



## HIGH CAPACITY UTILISATION OF KEY CONVERSION UNITS AND FAVOURABLE MARKET CONDITIONS KEPT SLOVNAFT GROUP PERFORMANCE STRONG

Today Slovnaft Group announced its Q4 2005 results. This report contains unaudited, consolidated financial statements for the period ended 31 December 2005 for Slovnaft Group as prepared by management in accordance with International Financial Reporting Standards (IFRS).

### Financial highlights

Slovnaft Group financial results (IFRS)	Q4 2004		Q4 2005		Change %		Q1-4 2004		Q1-4 2005		Change %	
	SKK mln	USD mln <sup>(1)</sup>	SKK mln	USD mln <sup>(1)</sup>	SKK	USD	SKK mln	USD mln <sup>(1)</sup>	SKK mln	USD mln <sup>(1)</sup>	SKK	USD
Net sales revenues	25,449	789	29,432	910	16	15	85,170	2,640	101,031	3,257	19	23
EBITDA	4,366	135	4,202	130	(4)	(4)	16,128	500	14,710	474	(9)	(5)
Operating profit	2,914	90	3,000	93	3	3	12,290	381	11,330	365	(8)	(4)
Net financial expense/gain	(67)	(2)	(37)	(1)	(44)	(44)	136	4	356	11	161	172
Net income/(loss)	2,120	66	2,303	71	9	8	10,021	311	9,192	296	(8)	(5)
Operating cash flow	5,526	171	-1,708	-53	(131)	(131)	14,462	448	5,484	177	(62)	(61)

(1) In converting SKK financial data into US Dollars, the following exchange rates were used: for Q4 2004 32.257, for Q4 2005: 32,359 SKK/USD, for Q1-4 2004: 32.257, SKK/USD, for Q1-4 2005: 31,022 SKK/USD.

In Q4 2005 the Slovnaft Group recorded operating profit of **SKK 3,000 mln** which compared to Q4 2004 result of **SKK 2,914** represents practically identical performance. The full year operating profit reached **SKK 11,330 mln**, what is **SKK 970 mln** less than a year ago. The difference resulted mainly from the penalty imposed by the Ministry of Finance in Q3 2005, which was already appealed by the company. During the whole period the Group kept focusing on export markets, maintaining the profit contribution from export sales above 80%. Much higher utilisation of key conversion units, continuous improvement of key internal processes and ongoing synergy utilization from joint operations within the MOL Group contributed to the result. The total impact of synergies and efficiency improvements represented SKK 2,321 mln in Q1-4 2005.

In comparison to Q1-4 2004, the Group operating performance was positively influenced by:

- significantly wider crack spreads contributing SKK 3,067 mln
- wider spread between Brent and Ural crude oil SKK 666 mln,
- higher quoted prices of polymers representing an effect of SKK 800 mln,
- synergies and efficiency improvements brought SKK 2,321 mln.

On the other hand, negative impacts included:

- lower product volumes resulting from shutdowns in Q2 2005 with negative impact of SKK – 3,159 mln,
  - negative exchange rate effect of SKK – 1,547 mln,
  - penalty imposed by Ministry of Finance of SKK – 1,341 mln.
- **EBITDA** for Q1-4 2005 reached **SKK 14,710 mln**, which is lower than the EBITDA achieved in 2004 resulting from both lower operating profit and depreciation.
  - **EBITDA margin** reached **14.56 %**, which is 23% less than the Q1-4 2004 value as a result of higher prices and consequent sales revenue value.
  - **Total net sales revenues** were higher by **18.62 %** (in SKK terms) compared to Q1-4 2004, predominantly as a result of the higher level of quoted prices.
  - **Net result from financial operations** for Q1-4 2005 represented **SKK 356 mln**, which is **SKK 220 mln** higher than in the previous year as a result of strong cash position.
  - **Capital expenditures and investments** reached **SKK 4,008 mln** in Q1-4 2005, representing a decrease of **SKK 2,685 mln** compared to the previous year. The main reason behind this difference is the finalization of Polypropylene 3 (PP3) and Diesel 2005 projects in 2004.

