



MOL HUNGARIAN OIL AND GAS Co.

1998 FIRST QUARTER RESULTS

This report contains consolidated¹ financial statements for the three months ended 31 March 1998 of MOL Hungarian Oil and Gas Co. as prepared by the management in accordance with International Accounting Standards (IAS) and Hungarian Accounting Standards (HAR). *Please note that quarterly figures in this report are unaudited.*

Financial Highlights

1997 Full Year IAS		Q1 1997 IAS		Q1 1998 IAS	
HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾
637.0	3,411.9	169.9	988.5	174.5	837.5
581.9	3,116.8	159.4	928.8	174.5	837.5
50.0	267.8	20.7	120.5	21.0	101.0
30.6	163.9	12.7	74.1	17.6	84.5
314.0	1.68	131.6	0.77	180.7	0.87

⁽¹⁾ In converting HUF financial data into US Dollars, the following average NBH middle rates were used - for 1997: 186.7 USD/HUF, for the first three months of 1997: 171.89 USD/HUF, for the first three months of 1998: 208.3 USD/HUF. ⁽²⁾ Net sales have been adjusted to make results comparable after the introduction of the New Excise Tax ⁽³⁾ Net income in accordance with IAS means Net profit attributable to shareholders.

IAS consolidated¹ operating profit for the first three months of 1998 was HUF 21.0 bn, profit before taxation was HUF 20.4 bn, while net income reached HUF 17.6 bn. Operating profit grew by 1.6%, while net income was 38.6% higher over the same period in 1997. Earnings per share for the period was HUF 180.7. Increase in net earnings was mainly attributable to the parent company of the Group (MOL Rt.) which increased its performance despite a significant reduction in crude oil prices and lower first quarter production and sales of natural gas and LPG explained mainly by an unusually mild winter period. Unconsolidated operating profit increased by 16% from HUF 16.3 to HUF 19.0, profit before taxation grew 35% (from HUF 14.7 bn up to HUF 19.8 bn) and profit after taxation was up 48% (from HUF 12.2 bn up to HUF 18.0 bn). At the same time the profit contribution from the consolidated subsidiaries fell, chiefly as a result of the decline in the profitability of fertiliser producer Nitrogénművek Rt., where lower fertiliser prices reduced operating profit from HUF 2.6 bn in the first three months of 1997 to HUF 1.8 bn in the first quarter of 1998.

Exploration and Production (including fully consolidated subsidiaries engaged in Upstream activities) achieved an IAS operating profit of HUF 17.6 bn while Refining and Marketing (including fully consolidated subsidiaries related to Downstream activities) contributed HUF 5.6 bn to IAS Group operating profit. Corporate and other operating income (including the results of fully consolidated subsidiaries engaged in corporate activities as well as eliminations and IAS adjustment) incurred a net loss of HUF 2.2 bn.

The strong operating cash flow (HUF 49.3 bn in the first quarter of 1998) allowed a reduction in the net debt of the group thus the net debt to equity ratio fell to 21.3% at the end of the period.

Main IAS adjustments were an increase in provision for the elimination of past environmental damages, an increase in the accruals for restoration costs of abandoned oil and gas fields and a decrease in future refinery maintenance costs. Total IAS adjustments decreased net income (after minority interest) in the first quarter by HUF 0.9 bn. HAR consolidated profit after taxation was higher by this amount and reached HUF 18.5 bn, representing a 25% growth over the same period 1997.

¹ Involved in full consolidation in accordance with both HAR and IAS were Rotary Rt., GES Kft., Geoinform Kft, MOL-Chem Kft, MOLTRADE-Mineralimpex Rt., MOLLÍZING Kft., Kunpetrol Kft., Petrolszervíz Kft., Petroszolg Kft., MOLTRANS Kft., Dunafiksz Kft, MOL-Románia Kft., MOL-Szlovákia Kft. (all 100% owned by MOL) as well as Zsámbékgáz Rt (95%), Olajterv Rt. (86%), Izobutilén Ltd. (68%), Nitrogénművek Rt., (59.34%), Börzsönygáz Kft. (95%), Terméktároló Rt. (74%) and ZAB Rt. (49% owned by MOL) were included in full consolidation. MOL-Hotels Rt. (100%) was brought into consolidation from the first quarter of 1998.



Sectoral Performance

Exploration and Production

1997 Full Year		UPSTREAM Divisional IAS results	Q1 1997		Q1 1998		98/97 ch. %	
HUF bn	USD m		HUF bn	USD m	HUF bn	USD m	HUF bn	USD m
242.1	1,296.7	Net sales	78.0	453.8	92.1	442.2	+18.1	(2.6)
242.1	1,296.7	Adjusted net sales ⁽¹⁾	78.0	453.8	92.1	442.2	+18.1	(2.6)
32.5	147.1	Operating profit	17.1	99.5	17.6	84.5	+2.9	(15.0)
22.1	118.4	Depreciation	5.0	29.0	5.1	24.5	+2.0	(15.5)
161.6	865.6	Tangible assets	147.7	859.3	153.5	736.9	+3.9	(14.2)
35.8	191.8	Capital expenditures	n.a.	n.a.	3.7	17.8	-	-

Exchange rates used - 1997: 186.7 HUF/USD, 1997 Q1: 171.89 HUF/USD, 1998 Q1: 208.3 USD/HUF (average NBH middle rates) ⁽¹⁾ Net sales have been adjusted to make results comparable after the introduction of the New Excise Tax

In the first three months of 1998, IAS consolidated net sales revenues (third party sales only) for the Exploration and Production division were HUF 92.1 bn and operating profit was HUF 17.6 bn, representing a 3% profit growth over the same period last year (unconsolidated divisional HAR operating profit was HUF 17.5 bn, adjusted in the IAS accounts mainly by a HUF 0.3 bn increase in the accrual for the restoration of abandoned oil and gas production fields and a HUF 0.1 bn increase in sectoral environmental provisions as well as by the profit contribution of Upstream subsidiaries). The Division spent HUF 3.7 bn on capital expenditures and HUF 1.7 on investments and expensed a further HUF 1.4 bn in exploration costs. The decline in market price of crude oil, condensates, and LPG and the lower gas and LPG production and sales volumes caused by milder weather all had a negative impact on the profitability of the Division, which was fully offset by improving returns from the natural gas business.

