



# MOL HUNGARIAN OIL AND GAS Co.

## 1998 PRELIMINARY RESULTS

This report contains consolidated<sup>1</sup> financial statements for the financial year ended 31 December 1998 of MOL Hungarian Oil and Gas Co. as prepared by management in accordance with International Accounting Standards (IAS) and Hungarian Accounting Standards (HAR). *Please note that 1998 financial information in this report is unaudited.*

### Financial Highlights

MOL Group financial results (IAS)	1997		1998		98/97 ch. %	
	HUF bn	USD m <sup>(1)</sup>	HUF bn	USD m <sup>(1)</sup>	HUF	USD
Net sales revenues	637.0	3,411.9	637.2	2972.0	0	(13)
Adjusted net sales revenues <sup>(2)</sup>	582.0	3,117.3	637.2	2972.0	+10	(5)
Operating profit	50.0	267.8	75.7	353.1	+51	+32
<b>Net income before special items</b>	<b>30.6</b>	<b>163.9</b>	<b>53.4</b>	<b>249.1</b>	<b>+75</b>	<b>+52</b>
Special items <sup>(3)</sup>	-	-	5.8	26.9	n.a.	n.a.
Net income (including special items) <sup>(4)</sup>	30.6	163.9	59.2	276.0	+94	+68
Earnings per share/GDR (HUF or USD)	314.3	1.7	547.6	2.6	+74	+53
Operating cash flow	77.8	416.7	100.9	470.6	+30	+13

<sup>(1)</sup> In converting HUF financial data into US Dollars, the following average NBH middle rates were used for 1997: 186.7 USD/HUF, and for 1998: 214.4 USD/HUF. <sup>(2)</sup> Net sales have been adjusted to make results comparable after the introduction of the new, unified Excise Tax in 1998. <sup>(3)</sup> Special items contain capital gains achieved on the sale of certain minority interests and writedowns of certain investments (detailed in the appendix V). <sup>(4)</sup> Net income in accordance with IAS means Net profit attributable to shareholders.

IAS consolidated<sup>1</sup> operating profit for MOL Group for 1998 was HUF 75.7 bn, profit before taxation was HUF 69.7 bn, while net income reached HUF 59.2 bn. Operating profit grew by 51%, profit before taxation went up by 79% and net income was 94% higher than in 1997. The quarterly operating profit contribution was HUF 28.5 bn while net income grew by HUF 20.4 bn in the fourth quarter of 1998 alone. Underlying earnings per share for the period was HUF 548, showing a 74% growth.

The dynamic growth in yearly financial performance resulted from a combined effect of internal efficiency improvements, growing domestic demand for our key products and the beneficial impact of shrinking crude oil and crude oil product prices on the performance of the natural gas business. Capital gains achieved on the disposal of certain minority interests also added to strong earnings growth in 1998. Exploration and Production (including fully consolidated subsidiaries engaged in Upstream activities) achieved an IAS operating profit of HUF 55.2 bn while Refining and Marketing (including fully consolidated subsidiaries related to Downstream activities) contributed HUF 34.5 bn to IAS Group operating profit. Corporate and other segments (including the results of fully consolidated subsidiaries engaged in corporate activities as well as eliminations and consolidation adjustments) incurred a net operating loss of HUF 14.0 bn.

Despite a strong increase in operating cash flow (growing by 30% to reach almost HUF 101 bn during the year), financing needs created by capital expenditure projects led to an increase in net debt levels by HUF 46.6 bn from 1997 year-end levels, optimising the Company's overall cost of capital. Net debt to net debt plus equity ratio increased to 31%. This level of indebtedness will enable MOL to involve and utilise further debt financing sources.

Main IAS adjustments in 1998 were the recalculation of the deferred tax balances reflecting the impact of the 50% corporate tax holiday, a decrease in the 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 the accrual for future refinery maintenance costs. Total IAS adjustments decreased net income by HUF 1.7 bn. HAR consolidated profit after taxation was higher by the same amount, reaching HUF 60.9 bn.

<sup>1</sup> Involved in full consolidation in accordance with both HAR and IAS were Rotary Rt., GES Kft., Geoinform Kft., MOL-Chem Kft., MOLTRADE-Mineralimpex Rt., MOL-Lízing Kft., Kumpetrol 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. (96.16%), Olajterv Rt. (86%), Izobutilén Kft. (68%), Nitrogénművek Rt., (59.34%), Börzsönygáz Kft. (99.81%), Terméktároló Rt. (74%) and ZAB Rt. (56.15% owned by MOL) were included in full consolidation. From the first quarter of 1998 MOL-Hotels Rt. and from the second quarter of 1998 MOL-Invest Rt. were brought into consolidation (both companies are 100% owned by MOL).



## Sectoral performance

### Exploration and Production

UPSTREAM Divisional IAS results	1997		1998		98/97 ch. %	
	HUF bn	USD m <sup>(1)</sup>	HUF bn	USD m <sup>(1)</sup>	HUF	USD
Net sales	242.1	1,296.7	283.1	1,320.0	+17	+2
Operating profit	32.5	174.1	55.2	257.5	+70	+48
Depreciation	22.1	118.4	20.8	97.0	(6)	(18)
Tangible assets	161.6	865.6	179.1	835.4	+11	(3)
Capital expenditures	35.8	191.8	48.9	228.1	+37	+19

<sup>(1)</sup>Exchange rates used - 1997: 186.7 HUF/USD, 1998 : 214,4 USD/HUF (average NBH middle rates)

In 1998, IAS consolidated net sales revenues for the Exploration and Production division were HUF 283 bn and operating profit grew to HUF 55.2 bn, representing a 70% profit growth over the previous year. The Division spent HUF 48.9 bn on capital expenditures, HUF 15.1 bn on investments (of which HUF 11.3 was used to finance international exploration and development programmes) and expensed a further HUF 8.0 bn in domestic exploration costs. Noticeably improving returns from the natural gas business more than offset the negative impact of lower production levels and the continuous declines in market prices for crude oil, condensates and LPG, which was adversely effecting the profitability of domestic production.