*“Q4 2005 again proved that state of art technology as a result of a long-term sophisticated investment strategy has been the key source of Slovnaft’s competitive advantage. Just like in the previous quarters, Slovnaft kept focusing on strengthening export sales performance, being the driver of its profitability, which together with much higher capacity utilization of main conversion units and continuous efficiency improvement programs and the synergies within the MOL Group have remained the key factors of the company’s sustainable growth and stable strong performance” commented the Q4 2005 results the Slovnaft CEO Vratko Kaššovic.*

## Segment performance

### Wholesale performance

Continued increase of crude oil and products' quoted prices influenced sales revenues also in Q4 2005 compared to Q4 2004. Sales revenues of refined products grew in greater extent than those of petrochemicals as a result of different price development of respective group of products and also due to better product mix of refining products than a year ago.

Sales revenues by division	Q4 2004		Q4 2005		Change %		Q1-4 2004			Q1-4 2005			Change %	
	SKK mln	USD mln <sup>(1)</sup>	SKK mln	USD mln <sup>(1)</sup>	SKK	USD	SKK mln	USD mln <sup>(1)</sup>	SKK mln	USD mln <sup>(1)</sup>	SKK	USD		
Refinery products	17,755	550	22,618	729	27.4	32.5	59,675	1,850	73,646	2,374	23.4	28.3		
Petrochemicals	4,280	133	4,550	147	6.3	10.5	13,995	434	16,606	535	18.7	23.4		
Total sales	22,036	683	27,168	876	23.3	28.2	73,670	2,284	90,252	2,910	22.5	27.4		

In 2005, the polymer sales volumes reached the level of 311.9 kt, which represents an increase of 17.3% compared to 2004. The most significant growth was recorded in case of PP products, mainly as a result of the start up of the new PP3 plant.

Sales revenues by territory	Q4 2004		Q4 2005		Change %		Q1-4 2004		Q1-4 2005		Change %	
	SKK mln	USD mln <sup>(1)</sup>	SKK mln	USD mln <sup>(1)</sup>	SKK	USD	SKK mln	USD mln <sup>(1)</sup>	SKK mln	USD mln <sup>(1)</sup>	SKK	USD
Domestic sales	4,701	146	5,297	171	12.7	17.2	15,448	479	17,905	577	15.9	20.5
Exports	17,335	537	21,871	705	26.2	31.2	58,222	1,805	72,347	2,332	24.3	29.2
Total sales	22,036	683	27,168	876	23.3	28.2	73,670	2,284	90,252	2,910	22.5	27.4

Total domestic refinery products volume sold increased by 1% compared to Q4 2004. Higher sales of motor diesel (by 6.7 kt) and bitumen (by 11 kt) driven by high market demand fully compensated the declining sales of motor gasoline, kerosene and lubricants. Higher domestic revenues were the result of higher unit prices (driven by much higher quoted prices) and also the higher added value product mix compared to Q4 2004. In order to further strengthen Group's export position and overcome certain fluctuations in local market demands, from October Slovnaft started to supply bio diesel (up to 5% of MERO content) on the Austrian market. Abovementioned initiatives along with favourable quoted prices resulted in a 14% increase in export sales revenues compared to Q4 2004.

### Retail performance

Total motor fuel volumes sold in retail network during 2005 were practically on the 2004 level. Diesel sales exceeded the 2004 level compensating the drop in gasoline sales. Positive tendency in LPG sales, with an increase of 83.7% compared to 2004 was driven by higher number of outlets. Based on Slovak Petroleum Trading Association (SAPPO) statistics, retail market share of Slovnaft decreased by 2.8% compared to the same period of 2004. The difference is the result of lower number of Slovnaft's filling stations (decreased by 31) and higher number of filling stations by SAPPO members (excl. Slovnaft) which increased by 11 filling stations. Slovnaft continued further its network reconstruction program in 2005, when 4 new filling stations were opened, 31 filling station closed and reconstruction started on 5 stations.

## Operations

Refinery operations during Q4 2005 were influenced by several factors. Scheduled shutdown of residue hydrocrack in October, and temporarily reduced crude oil supplies in 2<sup>nd</sup> half of October resulted in lower crude oil processing compared to Q4 2004. However through improved SCM actions the utilization of main conversion units (RHC, FCC, VGO HCK) increased by 8.4% compared to Q4 2004 what partially compensated drop in crude oil processing. In Q4 2005, the Slovnaft Group supplied to the market only ultra low sulphur content diesel (sulphur content below 50 ppm), out of which 27.6% represented diesel with bio components (MERO) mainly for export markets.