Natural gas sales volumes were 4.2 bcm (0.3 bcm or 7.5% lower than in the first three months of 1997). Import sources of 3.0 bcm (same as in 1Q 1997) secured 71% of natural gas sales (in the same period of 1997 import sources represented only 62% of total natural gas sales) and 1.2 bcm was sold from domestic production. Total net dry gas production was 1.0 bcm, showing a 25% decline compared to the same period of 1997 (1.4 bcm).

According to valid natural gas regulation, in the period so far elapsed from the current regulatory year (i.e. from 1 July 1997 until 31 March 1998) the natural gas business (encompassing natural gas exploration, production, storage, transmission and wholesale activities) had an estimated profit of HUF 2.3 bn, taking into account - as specified in the price regulation - HUF 1.8 bn of allocated interest costs, HUF 5.9 bn of inventory holding costs and HUF 3.7 bn of allocated overhead costs. In the first quarter of the year, the profit position of the gas business improved further. The gap between the average wholesale and import prices narrowed significantly (whilst the difference was 4.4 HUF/m³ in the first quarter of 1997, it reduced to a mere 0.8 HUF/m³ in Q1 1998), as a result of a 6% wholesale price increase in 1 January 1998, lowering contractual import prices due to sharply declining competing fuel prices as well as the reduction of the 5% statistical and import duty on CIS natural gas imports to 3%. Average sales price increased by 30% and reached (including transmission fee) 19.4 HUF/m³ (from 14.9 HUF/m³ in Q1 1997) while the average import price increased from 19.3 HUF/m³ to 20.2 HUF/m³ representing a modest 4.7% growth.

Natural gas sales (including transmission revenues) increased by HUF 13.6 bn to HUF 81.3 bn, as a result of higher sales prices despite lower sales volumes. Natural gas transit revenues decreased from HUF 2.2 bn in the first quarter of 1997 to HUF 2.1 bn in first quarter 1998, volumes reducing from 0.8 bcm to 0.7 bcm. Total LPG sales dropped by 38.7% (from 62 kt to 38 kt) and LPG sales revenues were HUF 1.7 bn, strongly decreasing by HUF 1.4 bn on Q1 1997 also to lower prices. LPG volume declines have been caused by a mild winter. LPG production (from E&P) declined from 47.3 kt to 40.1 kt. Revenues from other gas products reduced from HUF 1.0 bn to HUF 0.8 bn and volumes went down by 4.9 kt to 18.6 kt. Revenues from condensates sales (at transfer prices) decreased by HUF 1.4 bn to HUF 2.2 bn, while volumes fell from 125 kt to 91.4 kt as condensates are mainly extracted from the company's natural gas fields. Domestic crude oil production was 319 kt in the first three months 1998 of which 305.1 kt was transferred to Refining (5.2% less than in the same period in 1997. Revenues from crude oil (at transfer prices) were HUF 6.5 bn, decreasing by HUF 1.9 bn due to the decline in crude oil production and transfer prices.



Refining and Marketing

1997 Full Year		DOWNSTREAM Divisional IAS results	Q1 1997		Q1 1998		98/97 ch.%	
HUF bn	USD m		HUF bn	USD m	HUF bn	USD m	HUF bn	USD m
421.6	2,258.2	Net sales	82.4	479.4	85.4	410.0	+3.6	(14.5)
366.5	2,132.2	Adjusted net sales ⁽¹⁾	71.9	418.3	85.4	410.0	+18.8	(2.0)
23.9	128.0	Operating profit	1.3	7.6	5.6	26.9	+330.8	+253.9
14.2	76.6	Depreciation	3.1	18.0	3.5	16.8	+12.9	(6.7)
125.6	672.7	Tangible assets	97.7	568.4	136.2	653.9	+39.4	+15.0
29.3	156.9	Capital expenditures	n.a.	n.a.	4.2	20.3	-	-

Exchange rates used - 1997: 186.7 HUF/USD, 1997 Q1: 171.89 HUF/USD, 1998 Q1: 208.3 USD/HUF (average NBH middle rates). ⁽¹⁾ Net sales have been adjusted to make results comparable after the introduction of the New Excise Tax

IAS net sales revenues for the Refining and Marketing division for the first three months of 1998 were HUF 85.4 bn and operating profit reached HUF 5.6 bn (unconsolidated divisional HAR operating profit was HUF 5.1 bn and was adjusted under IAS for a HUF 0.3 bn increase in sectoral environmental provision and for the HUF 0.7 bn decrease in the accrual for future maintenance costs at the Duna Refinery as well as by the profit contribution of Downstream subsidiaries). Under IAS, the Division spent HUF 4.2 bn on capital expenditures. The profitability of the division was improved by increasing demand for higher value products, improving refining industry margins and the lower purchase price of imported crude oil.