Natural gas sales volumes were 11.9 bcm, showing a 0.1 bcm or 1% increase on 1997. The sales decline recorded in the first half of 1998 was compensated as natural gas sales picked up driven by expanding power sector sales and a harsher winter. Sales to industrial consumers declined at the same time, chiefly due to lower sales to steel industry consumers in the fourth quarter. Import sources of 8.4 bcm secured 70% of natural gas sales (in 1997 import sources represented 7.8 bcm or 65% of total natural gas sales) and 3.5 bcm was sold from domestic production. Total net dry gas production was 3.9 bcm, showing an 11% decline compared to 4.4 bcm in 1997; chiefly due to very low production levels recorded in the first quarter. In 1998, the natural gas business, as defined by the Regulator in the current price formulae (encompassing natural gas exploration, production, storage, transmission and wholesale activities), had an estimated pre-tax profit of HUF 15.2 bn, including HUF 2.4 bn of allocated interest costs, HUF 8.1 bn of inventory holding costs and HUF 6.0 bn of allocated overhead costs. In contrast, during 1997, the gas business suffered a final pre-tax loss of HUF 8.7 bn, including HUF 2.9 bn of allocated interest costs, HUF 6.2 bn of inventory holding costs and HUF 3.8 bn of allocated overhead costs. During the year, import prices declined gradually but decisively and, as a result, the previous shortfall between average wholesale and import prices turned into a positive margin of 1 HUF/m<sup>3</sup> as an average for the year (the negative difference was as high as 3.8 HUF/m<sup>3</sup> in 1997). This change resulted in a stronger than expected improvement in the returns of the natural gas business. Average sales price increased by 16.5% and reached (including transmission fee) 19.3 HUF/m<sup>3</sup> (against 16.6 HUF/m<sup>3</sup> in 1997) while the average import price at border parity decreased by 10% from 20.4 HUF/m<sup>3</sup> to 18.3 HUF/m<sup>3</sup>. It should be noted that MOL Rt. also incurs approximately 3 HUF/m<sup>3</sup> of additional costs above the import parity price (transmission, inventory holding, storage, and allocated overhead costs).

Natural gas sales (including transmission revenues) increased by HUF 34.1 bn to HUF 229.5 bn, mainly as a result of higher average sales prices. Natural gas transit volumes were 2.1 bcm in 1998 (slightly lower than in 1997) and revenues reduced to HUF 8.1 bn from HUF 8.7 bn in 1997. Transit revenues did not grow as expected, reflecting restrained transit volumes due to payment difficulties in the Bosnian market. LPG sales increased marginally from 304 kt to 306 kt, having recorded a volume recovery after a weaker first half due to weather conditions and higher pre-purchases made by consumers in the fourth quarter. LPG revenues were HUF 13.1 bn, decreasing from HUF 14.2 bn as a result of lower sales prices. During the year, MOL sold its minority stake in PB Gázzszervíz Kft., a Hungarian LPG retailer. This transaction enabled us to start direct retail activities. Revenues from other gas products reduced from HUF 3.7 bn to HUF 2.5 bn as volumes lowered from 90 kt to 68 kt. Revenues from condensates sales (at transfer prices) decreased by HUF 3.0 bn to HUF 7.3 bn, while volumes fell from 375 kt to 340 kt (condensates are mainly extracted from the company's natural gas fields and volumes change accordingly). Domestic crude oil production was 1.3 Mt in 1998, of which 1.2 Mt was transferred to Refining, 8% less than last year. Revenues from crude oil (at transfer prices) were HUF 23.4 bn, decreasing by HUF 9.0 bn due to the decline in oil production and market prices. After its first international development programme, the Company commenced crude oil production in the Tunisian West Sabria field. MOL also achieved a new exploration success in Tunisia on the Sabria North West-1 well where test production has started. The expected total size of the two Tunisian fields may reach 20 million boe. The Company also signed two production-sharing agreements in Albania, entered into a new agreement for exploration, development and production of petroleum in Yemen and gained an exploration licence agreement in Pakistan as well. During 1998, MOL acquired interests or increased its existing shareholding in three major Hungarian Gas Distribution Companies. The aim of such transactions was to strengthen MOL's retail gas position and, in parallel, we began the consolidation of the smaller, majority owned gas distribution and gas infrastructure companies.



### Refining and Marketing

DOWNSTREAM Divisional IAS results	1997		1998		98/97 ch.%	
	HUF bn	USD m <sup>(1)</sup>	HUF bn	USD m <sup>(1)</sup>	HUF	USD
Net sales	421.6	2,258.2	375.1	1,749.5	(11)	(23)
Adjusted net sales <sup>(2)</sup>	366.6	1,963.0	375.1	1,749.5	+2	-11
Operating profit	23.9	128.0	34.5	160.9	+44	+26
Depreciation	14.2	76.6	15.8	73.7	+11	(4)
Tangible assets	125.6	672.7	144.5	674.0	+15	0
Capital expenditures	29.3	156.9	38.5	179.6	+31	+14

<sup>(1)</sup>Exchange rates used - 1997: 186.7 HUF/USD, 1998 : 214.4 USD/HUF (average NBH middle rates) <sup>(2)</sup> Net sales have been adjusted to make results comparable after the introduction of the new, unified Excise Tax in 1998.

IAS net sales revenues for the Refining and Marketing division for 1998 were HUF 375 bn and operating profit reached HUF 34.5 bn representing a 44% profit growth over 1997. The Division spent HUF 38.5 bn on capital expenditures and HUF 9.1 bn on investments. The profitability of the division was enhanced by increasing domestic demand for higher value crude oil products, improving industry margins and lower purchase prices of imported crude oil. We continued our refining upgrading programmes during 1998, carrying forward the implementation of the complex refining and logistics management system (FIR) as well as the residue upgrading programme (which is expected to be completed on schedule by the end of 2000). In this latter project, the applied technologies have all been selected and construction has commenced. We have extended our efficiency improvement programmes onto further business units including the lubricants and wholesale businesses, whose results should be realised in 1999-2000 albeit a lesser degree than our previous, successfully implemented programmes (TOP and CPR).