## Financial overview

### *Overview of the environment*

In Q4 2005, the crude oil price was significantly higher than a year ago impacted by several drivers. The most important factors were continuously increasing demand from the two largest consumers (U.S. and China) and limited stocks of crude oil in US. Additionally, uncertain supplies from major crude oil producers (Iraq, Venezuela and Nigeria) resulted in high prices of reference crude Brent Dtd, achieving an average of 57 USD/bbl in Q4 2005 compared to 44 USD/bbl in Q4 2004. The yearly average was higher by 16 USD/bbl.

Motor gasoline (Prem Unl.) crack spread were higher by 25 USD/t compared to the same period of the last year. The main reasons behind this fact were tighter than average Atlantic Basin inventory levels, the high number of turnaround scheduled for H1 2006 particularly in the USA, and also the expected early start of gasoline season.

Mild weather in the North-Eastern US besides higher-than-last-year USA distillate stocks resulted in lower motor diesel (ULSD 50 ppm) crack spreads by 19.1 USD/t in Q4 2005 compared to Q4 2004.

### *Financial Operations*

#### **Profit and loss statement**

SKK 15.9 bn higher sales were influenced by above-mentioned increase in fuel products quoted prices, especially in case of diesel. This positive effect was however compensated by the negative impact of foreign exchange rates and lower fuel sales volumes. Material expenses grew by SKK 18.4 bn, impacted by significantly higher crude oil price despite its lower processing. Material services costs were SKK 772 mln higher as a result of two factors. The first is the different reporting methodology of maintenance services (the counterparts are capitalized own production and intermediated services) and the second is higher spending for maintenance services. SKK 447 mln decrease in intermediated services results from the above mentioned methodology change. Higher personnel cost by SKK 402 mln reflected on one hand yearly wage growth and on the other higher creation of provisions for bonuses and holiday wage. The SKK 459 mln decrease in depreciation was a result of revision of economic life of assets (IAS 16). The decrease in other cost resulted mainly from cost reduction in financial and economic services and insurance. An SKK 1.9 bn increase in own production stock was mainly connected with higher revaluation of crude oil products compared to a year ago. Higher profit from financial operations by SKK 220 mln reflected the development of foreign exchange rates and significantly lower interest paid as a result of minimum bank loans in 2005.

#### **Balance sheet**

An SKK 682 mln increase in fixed assets reflects capital expenditures on PP3 and HDS7 units in 2004 and Q1 2005. Other non-current assets were higher by SKK 6.5 bn as a result of intra-group loan to MOL. Inventories grew by SKK 1.9 bn as a result of the already mentioned higher quoted prices of crude oil products and different production and sales compared to 2004. Trade receivables increased by SKK 1.8 bn despite lower fuel sales volumes due to higher sales prices. Cash and cash equivalents were lower by SKK 5.2 bn as a result of already mentioned intra-company loan to MOL, which is a part of MOL Group liquidity management. Trade and other payables were higher by SKK 4.1 bn due to much higher crude oil cost and different development of capital expenditures. Short-term and long-term bank loans show only minimum values due to already mentioned strong cash position.

**APPENDIX I.**  
**CONSOLIDATED IFRS PROFIT AND LOSS STATEMENT FOR SLOVNAFT GROUP**

**FOR THE PERIOD ENDED 31 DECEMBER 2005**

Unaudited figures (in SKK mln)