During the first three months of 1998, MOL refined 1.36 Mt of imported crude oil (solely Russian Ural Blend type). The crude oil import price declined by 37% in dollar terms and by 25% in the Forint terms. Domestic demand for refined products increased on the back of a stable market share, while MOL's domestic oil product sales were up 10% to 1289 kt compared to the same period of last year. At the same time, export sales decreased by 5% to 403 kt. Domestic demand for motoric gasolines and gasoils showed an encouraging growth while fuel oil demand increased strongly. In the first three months of 1998, our total motoric gasoline sales increased by 5% (domestic sales increasing by 6% and exports going up by 1%). Total gas and heating oil sales went up by 3% as domestic sales grew by 8% and gas oil exports fell by 4%. Sales of fuel oils increased very strongly by 27%. Bitumen sales increased significantly, by 70%, due to the better export conditions, higher domestic demand and an unexpected seasonal jump in demand due to a mild winter. Lubricants sales increased by 6% chiefly due to improving export sales. We were able to maintain our leading domestic market shares in key product groups: wholesale market share in motoric gasolines was 85% (86% in Q1 1997), and for gas and heating oils was 86% (89% in the same period of 1997). Market share in fuel oils went up to 74% (from 62%), while in bitumens MOL kept its market share of 98% and in lubricants a 64% market share was recorded (65% in the same period of 1997). In the first three months of 1998, sales revenue contributions of the main product groups were as the follows: motoric gasolines - HUF 41.6 bn (excluding excise duty HUF 15.9 bn), gas and heating oils - HUF 43.6 bn (excluding excise duty: HUF 20.5 bn), fuel oils - HUF 7.4 bn and lubricants - HUF 4.8 bn.

Explained by exceptionally mild weather and improving macroeconomic background, domestic retail oil product sales increased strongly during the period: retail sales of motoric gasolines went up by 8% and retail gas oils sales increased by 19%, leading to a strong increase in total retail white products sales of 12%. According to data supplied by the Hungarian Petroleum Products Association (MÁSZ) which does not include independent retailers' sales, MOL's retail market share was 40% for both motoric gasolines and gas and heating oils in the first three months of 1998 (increasing by 2% in gasolines and 3% in gas and heating oils over the same period of 1997), while MOL's retail market share in lubricants was around 61% (57% in Q1 1997). The ongoing filling station modernisation programme helped us to increase retail market shares, as by the end of the quarter 187 MOL 2000 stations (in full conformity with modern service and environmental standards) were in operation in Hungary. We had 28 filling stations in the neighbouring countries at the end of the period (16 in Romania, 8 in Slovakia and 3 in Ukraine and 1 in Croatia) and a number of new filling stations will be opened later in the year.



Financial Overview

Overview of the Business Environment

In the first three months of 1998, average Brent dated crude price was 14.04 USD/bbl, decreasing by 34% (from 21.11 USD/bbl) over the same period of 1997. Med quoted price of Ural Blend crude (dominating MOL's crude purchases) was 35% lower than in the first three months of 1997. Gasoline prices shown a decrease of 26% whilst gas oil and fuel oil prices were 30% and 33% lower respectively (in this calculation, CIF Med quoted product prices were used). Indicative Ural Med complex refining margins averaged 1.89 USD/bbl in the first quarter of 1998 against an average of 1.52 USD/bbl for the last quarter of 1997. The US dollar, the main foreign trading currency of MOL, appreciated by 21% against the Forint on Q1 1997 (from HUF 171.9 to HUF 208.3), while the closing exchange rate also grew by 21% over the same period (from HUF 213.2 to HUF 176.2). This exceeded the 13.1% official devaluation of the Forint by the NBH against the currency basket, this is explained by an increase in the DEM/USD cross currency rate from 1.67 in March 1997 to 1.84 by the end of March 1998.

Revenues, costs and expenditures

IAS consolidated net sales revenues were HUF 174.5 bn in the first three months of 1998. As a New Excise Tax was introduced from the beginning of 1998 comprising the previous road fund contribution (which was HUF 9.3 bn in the first quarter of 1997) and the environmental levy (this was HUF 1.2 bn in the first quarter of 1997). These two product tax items are no longer shown either in net sales revenues nor deducted under other costs and expenditures. Excluding these two former product tax items from net sales, adjusted net sales revenues were HUF 159.4 bn in the first quarter of 1997 and 1998 sales showed a 9.4% growth on this modified basis. Export revenues were HUF 23.4 bn, representing 13.4% of total net sales.

Expenses of materials increased from HUF 108.2 bn to HUF 118.1 bn, showing a 9% increase of which raw material costs decreased to HUF 37.2 bn (mainly reflecting the declining price of crude oil purchased by MOL Rt.) and cost of goods purchased for resale (mainly natural gas) grew to HUF 72.1 bn. Personnel expenses went up by 30% from HUF 8.9 bn to HUF 11.6 bn in the first three months of 1998 compared to the same period of 1997. This increase is partly explained by bringing new subsidiaries into full consolidation. Personnel expenses of MOL Rt. increased from HUF 6.9 bn to HUF 8.6 bn, showing a 24.6% increase. As in the first quarter of 1998 the company distributed MOL shares to its employees in a value equivalent to half a month's wage, resulting in a total cost of HUF 0.6 bn and wages increased by a yearly average of 16% which was backdated to January 1998. In 1997, both the share compensation and the retrospective wage increase were implemented in the second quarter, making the comparison of the two periods less useful. Depreciation was HUF 9.6 bn, HUF 1.0 bn higher than in the same period of 1997. Several reclassification became necessary in the other costs and expenditures categories. With an effect from 1 January 1998, the road fund contribution and environmental levy are no longer shown under these categories and mining royalties (which were HUF 5.2 bn in the first quarter of 1997 and reduced to HUF 3.4 bn in the same period of 1998) are to be shown under other costs instead of the previous categorisation as an other expense item. Taking into account these reclassifications, other costs were HUF 9.2 bn representing an 11% decline in the first quarter of 1998. Adjusted other expenditures increased by 6% from HUF 6.6 bn to HUF 7.0 bn in the first three months of 1998, chiefly due to a rise in the contribution payable to the Crude Oil and Crude Oil Product Stockpiling Association (KKKSz) increasing from HUF 2.2 bn to 3.8 bn.