During 1998, MOL refined 6.8 Mt of crude oil (2% more than in 1997), of which 5.6 Mt was imported. Our average crude oil import prices declined by 36% in dollar terms and by 30% in Forint terms. Domestic demand for refined products increased markedly, while our market shares decreased only very moderately during 1998. MOL's domestic crude oil product sales were up 3% to 5.5 Mt while export sales were unchanged at 1.8 Mt. Domestic sales for high value product groups (motor gasolines and gasoils) recorded above average increases. In 1998, total motor gasolines sales increased by 2.5% (domestic sales growing by 4.7% and exports falling by 4.2%). Total gas and heating oil sales went up by 5.3% as domestic sales grew by 6.3% and gas oil exports expanded by 3.4%. Fuel oil sales decreased by 0.8%, while bitumen sales grew dynamically by 6.0% due to better export opportunities and higher domestic demand facilitated by the mild winter in the beginning of the year. Lubricants sales fell by 4% chiefly due to a 24% decline in domestic sales while export sales went up by 11%. Lower lubricants sales are explained by declining domestic demand and increasing competition which was only partially offset by the fact that our share in high value lubricants increased. Having analysed the trends of the previous some years, the divisional management initiated actions which led to management changes in the lubricant business unit and which may also result in strategic re-orientation in certain aspects of the business in 1999. Domestic wholesale market share was 85% for motor gasolines (89% in 1997) and 86% for gas and heating oils (90%). Market share in fuel oils went up to 70% (from 68%), while in bitumens MOL kept its 98% market share. In lubricants, a 55% market share was recorded (63% in 1997). Average wholesale market share was 80% against 82% recorded in 1997. In 1998, sales revenue contributions of the main product groups were as follows (excluding excise duty): motor gasolines – HUF 77.1 bn, gas and heating oils - HUF 94.2 bn, fuel oils – HUF 24.1 bn, lubricants - excluding product fees – HUF 20.1 bn, bitumens, - HUF 9.0 bn, kerosenes HUF 7.5 bn, speciality products – HUF 22.2 bn, naphta and other special gasolines – HUF 25.3 bn. In 1997 – on the same basis, i.e. excluding the former excise tax, road fund contribution and environmental levy from net sales revenues – sales contributions were as follows: motor gasolines – HUF 78.8 bn, gas and heating oils - HUF 99.2 bn, fuel oils – HUF 26.2 bn, lubricants - excluding product fees – HUF 17.0 bn, bitumens - HUF 7.7 bn, kerosenes HUF 10.9 bn, speciality products – HUF 23.0 bn, naphta and other special gasolines – HUF 30.2 bn. Average combined refinery distillation capacity utilisation of the Duna and Tisza refineries in 1998 was 70% (the capacity utilisation of Duna refinery was 84%). In both categories small improvements were seen compared to 1997 (the weighted average combined capacity utilisation rate was 66% and the capacity utilisation of Duna refinery stood at 81% in 1997).

Fuelled by higher demand for motor fuels, mild weather in the first quarter as well as improving real wages, domestic retail oil product sales increased very strongly during 1998: retail sales of motor gasolines were up by 5% and retail gas oil sales increased by 13%, leading to an 8% growth in total retail white products sales. 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 motor gasolines and 42% for gas and heating oils in 1998 (a further modest development was seen in this latter category compared to 1997), while MOL's retail market share in lubricants decreased slightly to 58%. We continued our filling station modernisation programme and green field investments, and by the end of the year we had a total of 419 MOL filling stations out of which 372 were located in Hungary and 47 in the neighbouring countries (32 in Romania, 10 in Slovakia, 3 in Ukraine, and 1 each in Croatia and in Slovenia, respectively). In order to enhance our domestic retail sales and to widen our consumer base, during the spring of 1998 we launched a retail loyalty card which was received very well by the public and by the end of the year, 255,000 such cards were in circulation.



## Financial overview

### *Overview of the business environment*

During the fourth quarter, crude oil prices decreased further and average Brent dated price was 12.7 USD/bbl in 1998 (representing a 34% decline over the average of 19.1 USD/bbl in 1997). Average Med quoted price of Ural Blend (dominating MOL's crude oil purchases) was 36% lower. Gasoline grade 95 average prices decreased by 26% whilst gas oil and heavy fuel oil prices were 31% and 30% lower, respectively (CIF Med quoted product prices). Indicative European Ural Med complex refining margins averaged 2.0 USD/bbl (with an average of 1.9 USD/bbl in Q1, 2.5 USD/bbl in Q2, 1.5 USD/bbl in Q3 and 2.0 USD/bbl in the fourth quarter) against an average 1.8 USD/bbl in 1997. The US dollar, MOL's main foreign trading currency, appreciated by an average of 15% against the Hungarian Forint during 1998 (growing from HUF 186.7 to HUF 214.4), while the closing exchange rate grew by only 8% (from HUF 203.5 to HUF 219.0). The DEM appreciated by an average of 13% against the Hungarian Forint in 1998 (growing from HUF 107.7 to HUF 122.1), while its closing exchange rate went up by 15% (from HUF 113.6 to HUF 130.6). The Hungarian Forint's depreciation of 2.1% through the crawling peg mechanism in the fourth quarter of 1998 was practically balanced by the strengthening of the Forint within the intervention band by 2.2% in the last three months.

### *Revenues, costs and expenditures*

IAS consolidated net sales revenues were HUF 637.2 bn in 1998. A new, unified Excise Tax was introduced from the beginning of 1998 comprising two product tax items previously included in net sales: the road fund contribution (which was HUF 48.7 bn in 1997) and the environmental levy on motor fuels (HUF 6.4 bn in 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 582 bn in 1997 and, on this basis, 1998 net sales reflect a 10% growth. Export revenues reached HUF 109.0 bn (showing a 12% growth), representing 17% of total sales.

