REFINERY THROUGHPUT</b>		<b>3,439.8</b>	<b>3,574.6</b>	<b>4</b>	<b>7,290.2</b>	<b>7,514.7</b>	<b>3</b>

FY 2005	REFINED PRODUCT SALES	Kt	Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
	(external sales)							
4,256	Hungary		1,038	1,206	16	1,846	2,170	18
1,385	Slovakia		351	385	10	620	669	8
6,113	Other markets		1,592	1,546	(3)	2,990	2,936	(2)
<b>11,754</b>	<b>TOTAL CRUDE OIL PRODUCT SALES</b>		<b>2,981</b>	<b>3,137</b>	<b>5</b>	<b>5,456</b>	<b>5,775</b>	<b>6</b>

Operating profit for the segment increased by HUF 5.4 bn in H1 2006, compared to H1 2005. Operating profit in Q2 2006 increased by HUF 18.9 bn to HUF 69.1 bn on a like for like basis. Record results were supported by higher sales volumes, higher motor gasoline crack spread, wider Brent-Ural differential and a stronger USD against the HUF.

**Consolidated Group sales** volumes increased by 6% (319 kt) in H1 2006 with strong growth in total diesel sales (287 kt, 12%) and flat motor gasoline volumes. Export sales shifted to the higher margin end-user customers segment. Petrochemical feedstock grew by 104.4 kt leveraging Group-level optimisation opportunities.

In spite of high quoted product prices, regional fuel demand increased significantly year-on-year in the first half leading to higher sales in the region, which was also reflected in MOL Group wholesale figures.

**In Hungary**, gasoline demand increased by 6%. MOL gasoline wholesale out-performed market growth through new customer acquisitions, as our sales grew by 14%. Diesel consumption jumped by 15%, driven by strong economic growth and intensive infrastructural investments. MOL sales grew by 26%, outpacing the market.

**Slovakian** motor gasoline market demand increased by 5%. MOL's turnover fell by 4%, due to emerging hypermarket segment bringing import volumes. Diesel demand in Slovakia grew by 17% with MOL sales increase of 11% compared to H1 2005.

**Other markets:** Austrian motor gasoline and diesel sales were impacted by the navigability limits on the Danube. The drop in Austrian sales quantity in H1 2006 could partly be compensated by diesel sales to other target markets.

As of June 30<sup>th</sup>, 2006, the MOL Group operated 812 filling stations compared to 853 in June 2005, of which 356 were operated in Hungary, 238 in Slovakia, 138 in Romania, 32 in Austria, and 30 in the Czech Republic. By the end of H1 2006, 8 filling stations were opened in Serbia, and in addition 10 operated in Slovenia. Sale of the Polish network was successfully completed (21 filling stations). In Slovakia 18 low turnover sites were closed within the frameworks of the retail network efficiency improvement program in Q2 2006.

In H1 2006, MOL's Hungarian retail fuel sales volumes increased by 2.3% compared to H1 2005, while the average throughput per site increased by 2.4% compared to the base period. The 4.1% fall in gasoline sales was overcompensated by the 9.7% growth in diesel sales, supported by MOL's very strong fleet card sales. The main reason for the decrease in gasoline sales was the significant



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**2006 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF MOL HUNGARIAN OIL AND GAS PLC.**

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increase in prices, which made the gasoline customer more price sensitive, resulting in a shift to discount retailers, of which two major competitors, Lukoil and Tesco doubled their fuel forecourts in Hungary during the period. Our fuel market share, according to MÁSZ (Hungarian Petroleum Association), decreased by 3.6 percentage points (38.2 % in H1 2006 compared to 41.9% in H1 2005). The main reason for this significant reduction is that Tesco joined MÁSZ in April 2005, and is therefore not included in the full base period. Despite this aggressive Hypermarket growth, MOL managed to stabilize its market share and in 2006 improved it by 1%. In Hungary, shop sales revenue increased by 3.4% in H1 2006, which represented a 1.1% increase in shop sales per litre compared to H1 2005. Our fleet card sales grew by 5.7% compared to the same period last year. The proportion of card sales within MOL's total fuel sales in Hungary grew by 1.4 percentage point.

Our retail market share in Slovakia was 1.1 percentage points lower than in H1 2005, however relatively stable since July 2005. In March 2005, a new retail strategy was implemented to ensure competitive positioning and offset the decrease in market share. In H1 2006, our gasoline sales decreased by 5.3% in Slovakia compared to H1 2005, as a result of a similar shift to that in Hungary. In H1 2006, our diesel sales increased by 11.8% compared to H1 2005. In Slovakia, fleet card sales increased by 9.5% in H1 2006 compared to H1 2005. The proportion of card sales within Slovakian total fuel sales grew by 1.8 percentage point.

In Romania, retail market share in H1 2006 increased to 13%. Our fuel sales increased by 49.4% in H1 2006 compared to H1 2005, as a result of both network expansion (Shell Romania acquisition) and increased sales volume per site. Our shop sales revenue in Romania in H1 2006 increased by 38.4% compared to H1 2005, due to the above-mentioned network expansion.

Capital expenditures declined significantly (by HUF 36.4 bn), as major EU 2005 product quality investments phased off and the acquisition cost of the Shell filling station network was paid in the same period last year.

<sup>1</sup> Consolidated CAPEX figures exclude capitalised finance costs, but include financial investments.



## Petrochemicals

### Segment IFRS results

Petrochemicals	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	7.4	37.3	8.4	39.6	14	6	20.4	105.8	16.5	77.9	(19)	(26)
<b>Operating profit/(loss)</b>	<b>3.7</b>	<b>18.7</b>	<b>3.9</b>	<b>18.4</b>	<b>6</b>	<b>(2)</b>	<b>13.3</b>	<b>69.0</b>	<b>7.6</b>	<b>35.9</b>	<b>(43)</b>	<b>(48)</b>
CAPEX and investments <sup>1</sup>	0.9*	4.5*	2.1	9.9	133	120	3.6*	18.7*	2.7	12.6	(25)	(33)

\*Not including the profit of test run.

