



IMPROVED POLYMER PROFITABILITY AND EXCELENT OPERATIONAL RELIABILITY - THE KEY DRIVERS OF HEALTHY PERFORMANCE IN Q1 2007

Today the Slovnaft Group announced its Q1 2007 results. This report contains unaudited, consolidated financial statements for the period ended 31 March 2007 for the Slovnaft Group as prepared by management in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

FY 2006		Slovnaft Group financial results (IFRS)	Q1 2006		Q1 2007		Change %	
SKK mln	USD mln ⁽¹⁾		SKK mln	USD mln ⁽¹⁾	SKK mln	USD mln ⁽¹⁾	SKK	USD
120,066	4,039	Net revenue	28,534	915	22,465	856	(21)	(6)
11,547	388	EBITDA	2,641	85	2,785	106	5	25
7,987	269	Operating profit	1,750	56	1,886	72	8	28
n.a.	n.a.	Adjusted operating profit ⁽²⁾	1 751	56	1 525	58	(13)	4
(46)	(2)	Profit/loss from financial transactions	(93)	(3)	(125)	(5)	n.a.	n.a.
6,357	214	Net profit/(loss)	1,314	42	1,463	56	11	33
6,771	228	Operating cash flow	(5,893)	(189)	1,372	52	n.a.	n.a.

(1) In converting SKK financial data into US Dollars, the following exchange rates were used: for Q1 2006 31.169 SKK/USD, for Q1 2007: 26,231 SKK/USD, for FY 2006: 29,724 SKK/USD.

(2) Adjusted operating profit excluding main one-off items – Q1 2007 proceeds from property sales of SKK 265 mln, impairment and reversal of impairment of SKK 96 mln; Q1 2006 impairment and reversal of impairment of SKK -1 mln

In Q1 2007, the Slovnaft Group recorded an operating profit excluding main one-off items of **SKK 1,525 mln**, which is a slight decline (13%) compared to Q1 2006 result of **SKK 1,751 mln**. The main profit contributors were improved polymer profitability and increased sales volumes, which eliminated the negative development of a significantly stronger SKK. Compared to Q1 2006, SKK strengthened against USD by almost 16%. Lower production volumes of both gasoline and diesel, due to slightly lower crude oil processing in Q1 2007, were compensated by semi-finished products processing and sales from inventories. Continuous improvement of key internal processes further contributed to the result.

In comparison to Q1 2006, the Group operating performance was positively influenced by:

- higher volumes sold with total effect SKK 1.1 bn
- positive development of plastics sales prices bringing SKK 610 mln
- higher fuel crack spreads contributing SKK 358 mln
- proceeds from property sales SKK 265 mln

On the other hand, negative impacts included:

- inventory changes SKK – 1.5 bn
- negative development of exchange rates with effect of SKK – 914 mln
- lower spread between Brent and Ural crude oil SKK – 145 mln,

- **EBITDA** for Q1 2007 reached **SKK 2,785 mln**, which is slightly higher than the EBITDA achieved in Q1 2006 resulting from higher operating profit

- **Total net sales revenues** were lower by **21 %** (in SKK terms) compared to Q1 2006, mainly as a result of the lower level of quoted prices and FX development

- **Net result from financial operations** for Q1 2007 represented **SKK – 125 mln**, which is by **SKK 32 mln** worse than in the comparable period of the previous year mainly as a result of FX development.

- **Capital expenditures and investments** reached **SKK 214 mln** in Q1 2007, representing a decrease of **SKK 150 mln** compared to the comparable period of the previous year. CAPEX performance was focused mainly on ecological investments and projects for efficiency improvements.

“Excellent operational reliability of the key production units and growing demand for motor fuels from Slovnaft, including biofuels, which already comply with 2009 EU quality requirements remain the key factors of the company’s success. Together with increasing performance of petrochemical subsidiary they allowed Slovnaft to keep good results also in Q1 2007.” commented the Q1 2007 results the Slovnaft CEO Oszkár Világi.