Material-type expenditures increased from HUF 395.8 bn to HUF 420.6 bn, showing a 6% increase, of which raw material costs decreased by 12% (mainly reflecting the declining price of crude oil purchases) while the cost of goods purchased for resale grew by 17%. Personnel expenses (based on 3% lower average headcount) went up by 22% from HUF 44.8 bn to HUF 54.7 bn in 1998 reflecting, inter alia, the increasing role of the share incentive schemes as well as their higher associated costs. Depreciation was HUF 41.5 bn, by HUF 4.0 bn or 11% higher than in 1997. Several reclassifications became necessary in the other costs and expenditures categories. With effect from 1 January 1998, the road fund contribution and environmental levy on motor fuels are no longer shown under these categories and mining royalties (which were reducing from HUF 16.0 bn in 1997 to HUF 10.5 bn in 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 37.3 bn, representing a 15% increase. Adjusted other expenditures decreased by 22% from HUF 32.5 bn to HUF 25.4 bn in 1998 (in this category, fees payable to the Crude Oil and Crude Oil Product Stockpiling Association – KKKSz - increased from HUF 7.8 bn to HUF 11.5 bn). Adjusted combined other costs and expenditures fell by more than 3%.

IAS operating profit increased from HUF 50.0 bn to HUF 75.7 bn in 1998, showing a 51% growth. Financial income has historically been dominated by interest receivable, however, during this period it also contained capital gains achieved on the disposal of certain minority interests and reached HUF 17.8 bn. Financial expenses - consisting of interest payable (HUF 12.9 bn) and exchange losses on foreign currency loans (HUF 8.4 bn) - reached HUF 23.9 bn. Exchange losses on foreign currency loans of HUF 8.4 bn (growing by a mere HUF 0.6 bn in the fourth quarter of the year), were by HUF 0.4 bn lower than in 1997. Despite a materially higher level of net debt, the gradual decline in the rate of the depreciation of the Forint and its strengthening within the intervention band in the fourth quarter from autumn lows enabled FX losses to be reduced in absolute terms. IAS consolidated profit before taxation was HUF 69.7 bn. After deducting the share of minority interests from group profits, net income attributable to shareholders was HUF 59.2 bn. Under IAS, the total tax liability of HUF 10.5 bn (reflecting a 15% effective tax rate) contains not only corporate tax obligation of HUF 7.6 bn due to MOL Rt's 50% corporate tax holiday but also the HUF 2.9 bn negative balance of deferred taxation for 1998 (a detailed explanation is given in the following section).



### Summary of main differences between IAS and HAR

- Under IAS, provisions are to be made for the elimination of environmental damages caused in the past and in order to comply with environmental legislation. The existing provision was indexed by the relevant inflation figure and actual expenses borne in carrying out rehabilitation activities during 1998 have been deducted, resulting in a total net decrease of HUF 1.4 bn in the provision by the year-end (and a HUF 0.5 bn decrease in the fourth quarter alone).
- 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 0.8 bn in 1998 (of which HUF 0.3 bn was accounted for in the fourth quarter).
- Accruals for future maintenance costs at the Duna Refinery were reduced under IAS by HUF 2.0 bn during 1998 (lowering by HUF 0.5 bn in the fourth quarter, similarly as in the previous quarters of the year).
- By implementing the necessary level of manufacturing-related capital investment until 1997, as described in the tax laws, MOL Rt. should be eligible for a 50% tax holiday for the five-year period commencing 1998, provided that sales revenues in each year exceed those of the previous year by at least 5% of the invested amount. The tax holiday therefore reduces MOL Rt.'s income tax rate from 18% to 9% (based on currently valid tax rates). As a consequence, it is mandatory under IAS to adjust the Company's deferred tax asset. For this, temporary timing differences have been split into two categories: those which will be reversed before the end of the period ending 31 December 2002 (a 9% rate is used to calculate the carrying value) and those which will be reversed after this period (which will continue to be taken into account at a 18% rate). This method reduces the total carrying value of those brought forward timing differences by a total of HUF 3.7 bn. On the other hand, other changes in deferred tax led to a positive impact of HUF 0.8 bn, therefore the net deferred tax balance for 1998 decreased IAS profits by HUF 2.9 bn.

### Cash flow

IAS cash flow from operations in 1998 was HUF 100.9 bn, within which a change in working capital needs decreased the Group's funds by HUF 23.4 bn. The change in working capital was positively affected by a HUF 2.6 bn decrease in other receivables while a HUF 7.1 bn decline in creditors, a HUF 10.1 bn increase in debtors, a HUF 4.9 bn increase in inventories and a HUF 3.9 bn decline in other liabilities decreased funds. Returns on investment and servicing of finance (HUF 5.3 bn) and corporate tax paid (HUF 8.5 bn) decreased funds in 1998. Investing cash outflows amounted to a net HUF 116.4 bn (including HUF 101.3 bn capital expenditures and HUF 25.6 bn acquisition of investments, which were only partially moderated by cash proceeds of HUF 10.0 bn from the disposal of certain minority stakes).

### Balance sheet analysis

Total assets amounted to HUF 610 bn at the end of 1998, 14% higher than at 1997 year-end. Tangible fixed assets went up by 17%. Within this, equipment, machinery and work in progress increased strongly by a total of 24%, reflecting our accelerated investment programme. For the same reason, participations also grew strongly by 146% or HUF 21.5 bn due to new investments and capital increases in existing companies. Inventories (despite higher inventory volumes) reached HUF 92.6 bn, only 5% higher, reflecting lower commodity prices. Value of goods purchased for resale increased by 7% to HUF 49 bn, as a result of higher natural gas inventory volumes (see table below). Natural gas inventories increased chiefly due to the partial commissioning of phase II of the Zsana underground gas storage facility, resulting in an increase of the total capacity to 3.4 bcm.