### Key segmental operating data

FY 2005	PETROCHEMICAL PRODUCTION	Kt	Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
797	Ethylene		195	204	5	388	409	5
404	Propylene		99	100	1	200	202	1
284	LDPE		75	71	(5)	148	138	(7)
353	HDPE		81	84	4	160	182	14
441	PP		111	125	13	202	252	25
FY 2005	PETROCHEMICAL SALES BY PRODUCT GROUP	Kt	Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
229	Olefin products		57	68	19	111	124	12
1,065	Polymer products		272	266	(2)	496	565	14
FY 2005	PETROCHEMICAL SALES (external)	Kt	Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
468	Hungary		116	122	5	221	243	10
69	Slovakia		19	17	(11)	33	34	3
757	Other markets		194	195	0	353	412	17
<b>1,294</b>	<b>TOTAL PETROCHEMICAL PRODUCT SALES</b>		<b>329</b>	<b>334</b>	<b>2</b>	<b>607</b>	<b>689</b>	<b>11</b>

In H1 2006, the operating profit of the Petrochemical segment was HUF 7.6 billion, while the EBITDA, an indicator of the cash-generating ability of the segment, amounted to HUF 16.5 billion, showing a 19% decrease compared to the same period of the previous year. The profit was significantly influenced by negative market trends in the first quarter, which were only partly compensated by the higher sales volumes from new capacities. In Q2 2006, operating profit exceeded the profit of Q2 2005, due to higher sales volumes and the better integrated petrochemical margin.

While the polymer quoted prices denominated in EUR increased by only 9-19% in H1 2006, the naphtha quotation denominated in USD increased by 33% y-o-y. Our feedstock prices were raised further by the 4% strengthening of USD compared to EUR. As a result of these changes, the petrochemical integrated margin decreased by 4% compared to H1 2005. While the prices of raw materials increased, the quotations of relevant aromatics products influencing the revenue from olefin by-products decreased, causing further negative impact on the segmental profit.

In H1 2006, polymer sales volumes increased by 14% to 565 kt, due to the new capacities launched in 2005. The growth comes predominantly from HDPE and PP products, mainly as a result of the start up of the new HDPE plant at TVK, and the new PP plant at Slovnaft. The composition of polymer sales changed, the portion of PP sales rose to 44%, in addition to HDPE (32%) and LDPE (24%) products.

In Hungary, polymer sales increased by 19 kt, while in Slovakia they grew by 1 kt compared to the previous year. The weight of export sales increased in our sales portfolio due to new capacities and the improving commercial efficiency as a result of the single channel sales activity, resulting in increased sales mainly in the Italian and German markets.

Beside polymers, the sales volumes of olefin products increased by 12%, as a result of the start up of new olefin plant in TVK.

<sup>1</sup> Consolidated CAPEX figures exclude capitalised finance costs, but include financial investments.



## Natural Gas

### Subsidiaries IFRS results (non consolidated)

Transmission	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	9.3	46.9	8.6	40.6	(8)	(14)	22.7	117.7	23.8	112.4	5	(5)
Operating profit/(loss)	<b>6.3</b>	<b>31.8</b>	<b>5.6</b>	<b>26.4</b>	<b>(11)</b>	<b>(17)</b>	<b>16.9</b>	<b>87.7</b>	<b>17.8</b>	<b>84.0</b>	<b>5</b>	<b>(4)</b>
CAPEX and investments <sup>1</sup>	1.6	8.1	3.3	15.6	106	93	1.9	9.9	4.7	22.2	147	125

Wholesale*	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	1.5	7.6	n.a.	n.a.	n.a.	n.a.	16.9	87.7	(8.6)	(40.6)	n.a.	n.a.
Operating profit/(loss)	<b>1.5</b>	<b>7.6</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>16.9</b>	<b>87.7</b>	<b>(8.6)</b>	<b>(40.6)</b>	<b>n.a.</b>	<b>n.a.</b>
CAPEX and investments <sup>1</sup>	0.0	0.0	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.0	0.0	n.a.	n.a.

Storage*	Q2 2005		Q2 2006		Change %		H1 2005		H1 2006		Change %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
EBITDA	4.7	23.7	n.a.	n.a.	n.a.	n.a.	14.0	72.6	7.4	34.9	(47)	(52)
Operating profit/(loss)	<b>3.2</b>	<b>16.1</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>10.9</b>	<b>56.5</b>	<b>5.7</b>	<b>26.9</b>	<b>(48)</b>	<b>(52)</b>
CAPEX and investments <sup>1</sup>	3.0	15.1	n.a.	n.a.	n.a.	n.a.	7.7	39.9	2.0	9.4	(74)	(76)

### Main operational data

FY 2005			Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
17,714	Hungarian natural gas transmission **	mn cm	3,687	3,686	0	9,503	9,504	0
2,570	Natural gas transit	mn cm	417	348	(17)	1,315	1,243	(6)

FY 2005			Q2 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
3.03	Hungarian natural gas transmission fee	HUF / cm	3.63	3.53	(3)	2.93	2.91	(1)

\*2006 H1 data of the two realized gas companies show the Q1 values due to the realization in March

\*\* including transmission volume to the gas storages

First half year operating profit of the gas business was significantly influenced by the one-off profit from the divestment of two gas companies (MOL Natural Gas Supply Plc. and MOL Natural Gas Storage Plc.) as of March 31<sup>st</sup> 2006, the effect of which was somewhat offset by the lack of the Q2 profit contribution from the two gas companies, as a consequence of getting out of the consolidation scope. The profit of the gas business adjusted for the different operational conditions of the two periods and the one-off effect of the divestment reflects the effect of the surplus profit of MOL Natural Gas Transmission Plc.

Operating profit of **MOL Natural Gas Transmission Plc.** increased by HUF 0.9 bn to HUF 17.8 bn in 2006 H1 compared to 2005 H1. The excess capacity fee of HUF 1.7 bn charged to the players of the domestic market in 2006 H1 played a role in the significant increase of revenues, whilst the revenue according to the regulation affecting 2006 H1 showed small decrease compared to the base period. Revenue of transit natural gas transmission increased by 34 % (by HUF 1.8 bn) compared to 2005 H1, in spite of the fact that transmitted natural gas volume decreased by 5.5 %. Contract price, gas price and the exchange rate influenced favorably the increase of the transit fee. The improvement in profit driven by higher revenues was moderated by the 14.5 % increase in operating costs. Within this, the natural gas cost used for operational purposes, mainly for driving compressors, showed an increase of 41.1 % in spite of the decreasing volume, as a consequence of a 45.8% increase in the gas price compared to H1 2005. In Q2 2006, operating profit decreased, mainly due to lower tariff revenues and higher natural gas cost.

Value of investment grew by HUF 2.8 bn compared to the HUF 1.9 bn in 2005 H1, as a consequence of more significant spending on the emission reduction of gas turbines and the capacity expansion of compressor stations in H1 2006.

<sup>1</sup> Consolidated CAPEX figures exclude capitalised finance costs, but include financial investments.