As a consequence of these items, IAS operating profit increased from HUF 20.7 bn to HUF 21.0 bn in the first quarter of 1998, showing a 1.6% growth over the same period last year. Financial income usually consists predominantly of interest receivable however in the first quarter of 1998 it also contained part of the capital gain achieved on the sale of our minority shareholding in the major Hungarian cellular company, Pannon GSM Rt. However, because the pre-emption rights of some shareholders in Pannon GSM were only approved by the regulator after the closing of our accounts, the remaining portion of the sale as well as the capital gain on it, is expected to be accounted for during the second quarter of 1998. Including this item, financial income reached HUF 4.5 bn, while financial expenses - consisting of interest payable (HUF 3.4 bn) and exchange losses on foreign currency loans (HUF 1.8 bn) - reached HUF 5.2 bn. IAS profit before taxation was HUF 20.4 bn, and profit after taxation reached HUF 18.2 bn. After deducting the share of minority interests in group profits, net income attributable to shareholders was HUF 17.6 bn. Consolidated HAR operating profit went up to HUF 19.6 bn (showing a 2.6% growth) while profit after taxation was HUF 18.5 bn, representing a 25% growth over the same period of 1997.



Summary of main differences between IAS and HAR

- Under IAS provisions are to be created for the elimination of environmental damages caused in the past and in order to comply with known environmental protection legislation. The existing provision was indexed by the relevant inflation figure and the expenses borne in carrying out rehabilitation activities as specified in the environmental audit during the first three months of 1998 have been deducted, resulting in an increase of HUF 0.4 bn in the provision.
- In accordance with IAS, the company accrues abandonment costs of oil and gas producing fields on a unit of production basis. This decreased profits by HUF 0.3 bn in the first three months of 1998.
- Accruals for future maintenance costs at the Duna Refinery was reduced under IAS by HUF 0.7 bn in the first three months of 1998 as a result of general overhauls started in some refinery units, increasing IAS results compared to HAR by this amount.
- Deferred tax due to the balance of other IAS modifications, subject to taxation, increased profits under IAS by HUF 0.3 bn in the first three months of 1998.

Cash flow

IAS cash flow from operations in the first three months of 1998 was HUF 49.3 bn, within which decreases in working capital needs increased the Group's funds by HUF 17.8 bn. This positive development was driven by a HUF 13.3 bn decrease in inventories, a HUF 1.2 bn decrease in debtors, a HUF 1.3 bn decrease in other short-term receivables and an increase of HUF 5.2 bn in other short term liabilities. This was reduced by a HUF 3.3 bn decline in creditors. Returns on investment and servicing of finance increased disposable cash flow by HUF 0.7 bn while corporate tax paid decreased funds by HUF 2.5 bn. Capital expenditure outflows were HUF 20.5 bn. Internally generated funds from profits, depreciation and working capital savings significantly exceeded the financing needs created by capital investment and as a result, the Group reduced its net debt position (net debt reduction led to a HUF 10.1 bn financing net cash outflow).

Balance sheet analysis

IAS total assets amounted to HUF 546.2 bn at 31 March 1998, 23% higher than in the same period of 1997. Work in progress and advance payments were HUF 36.0 bn representing a 97% increase compared to 31 March 1997. Inventories reached HUF 74.6 bn, 24% higher than at the end of the first quarter 1997 (HUF 60.1 bn) mainly due to value of goods purchased for resale increasing from HUF 15.1 bn to HUF 26.3 bn (by 74%), caused by higher natural gas inventory values. Natural gas inventories increased chiefly due to the seasonal pattern of lower withdrawal from storage as a response to lower sales volumes. At the same time, crude oil stock volumes increased as a result of the company's effort to increase stocks at low purchase cost, while crude oil product stock volumes showed a further slight decline.

Inventories (MOL Rt.)	31 March 1997		30 June 1997		30 Sept 1997		31 Dec 1997		31 March 1998	
	volume	HUF bn	volume	HUF bn	volume	HUF bn	volume	HUF bn	volume	HUF bn
Crude oil (kt)	392.1	7.6	375.3	7.3	330.2	6.9	319.2	6.5	497.9	8.6
Gasolines (kt)	279.3	6.7	220.4	5.9	208.6	5.1	190.8	5.3	258.2	6.7
Gas and heating oils (kt)	249.0	6.8	232.8	5.9	216.5	5.8	223.3	5.9	304.7	7.6
Fuel oil (kt)	259.5	3.9	275.9	3.8	185.1	2.7	178.9	2.8	94.8	1.6
Other refined product (kt)	295.8	7.9	311.5	7.8	244.6	6.4	256.6	7.1	156.0	5.2
Total crude oil products (kt)	1475.7	32.9	1415.9	30.7	1185.0	26.9	1168.8	27.6	1311.6	29.7
Gas (working + cushion, Mm ³)	1197.4	11.5	2265.2	29.6	3744.7	54.5	2858.2	40.8	1633.7	20.3
Total	-	44.4	-	60.3	-	81.4	-	68.4	-	50.0

Receivables were HUF 93.4 bn, showing a 22% increase on 31 March 1997. Within receivables, debtors were HUF 71.6 bn, 9% higher than at the end of March, 1997. Securities and liquid assets were HUF 39.7 bn on 31 March 1998, by HUF 25.7 bn higher than at the end of the same period last year. Creditors increased from HUF 26.6 bn to HUF 28.8 bn showing an 8% increase. Other short term liabilities were 28% higher than at the end of March 1997 and reached HUF 59.7 bn. This mainly contained taxes payable resulting from normal business operations. Short term loans and credits were HUF 37.4 bn (short term debt contains the short-term portion of long-term debt, i.e. repayable within one year) lower by HUF 11.7 bn than the position on 31 March 1997. MOL's capital expenditure programme has been partially financed by an increase in long-term loans and, as a result, long term liabilities grew by 88%. Long term loans and credits, which are the largest part of this account, increased from HUF 26.6 bn to HUF 76.0 bn (showing a 186% increase on 31 March, 1997). The largest item of other long-term liabilities was the accrual for field abandonment costs, increasing to HUF 31.9 bn by the end of March 1998.