Inventories (MOL Rt.)	31 Dec 1997		31 March 1998		30 June 1998		30 Sept 1998		31 Dec 1998	
	volume	HUF bn	volume	HUF bn	volume	HUF bn	volume	HUF bn	volume	HUF bn
Crude oil (kt)	319.2	6.5	497.9	8.6	360.5	5.6	314.7	5.2	363.9	5.0
Gasolines (kt)	190.8	5.3	258.2	6.7	237.2	5.8	248.5	6.0	287.2	6.4
Gas and heating oils (kt)	223.3	5.9	304.7	7.6	259.8	6.5	214.0	5.2	191.0	4.3
Fuel oils (kt)	178.9	2.8	94.8	1.6	136.9	2.2	184.0	2.7	138.8	2.0
Other refined products (kt)	256.6	7.1	156.0	5.2	309.6	8.5	335.0	8.5	287.4	8.3
<b>Total crude oil products (kt)</b>	<b>1168.8</b>	<b>27.6</b>	<b>1311.6</b>	<b>29.7</b>	<b>1304.0</b>	<b>28.6</b>	<b>1296.2</b>	<b>27.6</b>	<b>1268.3</b>	<b>26.0</b>
Gas (working + cushion, mcm)	2858.2	40.8	1633.7	20.3	3121.9	45.0	4327.9	62.8	3225.1	44.2
<b>Total</b>	<b>-</b>	<b>68.4</b>	<b>-</b>	<b>50.0</b>	<b>-</b>	<b>73.6</b>	<b>-</b>	<b>90.4</b>	<b>-</b>	<b>70.2</b>

Receivables were HUF 102.3 bn at year-end, showing a 7% increase on 31 December 1997. Within receivables, debtors were 14% higher and reached HUF 82.8 bn, while other receivables decreased to HUF 19.5 bn, showing a 15% decline. Securities and liquid assets were HUF 9 bn, lower by HUF 6.2 bn than at the end of the previous year. Creditors lowered to HUF 25.0 bn showing a 22% decline while other short term liabilities were 11% lower than at the end of 1997, reaching HUF 51.3 bn. Short term debt was HUF 15.8 bn (this contains the short-term portion of long-term debt, i.e. the part repayable within one year) or HUF 8.3 bn lower than at the end of 1997. Long term liabilities grew by 42% compared to the end of 1997. Long term debt, which is the largest part of this account, went up by HUF 48.7 bn (57%) while the major constituent of other long term liabilities, and the accrual for field abandonment costs, increased only moderately. Foreign currency debt accounted for 85% of total long term debt, due to the accelerated draw-downs around year-end. This increase was driven by the growing financing need to carry out capital investments.



## Key operating data

HYDROCARBON PRODUCTION (kt) (gross figures, before royalty)	1995	1996	1997					1998					98/97
	FY	FY	Q 1	Q 2	Q3	Q4	FY	Q 1	Q 2	Q3	Q4	FY	Ch. %
Crude oil production	1669	1477	334	334	333	359	1360	319	316	308	315	1258	(7.5)
Condensates production	488	438	127	80	76	105	388	93	72	79	113	357	(8.0)
LPG production (w/o refining production)	206	172	47	40	31	49	167	44	36	30	48	158	(5.6)
Other gas products	83	106	29	25	18	28	100	27	19	13	33	92	(8.0)

NATURAL GAS BALANCE million m <sup>3</sup>	1995	1996	1997					1998					98/97
	FY	FY	Q 1	Q 2	Q3	Q4	FY	Q 1	Q 2	Q3	Q4	FY	Ch. %
Gas production (net dry)	4837	4663	1404	966	798	1197	4365	1049	754	794	1275	3872	(11.3)
Gas imports	6811	8947	1791	2193	2092	2004	8080	1978	2637	2057	2059	8731	8.1
Movements in storage inventories	(182)	(765)	1414	(1066)	(1481)	886	(247)	1207	(1469)	(1206)	1103	(365)	47.8
<b>TOTAL SOURCES</b>	<b>11466</b>	<b>12845</b>	<b>4609</b>	<b>2092</b>	<b>1410</b>	<b>4087</b>	<b>12198</b>	<b>4234</b>	<b>1922</b>	<b>1645</b>	<b>4437</b>	<b>12238</b>	<b>0.3</b>
Sales to Gas Distr. Companies (GDCs)	8350	9318	3799	1368	753	3174	9094	3451	1127	792	3586	8956	(1.5)
Sales to power sector	1532	1784	343	315	345	493	1496	379	467	572	482	1900	27.0
Sales to industrial and other consumers	1195	1263	370	301	221	334	1226	328	243	197	285	1053	(14.1)
<b>TOTAL THIRD PARTY SALES</b>	<b>11077</b>	<b>12365</b>	<b>4512</b>	<b>1984</b>	<b>1319</b>	<b>4001</b>	<b>11816</b>	<b>4158</b>	<b>1837</b>	<b>1561</b>	<b>4353</b>	<b>11909</b>	<b>0.8</b>
Loss and own consumption	389	480	97	108	91	99	382	76	85	84	84	329	(13.9)
<b>TOTAL SALES AND LOSSES</b>	<b>11466</b>	<b>12845</b>	<b>4609</b>	<b>2092</b>	<b>1410</b>	<b>4100</b>	<b>12198</b>	<b>4234</b>	<b>1922</b>	<b>1645</b>	<b>4437</b>	<b>12238</b>	<b>0.3</b>
<b>TOTAL LPG SALES</b>	<b>283</b>	<b>341</b>	<b>62</b>	<b>53</b>	<b>46</b>	<b>143</b>	<b>304</b>	<b>55</b>	<b>44</b>	<b>49</b>	<b>158</b>	<b>306</b>	<b>0.7</b>

REFINING thousand tons	1995	1996	1997					1998					98/97
	FY	FY	Q 1	Q 2	Q3	Q4	FY	Q 1	Q 2	Q3	Q4	FY	Ch. %
Processing of domestic crude oils	1573	1451	300	354	326	355	1335	282	311	301	311	1205	(9.7)
Processing of imported crude oils	5286	5070	1361	1198	1392	1411	5362	1355	1396	1535	1341	5627	4.9
Processing of condensates	475	437	119	70	65	109	363	91	70	69	111	341	(6.1)
Other processing	654	614	120	124	185	148	577	188	189	205	210	792	37.3
<b>TOTAL REFINERY THROUGHPUT</b>	<b>7988</b>	<b>7572</b>	<b>1900</b>	<b>1746</b>	<b>1968</b>	<b>2023</b>	<b>7637</b>	<b>1916</b>	<b>1966</b>	<b>2110</b>	<b>1973</b>	<b>7965</b>	<b>4.3</b>