	Q4 2004	Q4 2005	% change	Q1-4 2004	Q1-4 2005	% change
Net sales	25,449	29,432	16	85,170	101,031	19
Other operating income	441	295	(33)	964	1,187	23
<b>TOTAL OPERATING REVENUES</b>	<b>25,889</b>	<b>29 727</b>	<b>14,8</b>	<b>86,134</b>	<b>102,218</b>	<b>19</b>
Material expenses	14,497	20,556	42	54,053	72,473	34
Material-type services used	679	309	(55)	1,796	2,568	43
Cost of goods purchased for resale	2,731	356	(87)	5,881	5,825	(1)
Inter-mediated services	588	316	(46)	1,886	1,438	(24)
<b>Material-type expenses</b>	<b>18,495</b>	<b>21,537</b>	<b>17</b>	<b>63,616</b>	<b>82,304</b>	<b>29</b>
Payroll expenses	528	568	8	1,777	2,119	19
Other personnel-type expenses	246	280	13.8	1,096	1,156	6
<b>Personnel-type expenses</b>	<b>774</b>	<b>848</b>	<b>9.5</b>	<b>2,873</b>	<b>3,275</b>	<b>14</b>
Depreciation, depletion, amortisation and impairment	1,452	1,201	(17)	3,839	3,380	(12)
Other costs	331	670	103	1,956	1,924	(2)
Other expenditures	1,314	298	(77)	1,580	2,244	42
<b>Other operating expenses</b>	<b>1,645</b>	<b>969</b>	<b>(41)</b>	<b>3,536</b>	<b>4,168</b>	<b>18</b>
Changes in own production stock	(627)	(1,670)	166	25	1,931	n.a.
Capitalised own production	17	(501)	n.a.	(6)	308	n.a.
<b>TOTAL OPERATING EXPENSES</b>	<b>22,975</b>	<b>26 727</b>	<b>16,3</b>	<b>73,845</b>	<b>90,888</b>	<b>23</b>
<b>PROFIT FROM BUSINESS OPERATIONS</b>	<b>2,914</b>	<b>3,000</b>	<b>3</b>	<b>12,289</b>	<b>11,330</b>	<b>(8)</b>
Revenues from financial transactions	79	(10)	(113)	358	438	22
Expenses of financial transactions	145	27	(81)	222	82	(63)
<b>PROFIT/LOSS FROM FINANCIAL TRANSACTIONS</b>	<b>(67)</b>	<b>(37)</b>	<b>(44)</b>	<b>136</b>	<b>356</b>	<b>162</b>
Income from associates	8	7	(13)	74	25	(66)
<b>PROFITS BEFORE TAXES</b>	<b>2,855</b>	<b>2,970</b>	<b>4</b>	<b>12,499</b>	<b>11,711</b>	<b>(6)</b>
Current-year corporate tax	665	458	(31)	2,303	1,974	(14)
Changes in deferred taxes in the given year	64	209	226	174	553	218
<b>PROFITS AFTER TAXES</b>	<b>2,126</b>	<b>2,303</b>	<b>8</b>	<b>10,022</b>	<b>9,184</b>	<b>(8)</b>
Participation by external owners in profits	(5)	0	(107)	1	(8)	n.a.
<b>NET PROFIT</b>	<b>2,120</b>	<b>2,303</b>	<b>9</b>	<b>10,021</b>	<b>9,192</b>	<b>(8)</b>

**APPENDIX II.**  
**CONSOLIDATED IFRS BALANCE SHEET FOR SLOVNAFT GROUP**  
**AS OF 31 December 2005**  
**Unaudited figures (in SKK mln)**

	31 December 2004	31 December 2005	Change %
<b>ASSETS</b>			
<b>Non-current assets</b>			
Total tangible and intangible assets	41,140	41,824	2
Investments in associated companies	150	103	(31)
Available-for-sale financial assets	1,360	1,542	13
Deferred tax asset	16	15	(6)
Other non-current assets	101	6,585	6 420
<b>Total non-current assets</b>	<b>42,767</b>	<b>50,069</b>	<b>17</b>
<b>Current assets</b>			
Inventories	4,834	6,740	39
Trade receivables, net	8,049	9,845	22
Available-for-sale financial assets	2	1	(50)
Cash and cash equivalents	6,961	1,742	(75)
Other current assets	2,252	4,867	116
<b>Total current assets</b>	<b>22,098</b>	<b>23,195</b>	<b>5</b>
<b>Total assets</b>	<b>64,865</b>	<b>73,264</b>	<b>13</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	20,625	20,625	0
Reserves	16,502	22,419	36
Net income for the period	10,021	9,192	(8)
Minority interest	63	56	(11)
<b>Total shareholders' equity</b>	<b>47,211</b>	<b>52,292</b>	<b>11</b>
<b>Non-current liabilities</b>			
Long-term debt, net of current portion	1	-	(100)
Provisions for liabilities and charges	793	763	(4)
Deferred tax liability	74	627	747
Other non-current liabilities	831	739	(11)
<b>Total non-current liabilities</b>	<b>1,699</b>	<b>2,129</b>	<b>25</b>
<b>Current liabilities</b>			
Trade and other payables	14,190	18,299	29
Provisions for liabilities and charges	1,764	543	(69)
Current portion of long-term debt	1	1	0
<b>Total current liabilities</b>	<b>15,955</b>	<b>18,843</b>	<b>18</b>
<b>Total liabilities</b>	<b>17,654</b>	<b>20,972</b>	<b>19</b>
<b>Total liabilities and shareholders' equity</b>	<b>64,865</b>	<b>73,264</b>	<b>13</b>