Key Operating Data

HYDROCARBON PRODUCTION	1997	1996	1997	1998	98/97 ch (%)
(gross figures)	Full year	Q1	Q1	Q1	
Crude oil production, kt	1360	380	334	319	(4.5)
Condensates production, kt	388	157	127	93	(26.8)
LPG production, kt	167	60	47	44	(6.4)
Production of other gas products, kt	100	31	29	27	(6.9)
NATURAL GAS BALANCE	1997	1996	1997	1998	98/97 ch (%)
million m ³	Full year	Q1	Q1	Q1	
Production (net dry)	4365	1682	1404	1049	(25.3)
Import	8080	2115	1791	1978	+10.4
Movements in storage inventories	(247)	1216	1414	1207	(14.6)
TOTAL SOURCES	12198	5013	4609	4234	(8.1)
Sales to Gas Distr. Companies (GDCs)	9094	4214	3799	3451	(9.2)
Sales to power sector	1496	304	343	379	+10.5
Sales to industrial and other consumers	1226	384	370	328	(11.4)
TOTAL THIRD PARTY SALES	11816	4902	4512	4158	(7.8)
Loss and own consumption	382	111	97	76	(21.6)
TOTAL SALES AND LOSSES	12198	5013	4609	4234	(8.1)
REFINING	1997	1996	1997	1998	98/97 ch (%)
thousand tons	Full year	Q1	Q1	Q1	
Processing of domestic crude oil	1335	365	300	282	(6.0)
Processing of imported crude oil	5362	1338	1361	1355	(0.4)
Processing of condensates	363	156	119	91	(23.5)
Other processing	577	127	120	188	+56.7
TOTAL REFINERY THROUGHPUT	7637	1986	1900	1916	+0.8
REFINED PRODUCT SALES	1997	1996	1997	1998	98/97 ch (%)
Hungary, thousand tons	Full year	Q1	Q1	Q1	
Gas and heating oils	1566	335	314	340	+8.3
Gasolines	1157	195	232	246	+6.0
Fuel oils	1309	530	325	412	+26.8
Special gasoline and naphta	737	183	193	184	(4.7)
Bitumens	232	16	14	17	+21.4
Lubricants	63	17	13	13	0.0
Other products	295	88	85	77	(9.4)
TOTAL	5359	1364	1176	1289	+9.6
Other markets (exports), thousand tons					
Gas oils	830	237	203	194	(4.4)
Gasolines	411	85	86	86	0.0
Lubricants	85	22	19	21	+10.5
Bitumens	99	5	6	17	+183.3
Other products	369	97	111	85	(23.4)
TOTAL EXPORT	1794	446	425	403	(5.2)
TOTAL PRODUCT SALES	7153	1810	1601	1692	+5.7
HEADCOUNT	1997	1996	1997	1998	98/97 ch (%)
(full-time employees only)	Full year	Q1	Q1	Q1	
Total average headcount	14344	15960	14607	13911	(4.8)
TOTAL CLOSING HEADCOUNT	14059	15928	14519	13911	(4.2)



Changes in MOL's Ownership Structure

The table below shows changes in the ownership structure of MOL through the first three months of 1998 - reflecting significant changes following the privatisation process - in accordance with the Company's Share Register:

Shareholder Groups	31 March 1997	30 June 1997	30 Sept 1997	31 Dec 1997	31 March 1998
ÁPV Rt. (Hungarian State Privatisation and Holding Co.)	58.7%	36.2%	36.2%	36.2%	25.0%
Foreign investors (mainly institutional)	31.5%	46.0%	44.5%	45.1%	56.5%
Employees and management	3.9%	3.7%	3.7%	3.7%	4.6%
Hungarian private and institutional investors and others	3.7%	12.0%	13.6%	13.0%	11.8%
Municipalities	1.1%	1.2%	1.1%	1.1%	1.1%
MOL Rt.	1.1%	0.9%	0.9%	0.9%	1.0%

According to the Share Register MOL Rt. had two shareholders whose ownership in the ordinary shares exceeded 5%: the ÁPV Rt. owns 25.0% of the shares, while MOL's depository bank for its GDR programmes, The Bank Of New York has 38.9% of the shares registered under its name. We note that these figures changed reflecting the results of the recent privatisation transaction carried out in March 1998. The number of treasury shares held by MOL Rt. went up by 66,016 from 941,003 to 1,007,019 as a result of shares purchased from employees in connection with the company's share incentive schemes.

Extraordinary Announcements During the First Quarter of 1998

MOL announced on 19 January 1998, that - as a member of a consortium - it signed a production sharing agreement for onshore blocks 1,4 and 5 in Albania. The Company announced on 29 January that it had signed a 20-year natural gas transit agreement with NIS, the Yugoslavian oil company. According to the contract MOL is expected to transit a total of 73 bcm natural gas into the country until the year 2018. On 5 February 1998 MOL announced that in accordance with a Resolution issued by the Minister of Finance, the Company is exempted from paying 40% of the statistical and custom fee. These fees have therefore been reduced from 5% to 3% (on 17 March MOL also announced that following the Resolution issued by the Ministry of Finance, a full waiver was granted for the second quarter of 1998). On 16 February MOL obtained an exploration permit for Block 48 in Yemen. On 25 February the Company signed a letter of intent with TVK Rt., the major Hungarian petrochemicals company to utilise their propylene production. According to the letter of intent, the parties will examine the feasibility of forming a new manufacturing and trading joint venture to be owned 50-50 by MOL Rt. and TVK Rt., respectively. On 3 March 1998 MOL announced that it sold its 8.5% minority holding in Pannon GSM Rt., a major cellular phone operator in Hungary. On 4 March MOL issued a HUF 10 bn syndicated loan agreement. On 9 March MOL announced that the Company signed an ECU 125 m (cca. HUF 28.5 bn) loan agreement with the European Investment Bank, a facility with also 15 years maturity. On 25 March MOL purchased 160,000 shares on the terms of the international private placement in line with the previously issued Offering Circular 1998 to cover its obligations under its incentive share distribution schemes. On 31 March the Company announced that the lawsuit in respect of the 1995 Annual General Meeting Resolution had been settled. The claim related to the conversion of preference bearer shares.