REFINED PRODUCT SALES Hungary, thousand tons	1995	1996	1997					1998					98/97
	FY	FY	Q 1	Q 2	Q3	Q4	FY	Q 1	Q 2	Q3	Q4	FY	Ch. %
Gas and heating oils	1334	1478	314	356	424	472	1566	340	394	464	466	1664	6.3
Motor gasolines	1049	1077	232	291	330	304	1157	246	309	341	315	1211	4.7
Fuel oils	1595	1354	325	291	340	353	1309	412	238	256	392	1298	(0.8)
Special gasoline and naphta	692	700	193	200	150	194	737	187	202	186	212	787	6.8
Bitumens	236	224	14	59	86	73	232	17	75	86	66	238	2.6
Lubricants	77	74	13	19	13	18	63	13	11	11	13	48	(23.8)
Other products	305	306	85	43	87	80	295	55	79	87	66	287	(2.7)
<b>TOTAL DOMESTIC SALES</b>	<b>5288</b>	<b>5213</b>	<b>1176</b>	<b>1259</b>	<b>1430</b>	<b>1494</b>	<b>5359</b>	<b>1270</b>	<b>1308</b>	<b>1431</b>	<b>1524</b>	<b>5533</b>	<b>3.2</b>
<b>Other markets (exports), thousand tons</b>													
Gas and heating oils	1060	989	203	207	253	167	830	194	250	228	186	858	3.4
Gasolines	424	361	86	61	146	118	411	86	94	112	99	391	(4.9)
Lubricants	64	103	19	18	25	23	85	21	29	23	21	94	10.6
Bitumens	90	86	6	30	35	28	99	17	31	42	23	113	14.1
Other products	428	396	111	118	64	76	369	85	86	91	82	344	(13.1)
<b>TOTAL EXPORT SALES</b>	<b>2066</b>	<b>1935</b>	<b>425</b>	<b>434</b>	<b>523</b>	<b>412</b>	<b>1794</b>	<b>403</b>	<b>490</b>	<b>496</b>	<b>411</b>	<b>1800</b>	<b>0.3</b>
<b>TOTAL PRODUCT SALES</b>	<b>7354</b>	<b>7148</b>	<b>1601</b>	<b>1693</b>	<b>1953</b>	<b>1906</b>	<b>7153</b>	<b>1673</b>	<b>1798</b>	<b>1927</b>	<b>1935</b>	<b>7333</b>	<b>2.5</b>

HEADCOUNT (full-time MOL Rt. employees only)	1995	1996	1997				1998				98/97
	FY	FY	Q 1	Q1-2	Q1-3	FY	Q 1	Q1-2	Q1-3	FY	Ch. %
Total average headcount	16312	15644	14607	14466	14526	14344	13917	13910	13930	13961	(2.7)
<b>TOTAL CLOSING HEADCOUNT</b>	<b>16195</b>	<b>14770</b>	<b>14519</b>	<b>14118</b>	<b>14297</b>	<b>14059</b>	<b>13911</b>	<b>13946</b>	<b>14033</b>	<b>14063</b>	<b>0.0</b>



## Major events and Extraordinary Announcements during the fourth quarter of 1998

MOL announced on 17 November 1998 that at its 282/A well (close to Nagylengyel) a CO<sub>2</sub> gas eruption was brought under control. On 8 December 1998 the Company announced the commencement of its first international crude oil production in Tunisia and that MOL has also succeeded with a new exploration in Tunisia on the Sabria North West-1 well. We announced on 11 December that the State Privatisation and Holding company (the ÁPV Rt.) as owner of 25+1% ordinary shares and 1 preference (golden) share of MOL initiated the call for an Extraordinary General Meeting at the earliest possible date. We announced on 28 December that the Board of Directors of MOL has preliminarily scheduled the EGM for 17 February 1999 (the EGM was ultimately called and published for 24 February 1999). MOL signed, on 18 December a new USD 150 million multi-currency (USD and EURO) revolving syndicate loan agreement. MOL announced on 29 December that in accordance with its share option scheme applicable for senior managers, on 28 December 1998 all eligible managers had exercised their options and in total, 107,167 MOL shares were purchased by management of which 40,085 shares were re-sold to MOL Rt. As a result, the number of shares held by eligible senior managers has increased by 67,082.

During the fourth quarter of 1998, there were no relevant changes in MOL share ownership of senior management, the members of the Board of Directors and the Supervisory Board except for the changes in the shareholding of senior management as described above and beyond the share transfers made under the share-based compensation system of the members of the Board of Directors as approved by the 1998 Annual General Meeting. There were no relevant changes in the corporate structure or the management bodies of MOL during the period.

The table below shows the changes in the ownership structure of MOL according to the Company's share register. Unregistered holding were accounted for in the 'other' category. We note that under Hungarian legislation, the Share Register does not fully reflect the ownership structure, as registration is not mandatory.

Shareholder groups	31 Dec 1997	31 March 1998	30 June 1998	30 Sept 1998	31 Dec 1998
ÁPV Rt. (Hungarian State Privatisation and Holding Co.)	36.2%	25.0%	25.0%	25.0%	25.0%
Foreign investors (mainly institutional)	45.1%	56.5%	51.2%	53.8%	54.9%
Employees and management	3.7%	4.6%	4.6%	4.6%	4.5%
Hungarian private and institutional investors and other	13.0%	11.8%	17.6%	14.7%	13.7%
Municipalities	1.1%	1.1%	0.7%	1.0%	1.1%
MOL Rt.	0.9%	1.0%	0.9%	0.9%	0.8%

According to the Share Register, MOL Rt. had two shareholders whose ownership in the ordinary shares exceeded 5%; the ÁPV Rt. which owned 25%+1 of the ordinary shares, and the depositary bank for MOL's GDR programme, The Bank of New York, which had 38.1% of the shares registered under its name. The number of treasury shares held by MOL Rt. decreased slightly by 70,521 from 863,868 to 793,347 chiefly due to purchases made by managers under the share option scheme detailed above.