## **Financial overview**

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

Changes in IFRS effective from 1 January 2006 were adopted by the Group and their impact is reflected in the Q2 Flash Report. Apart from some minor modifications in the current policies and disclosures, IFRIC 4 has resulted the one major change.

IFRIC 4 – Determining whether an Arrangement contains a Lease requires lease accounting for agreements, the fulfillment of which depends on a specific asset or assets and it conveys a right to use the asset(s). A facility at TVK's premises meeting the criteria of IFRIC 4 and – from 1 January 2006 – has been recorded on the consolidated balance sheet with a corresponding increase in lease payables. During the prior periods, the agreement was accounted for as service contract. The new interpretation resulted in an increase of HUF 2.5 bn in Property, Plant and Equipment with an equal increase in Long-term Debt.

### ***Operations***

The majority of changes in income statement items reflect the effect of sale of the gas business consolidation since comparative H1 figures include gas companies' contribution in total, while current figures include only first quarter performance of 2006 of the sold gas companies.

In H1 2006, Group net sales revenues increased by 34% to HUF 1,500.8 bn, primarily reflecting increased average selling prices and sales volumes of refining products. Other operating income in H1 2006 reflects the gain realized on the sales of the gas business. The value of raw materials and consumables used increased by 39%, above the growth rate of sales. Within this, raw material costs increased by 52%, primarily as a result of the sharp increase in crude oil import prices and the increased quantity of import crude oil processed. Cost of goods sold increased by 28%, mainly as a combined effect of the higher import gas prices and the sales of the gas business at the end of Q1 2006. The value of material-type services used decreased by 2% to HUF 55.7 bn. Other operating expenses increased by 34% to HUF 128.8 bn, mainly due to an increase in the royalty payment (HUF 29.4 bn). Personnel expenses for the period increased by 6%, reflecting the average salary increase of 5% and the impact of the change in valuation of the share based long-term incentive scheme for the management. Of the production costs incurred in the current period, HUF 18.6 bn is attributable to the increase in the level of finished goods inventory and work in progress, as opposed to the HUF 39.0 bn in H1 2005.

A net financial expense of HUF 39.7 bn was recorded in H1 2006 compared to HUF 14.8 bn in H1 2005, due to the combined effect of interest payable, which amounted to HUF 8.5 bn, and a foreign exchange loss of HUF 24.7 bn incurred in the period compared to the interest payable of HUF 6.1 bn and foreign exchange loss of HUF 9.5 bn recognised in H1 2005. Fair valuation loss on the conversion option embedded in the capital security issued in the monetization of treasury shares by Magnolia Finance Ltd was HUF 5.0 bn since its issuance. In Q2 2006, a net financial expense of HUF 13.2 bn was recorded compared to HUF 5.8 bn in Q2 2005, due to a combined effect of HUF 2.9 bn interest received in the period compared to HUF 0.7 bn in Q2 2005 and a HUF 10.5 bn foreign exchange loss in Q2 2006 compared to HUF 3.8 bn net foreign exchange loss recognised in the same period last year. Income from associates includes INA's half-year contribution of HUF 4.5 bn.

Corporate tax expense increased by HUF 19.9 bn to HUF 36.6 bn in H1 2006, primarily as a result of the expected tax expense of MOL Rt. (HUF 24.5 bn) compared to the 100% tax holiday in 2005. The current tax expense is the result of the additional contribution of Slovnaft (19% corporate tax rate) and the gas companies (16%), of HUF 6.9 bn and HUF 1.2 bn respectively, as well as the corporate tax payable on the profit of the ZMB joint venture (HUF 2.2 bn).

### ***Balance sheet***

Total assets amounted to HUF 2,123.9 bn at the end of June 2006, representing an increase of 5%, compared to 31 December 2005. Within this, Property, plant and equipment decreased by 9%, reflecting primarily the sales of the gas business (HUF 118.6 bn). Inventories decreased by 14% to HUF 228.5 bn due to the sales of the gas business (HUF 94.7 bn) and the higher sales volumes of refining products.

Net trade receivables decreased by 7% to HUF 268.7 bn, reflecting primarily the sales of the gas business (HUF 83.1 bn). Trade and other payables increased by 19% to HUF 527.5 bn as a combined effect of increased outstanding tax payable and the effect of the sales of the gas business (HUF 71.0 bn). Contingent consideration received for the gas business of HUF 39.6 bn was also accrued as Trade and other payables. The total amount of provisions at the end of H1 2006 was HUF 125.7 bn compared to the balance of 2005 year-end, which was HUF 120.3 bn, reflecting mainly the unwinding of the discount recorded thereon. Other non-current liabilities increased to HUF 50.7 bn, representing the financing incurred by the monetization of treasury shares by

Magnolia Finance Ltd. The derivative liability resulting from this transaction was HUF 45.2 bn as of 30 June 2006. The 35% decrease in Long-term debt (including current portion) compared to the 2005 year-end reflects our further improved liquidity. As at 30 June 2006, 95.5 % of the MOL Group's total debt was Euro-denominated, 4.4% in HUF and 0.1% in USD and other currencies. At the end of H1 2006, MOL's gearing (net debt to net debt plus shareholders' equity plus minority interests) was minus 4.0% (caused by the cash positive status of the Group) compared to 23.4% at the end of 2005.

Holder of the capital securities of Magnolia received their quarterly coupon payment of HUF 1.6 bn and the dividend for MOL shares held by Magnolia was also settled (HUF 1.9 bn), both of which have been recorded directly against equity attributable to minority interest.

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

The capital contractual commitments of the Group were HUF 35.3 bn as of 2006 H1 compared to HUF 32.0 bn at the end of 2005. Our other contingencies and commitments (guarantees, operating lease liabilities, obligations resulting from litigation in which the Group acts as defendant) did not change significantly in the first six months of 2006 compared to the amounts reported in the 2005 Annual Report of MOL Group.

### ***Cash flow***

Operating cash flow in H1 2006 was HUF 253.6 bn, a 41% increase compared to the 2005 figure. Operating cash flow before movements in working capital increased by 26%. The change in the working capital position increased funds by HUF 9.6 bn, arising from an increase in accounts receivables, other receivables and other current liabilities (of HUF 22.9 bn, HUF 15.4 bn and HUF 56.8 bn, respectively), as well as a decrease in inventories and accounts payables (of HUF 28.6 bn and HUF 27.9 bn). Corporate taxes paid amounted to HUF 9.6 bn, related to cash outflow of Slovnaft's corporate tax liabilities arising in 2005 and prepayments by MOL for 2006.