Segment performance

Wholesale performance

Decrease of crude oil product quoted prices together with strengthening of the Slovak currency against both the USD and EUR had a significant impact on sales revenues in Q1 2007 compared to Q1 2006. The revenues from refined products sales decreased significantly despite a higher volume sold of motor fuels on the domestic market and a better product mix of refined products than in Q1 2006.

FY 2006		Sales revenues by product group	Q1 2006		Q1 2007		Change %	
SKK mln	USD mln ⁽¹⁾		SKK mln	USD mln ⁽¹⁾	SKK mln	USD mln ⁽¹⁾	SKK	USD
93,195	3,135	Refinery products	20,452	656	17,165	654	(16)	0
20,000	673	Petrochemicals	4,756	153	4,616	176	(3)	15
113,195	3,808	Total sales	25,208	809	21,781	830	(14)	3

In Q1 2007, the polymer sales volumes increased by 4.5% to 98 kt compared to Q1 2006. The growth comes dominantly from an increase in polypropylene production by 7.9 kt compared to Q1 2006, mainly as a result of the increased capacity of the PP3 plant.

FY 2006		Total sales revenues by territory	Q1 2006		Q1 2007		Change %	
SKK mln	USD mln ⁽¹⁾		SKK mln	USD mln ⁽¹⁾	SKK mln	USD mln ⁽¹⁾	SKK	USD
30,213	1,016	Domestic sales	5,740	184	5,563	212	(3)	15
82,982	2,792	Export	19,468	625	16,218	618	(17)	(1)
113,195	3,808	Total sales	25,208	809	21,781	830	(14)	3

Total domestic refinery product volume sold increased by 9.6% compared to Q1 2006. Higher sales of motor gasoline (by 9.6 kt) and motor diesel (by 17.8 kt) were driven by an increasing market demand. Lower domestic revenues from sale of refinery products in Q1 2007 (by 5%) were mainly the result of decreased products quoted prices and the stronger SKK. Despite a continuously increasing demand on the export markets for bio fuels, total volume of refinery products sold on export markets remained almost at the last year's level affected mainly by the lower crude oil processing in Q1 2007. These together with already mentioned negative impacts of external environment resulted in a 20% decrease in export sales revenues from refinery products compared to Q1 2006.

Retail performance

Total motor fuel volumes sold in the retail network were higher by 2.9% compared to Q1 2006 despite the lower number of filling stations in operation (210 as at 31.3.2007 compared to 256 as at 31.3.2006), reflecting the improved efficiency of the network. The dieselization trend was continuing witnessed by motor diesel sales exceeding the last year's level by 11.9%, while motor gasoline sales were below the level of Q1 2006. Positive development was recorded also in ECO+ Autoplyn sale, which increased by 4.9%.

Operations

Crude oil processing in Q1 2007 decreased by 70 kt compared to Q1 2006, which was partially translated into lower production of motor fuels (by 2 kt in motor gasoline and by 22 kt in motor diesel).

In Q1 2007 only motor diesel with low sulphur content (below 50 ppm) was produced, thereof 53.5% presented production of diesel with RME (rapeseed methyl ester) compared to 29.2% in Q1 2006. Motor diesel with ultra low sulphur content (below 10 ppm) reached 32.6% of the total motor diesel production. In Q1 2007, Slovnaft produced only bio gasolines with ETBE.

Financial overview

Overview of the environment

In Q1 2007, the crude oil price has averaged 57.8 USD/bbl, which was less by 4.0 USD/bbl compared to Q1 2006. The main factors affecting the crude price were, besides exceptionally mild winter in the major consuming countries, also concerns about escalating tension between Iran and U.S. about Iran's nuclear program and also continuing unrest in Nigeria, the major crude supplier to the U.S.

Motor gasoline crack spread increased by 19.3 USD/t compared to Q1 2006. The main reason behind this fact was mainly a continuing strong demand in the major consumers. The falling commercial gasoline stocks in the U.S. ahead of the motorist season also contributed to an increasing tendency of motor gasoline crack spreads in Q1 2007 compared to Q1 2006.