Budapest, 15 February 1999

## APPENDIX I.

**CONSOLIDATED PROFIT & LOSS ACCOUNTS FOR THE MOL GROUP  
FOR THE YEAR ENDED 31 DECEMBER 1998**  
Unaudited figures (in HUF millions)

	HAR consolidated		IAS consolidated		ch. %
	1997	1998	1997	1998	
Net domestic sales revenues	538,380	-	539,283	-	
Adjusted net domestic sales revenues (*)	483,355	528,177	484,258	528,177	+9.0
Net export sales revenues	95,285	105,380	97,762	109,000	+11.5
<b>NET SALES REVENUES</b>	<b>633,665</b>	<b>633,557</b>	<b>637,045</b>	<b>637,177</b>	<b>0.0</b>
<b>ADJUSTED NET SALES REVENUES (*)</b>	<b>578,639</b>	<b>633,557</b>	<b>582,020</b>	<b>637,177</b>	<b>+9.5</b>
<b>Other revenues</b>	<b>13,405</b>	<b>10,436</b>	<b>5,837</b>	<b>6,966</b>	<b>+19.3</b>
Different decreasing consolidated profit	839	-	-	-	-
Capitalised value of own produced assets	11,434	27,686	5,182	11,108	+114.3
Changes of own produced inventories	5,014	171	-	-	-
<b>Capitalised value of own performance</b>	<b>16,448</b>	<b>27,857</b>	<b>5,182</b>	<b>11,108</b>	<b>+114.3</b>
Raw material costs	185,511	170,279	177,495	155,504	(12.4)
Value of material-type services used	30,179	32,304	30,510	32,304	+5.9
Cost of goods purchase for resale	181,908	213,787	182,037	213,787	+17.4
Value of subcontractor's performance	5,604	19,033	5,727	19,033	+232.4
<b>Material-type expenditures</b>	<b>403,202</b>	<b>435,403</b>	<b>395,769</b>	<b>420,628</b>	<b>+6.3</b>
Wages and salaries	27,024	31,892	27,116	31,892	+17.6
Other payment to personnel	6,658	7,738	5,284	7,956	+50.6
Social insurance contribution	12,363	14,839	12,404	14,839	+19.6
<b>Personnel expenditures</b>	<b>46,045</b>	<b>54,469</b>	<b>44,804</b>	<b>54,687</b>	<b>+22.1</b>
<b>Depreciation and amortisation</b>	<b>37,317</b>	<b>41,408</b>	<b>37,579</b>	<b>41,547</b>	<b>+10.6</b>
<b>Other costs</b>	<b>29,017</b>	<b>39,452</b>	<b>22,800</b>	<b>37,311</b>	<b>+63.6</b>
Adjusted other costs (*)	38,640	39,452	32,422	37,311	+15.1
<b>Other expenditures</b>	<b>100,762</b>	<b>36,182</b>	<b>97,105</b>	<b>25,355</b>	<b>(73.9)</b>
Adjusted other expenditures (*)	36,115	36,182	32,457	25,355	(21.9)
Different decreasing consolidated profit	62	241	-	-	-
<b>OPERATING PROFIT</b>	<b>48,006</b>	<b>64,695</b>	<b>50,007</b>	<b>75,723</b>	<b>+51.4</b>
Interest received and interest-related revenues	3,128	7,162	3,130	7,162	+128.8
Dividend and profit-sharing received	1,306	2,107	902	1,829	+102.7
Other revenues from financial transactions	2,448	8,821	2,448	8,822	+260.3
<b>Financial income</b>	<b>6,882</b>	<b>18,090</b>	<b>6,480</b>	<b>17,813</b>	<b>+174.8</b>
Interest paid and interest-related payments	8,292	12,937	8,292	12,937	+56.0
Write-off of financial investments	66	1,375	14	1,223	n.a.
Other expenditures on financial transaction	201	1,354	9,276	9,720	+4.8
<b>Financial expense</b>	<b>8,558</b>	<b>15,666</b>	<b>17,582</b>	<b>23,880</b>	<b>+35.8</b>
<b>FINANCIAL RESULT</b>	<b>(1,676)</b>	<b>2,424</b>	<b>(11,102)</b>	<b>(6,067)</b>	<b>+54.7</b>
<b>PROFIT BEFORE TAXATION AND EXTRAORD. ITEMS</b>	<b>46,330</b>	<b>67,119</b>	<b>38,905</b>	<b>69,656</b>	<b>+79.0</b>
Extraordinary income	3,126	5,587	-	-	-
Extraordinary expense	4,274	5,189	-	-	-
<b>EXTRAORDINARY RESULT</b>	<b>(1,148)</b>	<b>398</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT BEFORE TAXATION</b>	<b>45,182</b>	<b>67,517</b>	<b>38,905</b>	<b>69,656</b>	<b>+79.0</b>
Tax payable	9,022	7,515	6,961	10,453	+50.2
Latent tax from consolidation (+/-)	(499)	(857)	-	-	-
<b>PROFIT AFTER TAXATION</b>	<b>36,660</b>	<b>60,859</b>	<b>31,945</b>	<b>59,203</b>	<b>+85.3</b>
Share of profit of associated companies	-	-	(173)	328	n.a.
Minority interests	-	-	1,207	363	(69.9)
<b>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>-</b>	<b>-</b>	<b>30,565</b>	<b>59,168</b>	<b>+93.6</b>
Dividend (proposed)	8,103	9,793	7,805	9,760	+25.1
<b>RETAINED PROFIT FOR THE YEAR</b>	<b>28,557</b>	<b>51,066</b>	<b>22,760</b>	<b>49,408</b>	<b>+117.1</b>

(\*) Adjustments have been carried out due to the introduction of new, unified Excise Tax in 1998.

## APPENDIX II.

## CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP FOR THE YEAR ENDED 31 DECEMBER 1998

Unaudited figures (in HUF million)