Net cash provided by investing activities was HUF 231.7 bn compared with net cash of HUF 93.9 bn used in H1 2005. The H1 2006 cash inflow reflects the consideration received for gas subsidiaries sold, while the comparative figure of 2005 contains the cash used for the share buyback from Slovintegra-Slovbena, which is shown in the item of Acquisition of subsidiaries. Net financing cash outflows amounted to HUF 253.9 bn, being mainly the result of the issuance of the perpetual exchangeable capital securities by the fully consolidated Magnolia, HUF 164.9 bn net repayment of long-term debt and HUF 238.1 bn repurchase of treasury shares.



## APPENDIX I

**CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE MOL GROUP PREPARED  
IN ACCORDANCE WITH IFRS  
FOR THE PERIOD ENDED 30 JUNE 2006**

Unaudited figures (in HUF million)

FY 2005	Q2 2005 Restated	Q2 2006	Ch. %	H1 2005 Restated	H1 2006	Ch. %
2,455,164 Net sales	545,054	702,169	29	1,116,283	1,500,838	34
18,450 Other operating income	6,379	5,674	(11)	9,520	89,975	845
<b>2,473,614 Total operating revenues</b>	<b>551,433</b>	<b>707,843</b>	<b>28</b>	<b>1,125,803</b>	<b>1,590,813</b>	<b>41</b>
1,048,209 Raw material costs	222,442	335,086	51	438,189	666,935	52
111,313 Value of material-type services used	30,796	30,656	-	56,701	55,700	(2)
641,655 Cost of goods purchased for resale	121,031	102,922	(15)	306,382	391,886	28
<i>1,801,177 Raw material and consumables used</i>	<i>374,269</i>	<i>468,664</i>	<i>25</i>	<i>801,272</i>	<i>1,114,521</i>	<i>39</i>
107,874 Personnel expenses	26,462	27,148	3	50,799	53,753	6
123,500 Depreciation, depletion, amortisation and impairment	29,196	32,861	13	56,083	64,488	15
217,322 Other operating expenses	38,934	62,206	60	95,798	128,817	34
(55,722) Change in inventory of finished goods & work in progress	10,603	18,712	76	(39,039)	(18,575)	(52)
(24,973) Work performed by the enterprise and capitalised	(5,456)	(4,074)	(25)	(8,955)	(9,684)	8
<b>2,169,178 Total operating expenses</b>	<b>474,008</b>	<b>605,517</b>	<b>28</b>	<b>955,958</b>	<b>1,333,320</b>	<b>39</b>
<b>304,436 Operating profit</b>	<b>77,425</b>	<b>102,326</b>	<b>32</b>	<b>169,845</b>	<b>257,493</b>	<b>52</b>
4,221 Interest received	688	2,888	320	1,681	4,567	172
28 Dividends received	5	15	200	5	15	200
4,185 Exchange gains and other financial income	1,013	295	(71)	1,935	416	(79)
<b>8,434 Total financial income</b>	<b>1,706</b>	<b>3,198</b>	<b>87</b>	<b>3,621</b>	<b>4,998</b>	<b>38</b>
12,849 Interest on borrowings	2,873	3,378	18	6,093	8,486	39
4,802 Interest on provisions	1,298	1,496	15	2,460	3,042	24
(17) Write-off of financial investments	18	(20)	n.a.	18	(17)	n.a.
- Fair valuation difference of conversion option	-	(1,632)	n.a.	-	4,953	n.a.
22,958 Exchange losses and other financial expenses	3,362	13,185	292	9,858	28,257	187
<b>40,592 Total financial expense</b>	<b>7,551</b>	<b>16,407</b>	<b>117</b>	<b>18,429</b>	<b>44,721</b>	<b>143</b>
<b>32,158 Financial expense/(gain), net</b>	<b>5,845</b>	<b>13,209</b>	<b>126</b>	<b>14,808</b>	<b>39,723</b>	<b>168</b>
(4,879) Income from associates	(463)	(3,389)	632	(1,553)	(4,618)	197
<b>277,157 Profit before tax</b>	<b>72,043</b>	<b>92,506</b>	<b>28</b>	<b>156,590</b>	<b>222,388</b>	<b>42</b>
29,158 Income tax expense	6,545	16,811	157	16,740	36,639	119
<b>247,999 Net income for the year <sup>1</sup></b>	<b>65,498</b>	<b>75,695</b>	<b>16</b>	<b>139,850</b>	<b>185,749</b>	<b>33</b>
Attributable to:						
<b>244,919</b> Equity holders of the parent	<b>64,250</b>	<b>76,678</b>	<b>19</b>	<b>136,137</b>	<b>187,362</b>	<b>38</b>
3,080 Minority interests	1,248	(983)	n.a.	3,713	(1,613)	n.a.
<b>2,401 Basic earnings per share (HUF)</b>	<b>630</b>	<b>807</b>	<b>28</b>	<b>1,327</b>	<b>1,906</b>	<b>44</b>
<b>2,377 Diluted earnings per share (HUF) <sup>2</sup></b>	<b>623</b>	<b>799</b>	<b>28</b>	<b>1,313</b>	<b>1,888</b>	<b>44</b>

<sup>1</sup> As required by IAS 1 'Presentation of Financial Statements' (revised in 2005), the profit or loss attributable to minority interest and profit or loss attributable to equity holders of the parent should be disclosed on the face of the income statement as the allocation of the profit or loss for the period. 'Net income attributable to equity holders of the parent' has the same accounting content as the previously reported 'Net income'.

<sup>2</sup> Diluted earnings per share is calculated considering the potentially dilutive effect of the conversion option embedded in the Perpetual Exchangeable Capital Securities in the number of outstanding shares and by excluding the fair valuation difference of the conversion option from the net income attributable to equity holders of the parent.