The development of motor diesel crack spread in Q1 2007 was significantly influenced by a strong economic growth triggering a higher consumption of middle distillates. Motor diesel crack spread increased by 8.4 USD/t in Q1 2007 compared to the comparable period of the last year.

Financial Operations

Profit and loss statement

Net revenue lower by SKK 6.1 bn was influenced by the stronger SKK and lower quoted prices of refinery products. Material costs decreased by SKK 4.3 bn, impacted by the lower crude oil price and the volume processed. Material-type services costs were higher by SKK 53 mln mainly as a result of higher transportation cost. In Q1 2006, both net revenue and COGS were influenced by one-off transaction of the crude oil sale, which compared to 2007 resulted in a difference in impacted items by SKK 2.7 bn. A decrease in personnel costs by SKK 62 mln reflected a lower number of employees compared to Q1 2006. Depreciation was in line with Q1 2006. The other expenditures and other cost show only minor contrary movements and almost offset each other. Changes in own production stock were lower by SKK 1.5 bn mainly connected with lower crude oil product quoted prices and different production and sales structure compared to a year ago. Lower profit from financial transactions by SKK 32 mln reflected the development of foreign exchange rates.

Balance sheet

Property, plant and equipment remained at the same level as in Q1 2006 value. Inventories decreased by SKK 2.3 bn as a result of lower quoted prices and lower level of semi-finished products. The above-mentioned one-off sale of crude oil in Q1 2006 impacted also differences in balance sheet items trade receivables and payables by about SKK 2.7 bn. Trade receivables totally decreased by SKK 5.5 bn also due to lower quoted prices. The increase in other current assets by SKK 1.3 bn resulted from an intra-group loan within the MOL Group. Trade and other payables were lower by SKK 6.1 bn also due to the lower crude oil price. Short-term and long-term bank loans show only minimal values.

APPENDIX I.
CONSOLIDATED IFRS PROFIT AND LOSS STATEMENT FOR SLOVNAFT
GROUP
FOR THE PERIOD ENDED 31 MARCH 2007
Unaudited figures (in SKK mln)

	Q1 2006	Q1 2007	% change
Net revenue	28,534	22,465	(21)
Other operating income	301	389	29
TOTAL OPERATING REVENUES	28,835	22,854	(21)
Material costs	21,948	17,643	(20)
Material-type services used	560	613	9
Cost of goods purchased for resale	3,998	861	(78)
Inter-mediated services	428	357	(17)
Material-type expenses	26,934	19,474	(28)
Payroll expenses	492	489	(1)
Other personnel-type expenses	284	224	(21)
Personnel-type expenses	776	713	(8)
Depreciation, depletion, amortisation and impairment	891	899	1
Other costs	432	376	(13)
Other expenditures	88	133	51
Other operating expenses	520	509	(2)
Changes in own production stock	2,024	542	(73)
Capitalised own production	12	85	608
TOTAL OPERATING EXPENSES	27,085	20,968	(23)
PROFIT FROM OPERATIONS	1,750	1,886	8
Finance revenues	37	59	59
Finance costs	130	184	42
PROFIT/(LOSS) FROM FINANCIAL			
TRANSACTIONS	(93)	(125)	n.a.
Profit/(Loss) from associates	6	6	0
PROFIT BEFORE TAX	1,663	1,767	6
Corporate income tax - current	267	289	8
Corporate income tax - deferred	83	14	(83)
PROFIT FOR THE YEAR	1,313	1,464	12
Attributable to:			
Equity holders of the parent	1,314	1,463	11
Minority interest	(1)	1	n.a.