**APPENDIX III.**  
**CONSOLIDATED IFRS STATEMENT OF CASH FLOW FOR SLOVNAFT**  
**GROUP**  
**FOR THE PERIOD ENDED 31 December 2005**  
**Unaudited figures (in SKK mln)**

	Q1-4 2004	Q1-4 2005	Change %
<b>Net cash provided by operating activities</b>	<b>14,462</b>	<b>5,484</b>	<b>(62)</b>
Of which changes in working capital	(1,644)	(3,912)	138
<b>Cash flows from investing activities</b>			
Capital expenditures	(6,762)	(4,052)	(40)
Government grants received	78	22	(72)
Proceeds from the disposal of fixed assets	162	248	53
Acquisition of the available-for-sale financial assets	(1,370)	0	(100)
Proceeds from the disposal of the available-for-sale financial assets	40	4	(90)
Changes in loans and long-term bank deposits	3	16	433
Long-term loans granted	0	(3,074)	n.a.
Short-term loans granted	0	(2,321)	n.a.
Repayment of the short-term loans granted	1,059	2,421	129
Interest received and other financial income	322	196	(39)
Dividend received	23	72	213
<b>Net cash provided/(used) in investing activities</b>	<b>(6,445)</b>	<b>(6,468)</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Changes in long-term bank credits	(1,634)	0	(100)
Changes in other long-term liabilities	(9)	(1)	(89)
Changes in short-term debt	(786)	0	(100)
Interest paid and other financial costs	(156)	(21)	(87)
Net income from derivative transactions	(36)	26	n.a.
Proceeds from short-term loans	980	968	(1)
Repayment of the short-term loans	(978)	(962)	(2)
Dividends paid to shareholders	(2,700)	(4,357)	61
<b>Net cash provided/(used) in financing activities</b>	<b>(5,319)</b>	<b>(4,347)</b>	<b>(18)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,698</b>	<b>(5,331)</b>	<b>n.a.</b>
Cash and cash equivalents at the beginning of the period	4,231	6,961	65
Effects of exchange rates changes (on cash and cash equivalents)	32	112	250
<b>Cash and cash equivalents at the end of the period</b>	<b>6,961</b>	<b>1,742</b>	<b>(75)</b>

**APPENDIX IV.  
KEY OPERATING DATA (Group figures)**

<b>CRUDE OIL PROCESSING (kt)</b>	<b>Q4 2004</b>	<b>Q4 2005</b>	<b>Change %</b>	<b>Q1-4 2004</b>	<b>Q1-4 2005</b>	<b>Change %</b>
Imported crude oil	1,575.0	1,497.2	(4.9)	5,827.7	5,411.8	(7.1)
<b>TOTAL REFINERY THROUGHPUT</b>	<b>1,482.5</b>	<b>1,391.2</b>	<b>(6.2)</b>	<b>5,716.3</b>	<b>5,440.5</b>	<b>(4.8)</b>
<b>REFINED PRODUCT SALES (kt)</b>	<b>Q4 2004</b>	<b>Q4 2005</b>	<b>Change %</b>	<b>Q1-4 2004</b>	<b>Q1-4 2005</b>	<b>Change %</b>
Total domestic sales	263.6	261.3	(0.9)	969.1	952.0	(1.8)
Total export sales	1,079.1	1,077.0	(0.2)	4,040.8	3,943.4	(2.4)
<b>TOTAL CRUDE OIL PRODUCT SALES</b>	<b>1,342.6</b>	<b>1,338.3</b>	<b>(0.3)</b>	<b>5,009.9</b>	<b>4,895.3</b>	<b>(2.3)</b>

**APPENDIX V.  
SHAREHOLDER STRUCTURE (IN %)**

<b>Shareholder</b>	<b>31. December 2005</b>
MOL R.t.	98.4
Other legal entities	0.3
Individual shareholders	1.3
<b>Total</b>	<b>100.0</b>

No significant changes in the shareholding structure were reported during Q4 2005.