## APPENDIX II

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

AS AT 30 JUNE 2006

Unaudited figures (in HUF million)

31 Dec 2005	30 June 2005 Restated	30 June 2006	Change %
<b>Assets</b>			
<b>Non-current assets</b>			
40,740	33,173	39,135	18
1,112,753	974,241	1,010,417	4
126,840	123,382	149,959	22
33,480	34,175	23,250	(32)
30,363	15,286	33,620	120
<b>1,344,176</b>	<b>1,180,257</b>	<b>1,256,381</b>	<b>6</b>
<b>Current assets</b>			
264,985	204,648	228,489	12
289,348	203,448	268,658	32
519	361	537	49
65,637	58,463	74,113	27
64,170	56,780	295,700	421
<b>684,659</b>	<b>523,700</b>	<b>867,497</b>	<b>66</b>
<b>2,028,835</b>	<b>1,703,957</b>	<b>2,123,878</b>	<b>25</b>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>			
94,020	93,315	83,122	(11)
644,340	640,030	693,374	8
244,919	136,137	187,362	38
<b>983,279</b>	<b>869,482</b>	<b>963,858</b>	<b>11</b>
70,359	73,219	185,362	153
<b>1,053,638</b>	<b>942,701</b>	<b>1,149,220</b>	<b>22</b>
<b>Non-current liabilities</b>			
296,844	246,405	249,135	1
108,045	59,270	111,795	89
17,704	14,722	18,829	28
5,386	5,540	50,747	816
<b>427,979</b>	<b>325,937</b>	<b>430,506</b>	<b>32</b>
<b>Current liabilities</b>			
444,683	370,647	527,507	42
12,256	16,769	13,935	(17)
2,485	6,286	1,504	(76)
87,794	41,617	1,206	(97)
<b>547,218</b>	<b>435,319</b>	<b>544,152</b>	<b>25</b>
<b>2,028,835</b>	<b>1,703,957</b>	<b>2,123,878</b>	<b>25</b>

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



## APPENDIX III

**MOVEMENTS IN SHAREHOLDERS' EQUITY FOR THE MOL GROUP  
FOR THE PERIOD ENDED 30 JUNE 2006**  
Unaudited figures (in HUF million)

	Share capital	Share premium	Fair valuation reserve	Translation reserve	Equity component of debt and difference in buy-back prices	Retained earnings	Total reserves	Net income attributable to equity holders of the parent	Total equity attributable to equity holders of the parent	Minority interest	Total equity
<b>Opening balance 1 January 2005</b>	<b>94,634</b>	<b>151,764</b>	<b>8,387</b>	<b>(3,184)</b>	<b>13,554</b>	<b>260,445</b>	<b>430,966</b>	<b>208,570</b>	<b>734,170</b>	<b>67,955</b>	<b>802,125</b>
Effect of IFRS 3 – Transfer of previously recorded negative goodwill to retained earnings	-	-	-	-	-	27,633	27,633	-	27,633	-	27,633
Effect of IFRS 3 – Negative goodwill at associates	-	-	-	-	-	353	353	-	353	-	353
<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>13,554</b>	<b>288,431</b>	<b>458,952</b>	<b>208,570</b>	<b>762,156</b>	<b>67,955</b>	<b>830,111</b>
Cash flow hedges, net of deferred tax	-	-	(3,295)	-	-	-	(3,295)	-	(3,295)	-	(3,295)
Fair value changes of financial instruments – Associates	-	-	(855)	-	-	-	(855)	-	(855)	-	(855)
Currency translation differences	-	-	-	17,165	-	-	17,165	-	17,165	139	17,304
Total income and expense for the period recognized directly in equity	-	-	(4,150)	17,165	-	-	13,015	-	13,015	139	13,154
Retained profit for the period	-	-	-	-	-	-	-	136,137	136,137	3,713	139,850
Total income and expense for the period	-	-	(4,150)	17,165	-	-	13,015	136,137	149,152	3,852	153,004
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	208,570	208,570	(208,570)	-	-	-
Dividends	-	-	-	-	-	(16,998)	(16,998)	-	(16,998)	(1,036)	(18,034)
Net change in balance of treasury shares held	(1,319)	(19,553)	-	-	-	-	(19,553)	-	(20,872)	-	(20,872)
Business combinations	-	-	-	-	-	-	-	-	-	2,448	2,448
Share-based payment	-	-	-	-	-	870	870	-	870	-	870
Slovnaft acquisition	-	-	-	-	(4,826)	-	(4,826)	-	(4,826)	-	(4,826)
<b>Closing balance 30 June 2005</b>	<b>93,315</b>	<b>132,211</b>	<b>4,237</b>	<b>13,981</b>	<b>8,728</b>	<b>480,873</b>	<b>640,030</b>	<b>136,137</b>	<b>869,482</b>	<b>73,219</b>	<b>942,701</b>
<b>Opening balance 1 January 2006</b>	<b>94,020</b>	<b>134,850</b>	<b>1,662</b>	<b>31,704</b>	<b>(5,456)</b>	<b>481,580</b>	<b>644,340</b>	<b>244,919</b>	<b>983,279</b>	<b>70,359</b>	<b>1,053,638</b>
Cash flow hedges, net of deferred tax	-	-	2,753	-	-	-	2,753	-	2,753	-	2,753
Fair value changes of financial instruments – Associates	-	-	990	-	-	-	990	-	990	-	990
Currency translation differences	-	-	-	60,429	-	-	60,429	-	60,429	787	61,216
Total income and expense for the period recognized directly in equity	-	-	3,743	60,429	-	-	64,172	-	64,172	787	64,959
Retained profit for the period	-	-	-	-	-	-	-	187,362	187,362	(1,613)	185,749
Total income and expense for the period	-	-	3,743	60,429	-	-	64,172	187,362	251,534	(826)	250,708
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	244,919	244,919	(244,919)	-	-	-
Dividends	-	-	-	-	-	(30,075)	(30,075)	-	(30,075)	(5,335)	(35,410)
Net change in balance of treasury shares held	(10,898)	(226,275)	-	-	-	-	(226,275)	-	(237,173)	-	(237,173)
Share-based payment	-	-	-	-	-	(1,089)	(1,089)	-	(1,089)	-	(1,089)
Issuance of Perpetual Exchangeable Capital Securities	-	-	-	-	-	-	-	-	-	121,164	121,164
Shares under repurchase obligation	-	-	-	-	(2,618)	-	(2,618)	-	(2,618)	-	(2,618)
<b>Closing balance 30 June 2006</b>	<b>83,122</b>	<b>(91,425)</b>	<b>5,405</b>	<b>92,133</b>	<b>(8,074)</b>	<b>695,335</b>	<b>693,374</b>	<b>187,362</b>	<b>963,858</b>	<b>185,362</b>	<b>1,149,220</b>



**APPENDIX IV**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE MOL GROUP PREPARED IN**  
**ACCORDANCE WITH IFRS**  
**FOR THE PERIOD ENDED 30 JUNE 2006**  
**Unaudited figures (in HUF million)**