During the first quarter 1998 there were no change in MOL share ownership of senior management, the members Board of Directors and the Supervisory Board. There were also no major changes in the corporate structure.

Budapest 15 May 1998



APPENDIX I.

**CONSOLIDATED PROFIT & LOSS ACCOUNTS FOR THE MOL GROUP
FOR THE THREE MONTHS ENDED 31 MARCH 1998**
Unaudited figures (in HUF 000's)

	<u>HAR consolidated</u>		<u>IAS consolidated</u>		ch. %
	Q1 1997	Q1 1998	Q1 1997	Q1 1998	
Net domestic sales revenues	144 041 473	151 036 722		151 036 722	
Adjusted net domestic sales revenues (*)	133 560 811	151 036 722		151 036 722	
Net export sales revenues	25 581 723	23 161 040		23 416 984	
NET SALES REVENUES	169 623 196		169 907 749	174 453 706	2.7
ADJUSTED NET SALES REVENUES (*)	159 142 534	174 197 762	159 427 087	174 453 706	9.4
Other revenues	5 420 291	4 319 356	2 903 499	1 136 656	(60.9)
Different increasing consolidated profit		40 766			
Capitalised value of own produced assets	4 143 260	4 485 324		946 290	
Changes of own produced inventories	7 418 194	2 584 651			
Capitalised value of own performance	11 561 454	7 069 975	1 101 931	946 290	(14.1)
Raw material costs	49 309 947	43 052 458		37 176 880	
Value of material-type services used	5 711 703	6 607 319		5 907 319	
Cost of goods purchase for resale	61 584 831	72 061 498		72 061 498	
Value of subcontractor's performance	1 242 191	2 911 689		2 911 689	
Material-type expenditures	117 848 672	124 632 964	108 246 295	118 057 386	9.1
Wages and salaries	5 125 672	6 227 301		6 227 301	
Other payment to personnel	1 356 780	2 099 298		2 241 131	
Social insurance contribution	2 369 264	3 107 590		3 107 590	
Personnel expenditures	8 851 716	11 434 189	8 897 094	11 576 022	30.1
Depreciation and amortisation	8 572 884	9 524 796	8 585 825	9 633 017	12.2
Other costs	6 025 662		4 847 658	9 214 009	90.1
Adjusted other costs (*)	11 538 959	9 214 009	10 360 955	9 214 009	(11.1)
Other expenditures	26 146 400		22 629 619	7 021 745	(70.0)
Adjusted other expenditures (*)	10 152 441	11 233 202	6 635 660	7 021 745	5.8
Different decreasing consolidated profit	21 890				
OPERATING PROFIT	19 137 717	19 588 699	20 706 688	21 034 473	1.6
Interest received and interest-related revenues	413 166	2 021 501		2 021 501	
Dividend and profit-sharing received	116 231	131 702			
Other revenues from financial transactions	170 195	2 519 525		2 519 525	
Financial income	699 592	4 672 728	600 968	4 541 026	655.6
Interest paid and interest-related payments	2 008 542	3 413 254		3 413 254	
Write-off of financial investments	7 085	47 212			
Other expenditures on financial transaction	2 211	7 009		1 779 846	
Financial expense	2 017 838	3 467 475	4 919 991	5 193 100	5.6
FINANCIAL RESULT/LOSS	(1 318 246)	1 205 253	(4 319 023)	(652 074)	84.9
PROFIT BEFORE TAXATION AND EXTRAORD. ITEMS	17 819 471	20 793 952	16 387 665	20 382 399	24.4
Extraordinary income	659 310	2 419 386			
Extraordinary expense	561 279	2 506 953			
EXTRAORDINARY RESULT	98 031	(87 567)			
PROFIT BEFORE TAXATION	17 917 502	20 706 385	16 387 665	20 382 399	24.4
Tax payable	3 110 311	2 466 236	2 884 669	2 174 158	(24.6)
Latent tax from consolidation (+/-)	(12 743)	(295 725)			
PROFIT AFTER TAXATION	14 819 934	18 535 874	13 502 996	18 208 241	34.9
Share of profit of associated companies			150 000	131 702	(12.2)
Minority interests			(916 265)	(735 525)	(19.7)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS			12 736 731	17 604 418	38.2
NET PROFIT FOR THE YEAR	14 819 934	18 535 874	12 736 731	17 604 418	38.2

(*) Adjustments have been carried out due to the introduction of New Excise Tax in 1998.



APPENDIX II.

CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP
FOR THE THREE MONTHS ENDED 31 MARCH 1998
 Unaudited figures (in HUF 000's)