APPENDIX II.
CONSOLIDATED IFRS BALANCE SHEET FOR SLOVNAFT GROUP
AS AT 31 March 2007

Unaudited figures (in SKK mln)

	31 March 2006	31 March 2007	Change %
ASSETS			
Non-current assets			
Intangible assets	686	647	(6)
Property, plant and equipment	39,890	39,650	(1)
Investments in associated companies	109	103	(6)
Available-for-sale financial assets	1,432	1,845	29
Deferred tax asset	8	-	(100)
Other non-current assets	54	38	(30)
Total non-current assets	42,179	42,283	0
Current assets			
Inventories	10,353	8,076	(22)
Trade receivables	13,223	7,676	(42)
Available-for-sale financial assets	1	102	10,100
Other current assets	6,574	7,882	20
Cash and cash equivalents	1,759	2,189	24
Total current assets	31,910	25,925	(19)
Assets classified as held for sale	518	-	(100)
TOTAL ASSETS	74,607	68,208	(9)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	20,625	20,625	0
Share premium	3,649	3,649	0
Reserves	27,686	26,592	(4)
Net income attributable to equity holders of the parent	1,314	1,464	11
Equity attributable to equity holders of the parent	53,274	52,330	(2)
Minority interest	56	56	0
Total equity	53,330	52,386	(2)
Non-current liabilities			
Long-term debt, net of current portion	-	18	n.a.
Provisions for liabilities and charges	837	1,223	46
Deferred tax liability	632	997	58
Government grants and other non-current liabilities	758	681	(10)
Total non-current liabilities	2,227	2,919	31
Current liabilities			
Trade and other payables	17,878	11,734	(34)
Provisions for liabilities and charges	417	447	7
Short-term debt	754	722	(4)
Current portion of long – term debt	1	0	(100)
Total current liabilities	19,050	12,903	(32)
Total liabilities	21,277	15,822	(26)
TOTAL EQUITY AND LIABILITIES	74,607	68,208	(9)

APPENDIX III.
CONSOLIDATED IFRS STATEMENT OF CASH FLOW FOR SLOVNAFT
GROUP
FOR THE PERIOD ENDED 31 March 2007
Unaudited figures (in SKK mln)

	Q1 2006	Q1 2007	Change %
Net cash provided by operating activities	(5,893)	1,372	n.a.
Of which changes in working capital	(7,819)	(771)	n.a.
Cash flows from investing activities			
Capital expenditures	(1,085)	(1,135)	n.a.
Proceeds from the disposal of fixed assets	125	312	150
Proceeds from the disposal of subsidiary undertakings and the available-for-sale financial assets	65	-	(100)
Changes in loans and long-term bank deposits	(8)	1	n.a.
Long-term loans (granted) / repaid	6,427	-	(100)
Net short-term loans (granted) / repaid	(539)	(1,125)	n.a.
Interest received and other financial income	39	54	38
Net cash provided/(used) in investing activities	5,024	(1,893)	n.a.
Cash flows from financing activities			
Changes in other long-term liabilities	-	(1)	n.a.
Changes in short-term debt	250	92	(63)
Interest paid and other financial costs	(3)	(18)	n.a.
Net income from derivative transactions	-	(6)	n.a.
Net proceeds from short-term non-bank borrowings	521	(389)	n.a.
Net cash provided/(used) in financing activities	768	(322)	n.a.
Net increase/(decrease) in cash and cash equivalents	(101)	(843)	n.a.
Cash and cash equivalents at the beginning of the period	1,872	3,085	65
Effects of exchange rates changes (on cash and cash equivalents)	(12)	(53)	n.a.
Cash and cash equivalents at the end of the period	1,759	2,189	24

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

FY 2006	CRUDE OIL PROCESSING (kt)	Q1 2006	Q1 2007	Change%
5,934.4	Imported crude oil	1,539.1	1,217.9	(20.9)
5,641.5	TOTAL REFINERY THROUGHPUT	1,427.6	1,357.9	(4.9)
FY 2006	REFINED PRODUCT SALES (kt)	Q1 2006	Q1 2007	Change%
1,494.7	Total domestic sales	284.1	312.9	10.12
4,073.7	Total export sales	992.3	984.8	(0.76)
5,568.4	TOTAL CRUDE OIL PRODUCT SALES	1,276.4	1,297.7	1.67

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

Shareholder	31 March 2007
MOL Nyrt	98.4
Other legal entities	0.3
Individual shareholders	1.3
Total	100.0

No significant changes in the shareholding structure were reported during Q1 2007.