FY 2005	Q2 2005 Restated	Q2 2006	Ch. %	H1 2005 Restated	H1 2006	Ch. %
<b>304,436 Profit from operations</b>	<b>77,425</b>	<b>102,326</b>	<b>32</b>	<b>169,845</b>	<b>257,493</b>	<b>52</b>
<i>Adjustments to reconcile operating profit to net cash provided by operating activities</i>						
123,500 Depreciation, depletion, amortisation and impairment	29,196	32,861	13	56,083	64,488	15
1,435 Net unrealised loss recorded on financial instruments	927	115	(88)	1,277	201	(84)
886 Write-off of inventories	441	242	(45)	303	83	(73)
(2,105) Reversal of impairment losses on PP&E	(397)	(246)	(38)	(588)	(258)	(56)
(39,781) Decrease in provisions	(30,207)	(1,084)	(96)	(31,662)	(2,743)	(91)
315 Net (gain) / loss on sale of fixed assets	(595)	517	n.a.	(593)	619	n.a.
(3,734) Write off / (reversal of write off) of receivables	(3,039)	611	n.a.	(3,054)	735	n.a.
(94) Unrealised foreign exchange (gain) and loss on receivables and payables	(869)	1,840	n.a.	(540)	2,201	n.a.
- Net gain on sale of subsidiaries	-	(1,482)	n.a.	-	(82,564)	n.a.
11,493 Exploration and development costs expensed during the year	2,625	2,121	(19)	5,164	3,699	(28)
1,577 Cost of share based payment	(1,519)	107	n.a.	(1,657)	(955)	(42)
(752) Other non cash items	(402)	1,080	n.a.	(449)	981	n.a.
<b>397,176 Operating cash flow before changes in working capital</b>	<b>73,586</b>	<b>139,008</b>	<b>89</b>	<b>194,129</b>	<b>243,980</b>	<b>26</b>
(94,417) (Increase) / decrease in inventories	(31,108)	27,068	n.a.	(30,760)	28,578	n.a.
(62,354) (Increase) / decrease in accounts receivable	16,410	(12,316)	n.a.	22,416	(22,907)	n.a.
(1,305) (Increase) / decrease in other receivables	(1,125)	652	n.a.	(1,645)	(15,380)	835
78,992 Increase / (decrease) in accounts payable	25,856	1,503	(94)	(686)	(27,883)	3965
(2,830) Increase / (decrease) in other current liabilities	5,721	8,102	42	14,857	56,824	282
(33,103) Corporate taxes paid	(6,291)	(1,818)	(71)	(18,191)	(9,648)	(47)
<b>282,159 Net cash provided by operating activities</b>	<b>83,049</b>	<b>162,199</b>	<b>95</b>	<b>180,120</b>	<b>253,564</b>	<b>41</b>
(214,586) Capital expenditures, exploration and development costs	(40,879)	(28,732)	(30)	(65,023)	(45,772)	(30)
4,565 Proceeds from disposals of fixed assets	1,479	5,507	272	1,873	6,293	236
(31,430) Acquisition of subsidiaries, net cash	(2,896)	-	n.a.	(28,279)	-	n.a.
(712) Acquisition of joint ventures, net cash	-	-	n.a.	(712)	-	n.a.
(20,000) Acquisition of other investments	-	(289)	n.a.	-	(289)	n.a.
- Net cash inflow on sales on subsidiary undertakings	-	-	n.a.	-	264,099	n.a.
86 Proceeds from disposal of investments	58	-	n.a.	58	-	n.a.
(3,961) Changes in loans given and long-term bank deposits	(4,589)	(1,529)	(67)	(4,234)	(751)	(82)
- Changes in short-term investments	319	41	(87)	(1)	42	n.a.
5,749 Interest received and other financial income	179	5,745	3109	2,271	7,891	247
828 Dividends received	178	223	25	178	223	25
<b>(259,461) Net cash (used in) / provided by investing activities</b>	<b>(46,151)</b>	<b>(19,034)</b>	<b>(59)</b>	<b>(93,869)</b>	<b>231,736</b>	<b>n.a.</b>
- Issuance of Perpetual Exchangeable Capital Securities	-	-	n.a.	-	159,174	n.a.
185,933 Issuance of long-term notes	-	-	n.a.	-	-	n.a.
(360) Repayment of long-term notes	-	-	n.a.	-	-	n.a.
(15,000) Repayment of zero coupon notes	(15,000)	-	n.a.	(15,000)	-	n.a.
450,278 Long-term debt drawn down	191,462	335,836	75	228,538	432,020	89
(556,063) Repayments of long-term debt	(112,845)	(331,661)	194	(232,479)	(596,966)	157
(1,469) Changes in other long-term liabilities	(288)	351	n.a.	(604)	(161)	(73)
(55,925) Changes in short-term debt	(58,539)	30,024	n.a.	(51,924)	32,268	n.a.
(16,807) Interest paid and other financial costs	(6,752)	(5,242)	(22)	(9,732)	(7,177)	(26)
(16,991) Dividends paid to shareholders	(15,628)	(30,150)	93	(15,628)	(30,150)	93
(1,245) Dividends paid to minority interest	(1,249)	(4,847)	288	(1,252)	(4,851)	287
29 Sale of treasury shares	-	-	n.a.	38	-	n.a.
(21,852) Repurchase of treasury shares	(19,261)	(238,099)	1136	(21,866)	(238,099)	989
<b>(49,472) Net cash used in financing activities</b>	<b>(38,100)</b>	<b>(243,788)</b>	<b>540</b>	<b>(119,909)</b>	<b>(253,942)</b>	<b>112</b>
<b>(26,774) Increase/(decrease) in cash and cash equivalents</b>	<b>(1,202)</b>	<b>(100,623)</b>	<b>8271</b>	<b>(33,658)</b>	<b>231,358</b>	<b>n.a.</b>
88,126 Cash at the beginning of the period	56,419	396,934	604	88,126	64,170	(27)
Cash effect of consolidation of subsidiaries previously accounted for as	1,131	-	n.a.	1,131	214	(81)
1,131 other investment	-	-	-	-	-	-
1,687 Exchange differences on the consolidation of foreign subsidiaries	432	(611)	n.a.	1,181	(42)	n.a.
<b>64,170 Cash at the end of the period</b>	<b>56,780</b>	<b>295,700</b>	<b>421</b>	<b>56,780</b>	<b>295,700</b>	<b>421</b>