	<u>HAR consolidated</u>		<u>IAS consolidated</u>		ch. %
	31 March 1997	31 March 1998	31 March 1997	31 March 1998	
FIXED ASSETS	268 649 960	314 185 641	275 280 745	318 703 463	15.8
INTANGIBLE FIXED ASSETS	5 641 045	6 236 749	5 641 759	6 478 369	14.8
Rights, representing assets	280 256	483 358	280 256	483 358	72.5
Goodwill	225	125	225	125	55.6
Intellectual property	1 458 792	1 821 791	1 459 506	1 821 791	24.8
Capitalised value of research and development	3 901 772	3 918 751	3 901 772	3 918 751	0.4
Capitalised value of formation an restructuring expenses		12.724		12 742	
IAS goodwill				241 620	
TANGIBLE FIXED ASSETS	246 508 440	286 346 451	253 432 263	292 636 319	15.5
Land and buildings	173 882 950	186 121 632	173 653 193	185 853 940	7.0
Technical equipment, machinery, vehicles	45 153 566	50 822 775	52 299 515	57 380 335	9.7
Other equipment and fittings	9 182 624	13 451 349	9 190 232	13 451 349	46.4
Work in progress	17 403 556	35 122 758	17 403 579	35 122 758	101.8
Advance payments made towards capex	885 744	827 937	885 744	827 937	(6.5)
LONG-TERM FINANCIAL INVESTMENTS	16 500 475	21 602 441	16 206 723	19 588 775	20.9
Participations	14 353 775	16 434 271	14 201 831	16 660 917	17.3
Securities	315 125	636 287	315 125	636 287	101.9
Loans owed to the Company	1 503 179	2 291 571	1 504 914	2 291 571	52.3
Long term bank deposit	184 853		184 853		
Active balance of consolidation of equity from affiliates/JVs	143 543	2 240 312			
DEFERRED TAX			12 729 147	14 825 628	16.5
CURRENT ASSETS	155 468 389	215 592 527	150 969 817	207 686 475	37.6
INVENTORIES	60 302 515	75 432 906	60 114 102	74 614 403	24.1
Raw materials and consumable goods	17 663 085	20 801 442	17 474 915	19 983 145	14.4
Goods purchased for resale	15 090 188	26 297 214	15 090 188	26 297 214	74.3
Advance payments made towards inventories	245 233	885 059	245 233	885 059	260.9
Livestock	243	206			
Semifinished products	12 515 116	13 236 353	12 515 116	13 236 353	5.8
Finished products	14 788 650	14 212 632	14 788 650	14 212 632	(3.9)
RECEIVABLES	79 596 029	97 939 058	76 886 673	93 384 086	21.5
Accounts receivable	67 947 717	74 140 388	65 835 899	71 619 091	8.8
Draft receivables	65 466		65 466		
Other receivables	10 916 598	22 350 577	10 985 308	21 764 995	98.1
Active latent tax due to consolidation	666 248	1 448 093			
SECURITIES	7 070 182	12 975 340	5 424 992	10 442 763	92.5
Bonds purchase for resale	927 494	5 789 979	927 494	5 789 979	524.3
Treasury shares, share quotas, shares bought for sale	1 692 720	2 560 845	47 530	28 268	40.5
Other securities	4 449 968	4 624 516	4 449 968	4 624 516	3.9
LIQUID ASSETS	8 499 663	29 245 223	8 544 050	29 245 223	242.3
Cash	398 761	383 429	399 226	383 429	(4.0)
Bank deposits	8 100 902	28 861 794	8 144 824	28 861 794	254.4
PRE-PAID EXPENSES	4 621 459	5 491 249	3 962 082	4 951 062	25.0
TOTAL ASSETS	428 739 808	535 269 417	442 941 791	546 166 628	23.3



APPENDIX II. (CONT'D)

**CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP
FOR THE THREE MONTHS ENDED 31 MARCH 1998**
Unaudited figures (in HUF 000's)

	<u>HAR consolidated</u>		<u>IAS consolidated</u>		ch. %
	31 March 1997	31 March 1998	31 March 1997	31 March 1998	
SHAREHOLDERS' EQUITY	296 224 687	330 392 656	257 632 769	287 176 357	11.5
Issued share capital	98 400 001	98 400 001	96 754 811	97 437 863	0.7
Capital reserves	166 797 427	166 714 216	166 807 586	165 139 555	(1.0)
Retained earnings	12 975 347	40 530 330	(22 277 770)	741 873	
Retained profit from the year	14 819 934	18 535 874	12 736 731	17 604 418	38.2
Change on equity of affiliates (+/-)	2 606 919	5 061 621	0	0	
Change due to consolidation	(2 113 380)	(4 390 984)			
Difference of debt consolidation	0	197 381			
Difference from inter company profits consolidation	(2 113 380)	(4 587 765)			
Minority interests	2 738 439	5 540 998	3 611 411	6 252 648	73.1
PROVISIONS	4 559 380	3 305 666	24 348 618	27 186 757	11.7
Provision for expected losses	2 133 806	2 521 297	0	0	
Provision for expected liabilities	2 425 574	707 478	2 425 574	707 478	(70.8)
Other provisions	0	76 891	18 860 500	21 739 441	15.3
Badwill	0		3 062 544	4 739 838	54.8
LIABILITIES	124 851 701	191 847 714	157 853 326	223 413 133	41.5
LONG TERM LIABILITIES	30 339 242	81 217 290	57 580 166	108 177 194	87.9
Investment and development credits	23 619 742	63 257 387	23 619 742	63 257 387	167.8
Other long term credits	939 464	570 451	939 464	570 451	(39.3)
Long term loans	1 951 351	2 154 758	1 951 351	2 154 758	10.4
Outstanding bonds issued	52 390	10 052 390	52 390	10 052 390	190.9
Other long term liabilities	76 219	218 148	31 017 219	32 142 208	3.6
Passive capital consolidation balance from affiliates	3 700 076	4 964 156	0	0	
SHORT TERM LIABILITIES	94 512 459	110 630 424	100 273 160	115 235 939	14.9
Advance payments received from customers	1 047 798	2 024 177	1 057 798	2 024 177	91.4
Accounts payable (suppliers)	26 540 526	28 811 489	26 563 158	28 811 489	8.5
Drafts outstanding	6 033	12 869	6 033	12 869	113.3
Short term credits	25 721 580	22 548 205	25 721 580	22 548 205	(12.3)
Short term loans	185 310	2 159 675	185 310	2 159 675	
Other short term liabilities	41 011 212	55 074 009	46 739 281	59 679 524	27.7
ACCRUED EXPENSES	3 104 040	9 723 381	3 107 078	8 390 381	170.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	428 739 808	535 269 417	442 941 791	546 166 628	23.3



APPENDIX III.