**APPENDIX V**  
**KEY IFRS FINANCIAL DATA BY BUSINESS SEGMENT (in HUF million)**

<b>FY 2005</b>	<b>NET SALES REVENUES<sup>1</sup></b>	<b>Q2 2005 Restated</b>	<b>Q2 2006</b>	<b>Ch. %</b>	<b>H1 2005 Restated</b>	<b>H1 2006</b>	<b>Ch. %</b>
289,497	Exploration and Production	64,314	94,403	47	121,629	193,887	59
1,767,374	Refining and Marketing	433,915	640,764	48	752,549	1,116,696	48
661,761	Natural Gas	101,640	16,185	(84)	344,629	333,587	(3)
355,697	Petrochemicals	86,124	111,208	29	163,760	220,291	35
97,258	Corporate and other	20,025	22,454	12	35,376	39,592	12
<b>3,171,587</b>	<b>TOTAL NET SALES REVENUES</b>	<b>706,018</b>	<b>885,014</b>	<b>25</b>	<b>1,417,943</b>	<b>1,904,053</b>	<b>34</b>
(716,423)	Less: Inter(segment transfers)	(160,964)	(182,845)	14	(301,660)	(403,215)	34
<b>2,455,164</b>	<b>TOTAL NET EXTERNAL SALES REVENUES</b>	<b>545,054</b>	<b>702,169</b>	<b>29</b>	<b>1,116,283</b>	<b>1,500,838</b>	<b>34</b>

<b>FY 2005</b>	<b>OPERATING PROFIT<sup>1</sup></b>	<b>Q2 2005 Restated</b>	<b>Q2 2006</b>	<b>Ch. %</b>	<b>H1 2005 Restated</b>	<b>H1 2006</b>	<b>Ch. %</b>
105,374	Exploration and Production	24,124	32,474	35	41,118	70,730	72
176,987	Refining and Marketing	50,179	69,079	38	87,862	93,314	6
50,415	Natural Gas *	11,990	9,684	(19)	42,461	95,857	126
19,114	Petrochemicals	3,684	3,919	6	13,317	7,572	(43)
(41,788)	Corporate and other	(7,994)	(13,926)	74	(20,639)	(25,420)	23
(5,666)	Intersegment transfers <sup>2</sup>	(4,558)	1,096	n.a.	5,726	15,440	170
<b>304,436</b>	<b>TOTAL</b>	<b>77,425</b>	<b>102,326</b>	<b>32</b>	<b>169,845</b>	<b>257,493</b>	<b>52</b>

\*Gas segment operating profit, in addition to subsidiary results, includes segment level consolidation effects and the one-off effects of asset sale.

<b>FY 2005</b>	<b>PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES ACQUIRED</b>	<b>Q2 2005 Restated</b>	<b>Q2 2006</b>	<b>Ch. %</b>	<b>H1 2005 Restated</b>	<b>H1 2006</b>	<b>Ch. %</b>
20,493	Exploration and Production	4,633	6,312	36	7,994	11,022	38
76,703	Refining and Marketing	26,642	12,334	(54)	33,477	17,121	(49)
86,817	Natural Gas	4,561	3,140	(31)	9,044	6,902	(24)
11,439	Petrochemicals	(259)	1,595	(716)	926	2,126	130
13,752	Corporate and other	1,335	2,195	64	2,284	2,781	22
<b>209,204</b>	<b>TOTAL</b>	<b>36,912</b>	<b>25,576</b>	<b>(31)</b>	<b>53,725</b>	<b>39,952</b>	<b>(26)</b>

<b>FY 2005</b>	<b>DEPRECIATION</b>	<b>Q2 2005 Restated</b>	<b>Q2 2006</b>	<b>Ch. %</b>	<b>H1 2005 Restated</b>	<b>H1 2006</b>	<b>Ch. %</b>
31,650	Exploration and Production	6,465	9,207	42	12,907	16,536	28
61,407	Refining and Marketing	14,490	15,669	8	27,385	31,535	15
6,845	Natural Gas	1,568	1,338	(15)	3,101	3,307	7
14,017	Petrochemicals	3,738	4,527	21	7,096	8,935	26
9,581	Corporate and other	2,935	2,120	(28)	5,594	4,175	(25)
<b>123,500</b>	<b>TOTAL</b>	<b>29,196</b>	<b>32,861</b>	<b>13</b>	<b>56,083</b>	<b>64,488</b>	<b>15</b>

<b>31/12/2005</b>	<b>TANGIBLE ASSETS</b>	<b>30/06/2005 Restated</b>	<b>30/06/2006</b>	<b>Ch. %</b>
145,971	Exploration and Production	104,943	149,607	43
515,954	Refining and Marketing	498,937	525,384	5
192,344	Natural Gas	117,612	76,008	(35)
202,032	Petrochemicals	185,411	201,780	9
56,452	Corporate and other	67,338	57,638	(14)
<b>1,112,753</b>	<b>TOTAL</b>	<b>974,241</b>	<b>1,010,417</b>	<b>4</b>

<sup>1</sup> Net external sales revenues and 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 2005	Q2 2006	Change %	H1 2005	H1 2006	Change %
Brent dated (USD/bbl)	51.6	69.6	35	49.5	65.7	33
Ural Blend (USD/bbl)	48.5	64.8	34	45.9	61.5	34
Premium unleaded gasoline 10 ppm (USD/t)*	509.4	709.0	39	472.6	636.4	35
Gas oil – ULSD 10 ppm (USD/t)*	528.5	651.8	23	496.1	609.3	23
Naphtha (USD/t)*	438.2	598.3	37	431.5	566.2	31
Ethylene (EUR/t)	750	865	15	745	825	11
Integrated petrochemical margin (EUR/t)	349	410	17	441	422	(4)
HUF/USD average	198.3	212.0	7	192.8	211.8	10
SKK/USD average	30.9	30.0	(3)	30.1	30.6	2
3m USD LIBOR (%)	3.21	5.16	61	2.99	4.93	65
3m EURIBOR (%)	2.12	2.90	37	2.13	2.75	29
3m BUBOR (%)	7.37	6.30	(15)	7.87	6.25	(21)
	Q1 2006	Q2 2006	Change %	Q4 2005	Q2 2006	Change %
HUF/USD closing	219.2	221.8	1	213.6	221.8	4
HUF/EUR closing	265.5	281.9	6	252.7	281.9	12