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE MOL GROUP
FOR THE THREE MONTHS ENDED 31 MARCH 1998
Unaudited figures (in HUF millions)**

	1995	1996	1997	1Q 1998
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,486	66,249	77,790	49,321
of which movements in working capital	(26,708)	(1,031)	(22,569)	+17,763
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest and other financial income	2,066	3,942	3,783	4,541
Interest paid and other financial costs	(3,191)	(7,261)	(8,110)	(3,821)
Net cash provided by financing activities	(1,125)	(3,319)	(4,327)	720
TAXATION – COMPANY TAX PAID	(520)	(4,037)	(8,995)	(2,469)
INVESTING ACTIVITIES				
Capital expenditures and exploration costs	(51,746)	(55,555)	(76,635)	(11,284)
Proceeds from disposal of fixed assets	499	1,141	1,275	165
Net cash inflow on purchase of subsidiary undertaking		1,426	(1,239)	-
Net cash inflow on sale of subsidiary undertaking			195	-
Acquisition of other investments	(1,602)	(1,252)	(11,539)	(5,580)
Proceeds of disposal of investments		708	1,394	3,822
Changes in loans and long term bank deposits	470	(316)	(1,350)	(159)
Changes in short term investments	(875)	(1,380)	2,591	(7,430)
NET CASH USED IN INVESTING ACTIVITIES	(53,254)	(55,228)	(85,308)	(20,466)
FINANCING ACTIVITIES				
Issuance of long term debt	17,448	16,652	84,220	84
Repayments of long term debt	(7,092)	(7,776)	(67,627)	(1,391)
Changes in short term debt	19,270	(10,726)	1,626	(7,770)
Dividends received	508	274	325	-
Dividends paid to shareholders		(885)	(3,604)	-
Dividends paid to minority interest	(21)	(1)	(390)	(198)
Net repurchase of own shares	(1,171)	(474)	(27)	(861)
Sale of purchased share				
Bond issue			10,000	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	28,942	(2,936)	24,523	(10,136)
NET INCREASE/(DECREASE) IN CASH	(471)	729	3,683	16,974
Cash, beginning of the year	7,267	6,796	7,525	12,271
Adjustment to the subsidiaries brought into consolidation in 1997	-	-	1,063	-
Cash, end of the year	6,796	7,525	12,271	29,245

APPENDIX IV.



**KEY IAS FINANCIAL DATA BY BUSINESS SEGMENT
FOR THE YEARS 1995, 1996, 1997 AND THE THREE MONTHS ENDED 31 MARCH 1998**

NET SALES REVENUES (HUF million)	1995	1996	1997	Q1 1998
Exploration and Production	125,574	177,976	242,066	92,080
Refining and Marketing	228,460	314,187	421,629	85,434
Corporate and other	26,207	36,050	27,755	10,843
Eliminations and IAS adjustments	(10,247)	(30,631)	(54,405)	(13,903)
TOTAL	369,994	497,582	637,045	174,454

OPERATING PROFIT (HUF million)	1995	1996	1997	Q1 1998
Exploration and Production	11,899	26,366	32,497	17,567
Refining and Marketing	2,414	10,015	23,852	5,637
Corporate and other	(6,975)	(4,074)	(3,393)	(56)
Eliminations and IAS adjustments	1,506	(65)	(2,949)	(2,114)
TOTAL	8,844	32,242	50,007	21,034

CAPITAL EXPENDITURES (HUF m)	1995	1996	1997	Q1 1998
Exploration and Production	20,463	23,161	35,778	3,748
Refining and Marketing	18,007	20,035	29,265	4,207
Corporate and other	1,252	4,871	5,014	894
Eliminations and IAS adjustments	-	(860)	(2,314)	1,024
TOTAL	39,722	47,207	67,743	9,873

DEPRECIATION (HUF million)	1995	1996	1997	Q1 1998
Exploration and Production	14,882	15,951	22,099	5,103
Refining and Marketing	14,749	11,706	14,163	3,498
Corporate and other	771	1,525	1,936	1,161
Eliminations and IAS adjustments	(642)	(1,607)	(619)	(129)
TOTAL	29,760	27,575	37,579	9,633

TANGIBLE ASSETS (HUF million)	31. 12. 1995	31. 12. 1996	31. 12. 1997	31. 03. 1998
Exploration and Production	137,361	143,290	161,557	153,508
Refining and Marketing	91,419	98,065	125,590	117,686
Corporate and other	6,161	10,683	11,280	27,838
Eliminations and IAS adjustments	4,960	5,867	(5,893)	(6,396)
TOTAL	239,901	257,905	292,534	292,636

The Exploration and Production Division is responsible for domestic and international exploration, development, production and transmission of natural gas, crude oil and gas products and the purchase, underground storage and wholesale distribution of natural gas. The activities of the Refining and Marketing Division are the importation and refining of crude oil and the wholesale and retail distribution and marketing of petroleum products, including lubricants and bitumen.

Due to the organisational restructuring within the company in the first quarter of 1998, in Downstream, Upstream and in the Corporate categories, net sales revenues, operating profit and tangible assets are re-allocated.

Net sales excludes internal sales of crude oil made by Exploration and Production Division to the Refining and Marketing Division. Operating profit for each division includes the profit arising from such sales. The internal transfer prices utilised are based on the prevailing market prices.

For the first three months of 1998 the operating profit of Exploration and Production Division includes a reduction in its share of the environmental provision amounting to HUF 0.1 bn and also provision of the accruals for the restoration costs of oil and gas fields of HUF 0.3 bn. For the first three months of 1998 the operating profit of the Refining and Marketing Division includes its share of the environmental provision amounting to HUF 0.3 bn and the release of the provision for the prospective maintenance expenditures of Duna Refinery amounting to HUF 0.7 bn. For the first three months of 1998 Corporate and other includes, among others, the operating results of Nitrogénművek Rt., MOL-Lízing Kft. and MOL Trans Kft. (The operating profit of this group was affected by the reclassification of foreign exchange losses - amounting to HUF 1.8 bn for the first three months of 1998 - accounted for as operating profit according to HAR and as financial expenses according to IAS).