\* FOB Rotterdam parity

## APPENDIX VII

## EXTRAORDINARY ANNOUNCEMENTS IN H1 2006

Announcement date	
9 January	MOL appoints the Bank of New York as successor depository bank for GDR programme
13 January	MOL and E.ON-Ruhrgas International have agreed on the closing of the gas partnership transaction
31 January	Investor Relations Officer has changed at MOL Rt.
16 February	Personnel change at MOL Group
9 March	Proposed Transaction in Treasury Shares
13 March	MOL announcement on successful testing of oil/gas well in Pakistan
14 March	Sale of treasury shares
20 March	Treasury share transaction
31 March	MOL-E.ON Ruhrgas International closed gas business transaction
6 April	Retail portfolio optimisation in Romania
7 April	Organisational change at MOL Group
10 and 11 April	Treasury share transaction
28 April	MOL submitted a binding bid for a 96.9% stake in OAO Udmurtneft
3 May	Dividend Announcement of MOL Hungarian Oil and Gas Plc. for the 2005 Financial Year.
9 May	MOL exercised its call option with ÁPV Zrt.
15 May	Share sale of a MOL manager
22 May	Order to purchase treasury shares
23 and 24 May	Purchase of treasury shares
26 May	Share distribution for the MOL management and employees
29 May	Share transaction between MOL Plc. and APV Zrt. executed
15 June	Capital securities purchase of a MOL manager
21 June	Gazprom and MOL established a 50-50% joint project company
21 June	MOL Hungarian Oil and Gas Plc Upgrades to a Level-I ADR Program
28 June	MOL signed an exploration and production sharing agreement for the Block 43 located in North-Eastern Oman.
30 June	Organisational and personal change in MOL
7 July	Change in the name of the company at MOL
25 July	MOL signs a EUR 825 million revolving facility agreement
27 July	MOL and Rossi Beteiligungs Ltd. to build a biodiesel component plant
31 July	Personal change in MOL
4 August	Change in publication date of MOL 2006 first half flash report



## APPENDIX VIII

### SHAREHOLDER STRUCTURE (%) AND TREASURY SHARES

Shareholder groups	31 Dec 2004	30 June 2005	30 Sept 2005	31 Dec 2005	31 March 2006	30 June 2006
Foreign investors (mainly institutional)	56.0	56.6	58.3	58.2	58.6	57.5
OMV	10.0	10.0	10.0	10.0	10.0	10.0
Slovena, Slovintegra	8.0	7.3	6.9	0.0	0.0	0.0
BNP Paribas	0.0	0.0	0.0	6.9	7.0	8.6
Magnolia	0.0	0.0	0.0	0.0	5.5	5.5
ÁPV Rt. (Hungarian State Privatisation and Holding Company)	11.8	11.8	11.7	11.7	11.7	1.7
Domestic institutional investors	5.7	4.7	3.3	4.0	3.9	4.9
Domestic private investors	3.6	3.0	3.0	2.4	2.0	1.8
MOL Rt. (treasury shares)	4.9	6.6	6.8	6.8	1.3	10.0

According to the Share Register, only 4 shareholders had more than 5% influence in MOL Rt. at 30 June 2006: The Bank of New York, the depository bank for MOL's GDR programme, which had 10.5%, OMV having 10 %, BNP Paribas having 9.7 %, and Magnolia having 6.2% influence in 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 to 10% for any single shareholder group. The Bank of New York, 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 had increased to 5.06%, on 18 January 2006 Fidelity announced that its influence had decreased to 4.76%. On 2 June 2006, AllianceBernstein L.P. announced that its influence had increased to 5.47% (5,368,970). These changes have not been registered in the share register.

On 11 April MOL sold 1,404,217 Treasury shares to BNP Paribas SA in a stock exchange transaction at a price of HUF 24,350 per share. MOL and BNP entered into option agreements, pursuant to which upon the completion of the transaction MOL received an American call option on these shares from BNP and BNP received a European put option on the same number of MOL shares from MOL. The expiration date for both options is 18 December 2006 and the exercise price is equal to the original selling price.

On 22-23 May MOL purchased 43,356 treasury shares and on 26 May these were distributed to 75 senior and middle managers in accordance with MOL's long-term share incentive scheme.

On 8 May, MOL exercised its option right for 10,898,525 „A” series MOL ordinary shares with ÁPV Zrt (Hungarian Privatization and State Holding Company) based on the agreement signed on 1 December 2005. The stock exchange transaction took place on 29 May at a price of HUF 21,760 per share.

Following the above-mentioned transactions, MOL owned 10,898,525 “A” series and 578 “C” series MOL shares in treasury on 30 June 2006.

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:

Mr. Vratko Kaššovic, the Slovnaft CEO and MOL Group's Integrated Petrochemical Division Manager retired as of 6th of March 2006. The Board of Directors of MOL elected as of 6th of March 2006 Mr. Árpád Olvasó to the position of the Head of Integrated Petrochemical Division of the MOL Group. Previously, Mr. Olvasó was CEO and Deputy Chairman of the Board of Directors of TVK and the Head of Chemical Division and Director of Chemical Portfolio Management of the MOL Group. Slovnaft Board of Directors appointed Mr. Oszkár Világi as the new CEO of Slovnaft as of 6th of March 2006.

From 10 April 2006, a new division called Corporate Centre was set up to include the following functions: Management Services, Human Resources, Security and Protection, and Internal Audit. The Board of Directors of MOL appointed Mr. József Simola as Director of the Corporate Centre, an executive position, as of 7 April 2006.



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**2006 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF MOL HUNGARIAN OIL AND GAS PLC.**

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From 1 July 2006, Lajos Alács was appointed to the position of Strategy and Business Development, Executive Vice President as a successor of Michel-Marc Delcommune. From 1992 to 2000, Mr Alács was the Director of MOLTRADE-Mineralimpex Plc. After that he joined MOL and in 2004 became the Head of Commercial Department in the Refining and Marketing Division. Michel-Marc Delcommune continues his employment as an advisor of the Chairman and CEO, and at the same time he remains a member of the Board of Directors at MOL and TVK.

Following the sale of the gas wholesale, marketing, trading and storage businesses, Sándor Fasimon, former Head of the Gas Business continues his work as the country Chairman of Russia and CIS as of 1 July 2006. In his new position he is not considered a senior manager of MOL Plc.

As of August 1, 2006 Slavomir Jankovic, Retail Services Division Managing Director will continue his services as the special advisor to the Slovnaft CEO. As of January 1, 2007 László Geszti will be appointed to the position of the Retail Services Division Managing Director. László Geszti is presently delegated to INA (Croatia), our strategic partner as Vice President of the Board of Directors and CFO. In MOL Group, László Geszti formerly held the position of Managing Director of MOL Group Refining and Marketing Division. In the meantime, György Mosonyi, Group CEO will directly supervise the Retail Services Division.