	HAR consolidated		IAS consolidated		ch. %
	31 Dec 1997	31 Dec 1998	31 Dec 1997	31 Dec 1998	
<b>FIXED ASSETS</b>	<b>312,158</b>	<b>384,129</b>	<b>316,518</b>	<b>388,668</b>	<b>+22.8</b>
<b>INTANGIBLE FIXED ASSETS</b>	<b>6,197</b>	<b>5,245</b>	<b>6,441</b>	<b>5,479</b>	<b>(14.9)</b>
Rights, representing assets	487	688	487	688	+41.3
Goodwill	0	0	0	0	0.0
Intellectual property	1,966	2,812	1,966	2,812	+43.1
Capitalised value of research and development	3,732	1,733	3,732	1,733	(53.6)
Capitalised value of formation an restructuring expenses	12	12	12	12	0
IAS goodwill	-	-	244	234	(4.1)
<b>TANGIBLE FIXED ASSETS</b>	<b>286,067</b>	<b>337,424</b>	<b>292,534</b>	<b>343,461</b>	<b>+17.4</b>
Land and buildings	188,098	213,666	187,831	213,353	+13.6
Technical equipment, machinery, vehicles	53,599	64,463	60,333	70,813	+17.4
Other equipment and fittings	14,209	17,457	14,209	17,457	+22.9
Work in progress	29,352	39,944	29,352	39,944	+36.1
Advance payments made towards capital expenditures	809	1,894	809	1,894	+134.2
<b>LONG-TERM FINANCIAL INVESTMENTS</b>	<b>19,894</b>	<b>41,460</b>	<b>17,543</b>	<b>39,728</b>	<b>+126.5</b>
Participations	14,842	36,337	14,774	36,317	+145.8
Securities	613	497	613	497	(18.9)
Loans owed to the Company	2,156	2,915	2,156	2,914	+35.2
Long term bank deposit	0	0	0	0	-
Active balance of consolidation of equity from affiliates/JVs	2,283	1,711	0	0	-
<b>DEFERRED TAX (IAS)</b>	<b>-</b>	<b>-</b>	<b>14,534</b>	<b>11,596</b>	<b>(20.2)</b>
<b>CURRENT ASSETS</b>	<b>205,691</b>	<b>212,178</b>	<b>198,656</b>	<b>203,879</b>	<b>+2.6</b>
<b>INVENTORIES</b>	<b>88,747</b>	<b>92,787</b>	<b>88,064</b>	<b>92,565</b>	<b>+5.1</b>
Raw materials and consumable goods	18,147	18,402	17,465	18,180	+4.1
Goods purchased for resale	45,652	49,039	45,652	49,039	+7.4
Advance payments made towards inventories	83	315	83	315	+279.5
Livestock	0	0	0	0	-
Semifinished products	9,492	10,483	9,491	10,483	+10.5
Finished products	15,373	14,548	15,373	14,548	(5.4)
<b>RECEIVABLES</b>	<b>99,988</b>	<b>107,040</b>	<b>95,307</b>	<b>102,268</b>	<b>+7.3</b>
Accounts receivable	75,343	85,555	72,400	82,792	+14.4
Draft receivables	0	1	0	1	n.a.
Other receivables	23,493	19,475	22,907	19,475	(15.0)
Active latent tax due to consolidation	1,152	2,009	-	-	-
<b>SECURITIES</b>	<b>4,685</b>	<b>6,746</b>	<b>3,014</b>	<b>3,441</b>	<b>+14.2</b>
Bonds purchase for resale	9	95	9	95	n.a.
Treasury shares, share quotas, shares bought for sale	1,701	4,828	30	1,523	n.a.
Other securities	2,975	1,823	2,975	1,823	+38.7
<b>LIQUID ASSETS</b>	<b>12,271</b>	<b>5,605</b>	<b>12,271</b>	<b>5,605</b>	<b>+54.3</b>
Cash	357	512	357	512	+43.3
Bank deposits	11,914	5,093	11,914	5,093	(57.3)
<b>PRE-PAID EXPENSES</b>	<b>5,549</b>	<b>7,294</b>	<b>4,976</b>	<b>5,849</b>	<b>+17.5</b>
<b>TOTAL ASSETS</b>	<b>523,398</b>	<b>603,601</b>	<b>534,684</b>	<b>609,992</b>	<b>+14.1</b>



## APPENDIX II. (CONT'D)

**CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP  
FOR THE YEAR ENDED 31 DECEMBER 1998**  
Unaudited figures (in HUF millions)

	<u>HAR consolidated</u>		<u>IAS consolidated</u>		ch. %
	31 Dec 1997	31 Dec 1998	31 Dec 1997	31 Dec 1998	
<b>SHAREHOLDERS' EQUITY</b>	<b>311,948</b>	<b>362,219</b>	<b>264,076</b>	<b>311,393</b>	<b>+17.9</b>
Issued share capital	98,400	98,400	97,489	97,607	+0.1
Capital reserves (HAR)	166,713	166,714	-	-	-
Retained earnings (HAR)	12,832	40,688	-	-	-
Reserves (IAS)	-	-	143,827	164,378	+14.3
Retained profit from the year	28,557	51,066	22,760	49,408	+117.1
Change on equity of affiliates (+/-)	2,748	4,197	-	-	-
Change due to consolidation	(2,113)	(4,390)	-	-	-
Difference of debt consolidation	0	198	-	-	-
Difference from inter company profits consolidation	(2,113)	(4,588)	-	-	-
<b>MINORITY INTEREST</b>	<b>4,811</b>	<b>5,544</b>	<b>5,719</b>	<b>6,039</b>	<b>+5.6</b>
<b>PROVISIONS</b>	<b>3,846</b>	<b>3,702</b>	<b>22,118</b>	<b>20,702</b>	<b>(6.4)</b>
Provision for expected losses	2,943	2,763	0	0	-
Provision for expected liabilities	803	832	803	832	+3.6
Other provisions	100	107	21,315	19,870	(6.8)
<b>NEGATIVE GOODWILL (IAS)</b>	<b>-</b>	<b>-</b>	<b>4,803</b>	<b>4,260</b>	<b>(11.3)</b>
<b>LIABILITIES</b>	<b>201,253</b>	<b>228,746</b>	<b>232,950</b>	<b>259,698</b>	<b>+11.5</b>
<b>LONG TERM LIABILITIES</b>	<b>90,859</b>	<b>138,860</b>	<b>117,251</b>	<b>166,507</b>	<b>+42.0</b>
Investment and development credits	72,374	121,741	72,374	121,741	+68.2
Other long term credits	787	221	787	221	(71.9)
Long term loans	2,122	2,044	2,122	2,044	(3.7)
Outstanding bonds issued	10,052	10,002	10,052	10,002	(0.5)
Other long term liabilities	289	65	31,916	32,499	+1.8
Passive capital consolidation balance from affiliates	5,235	4,787	-	-	-
<b>SHORT TERM LIABILITIES</b>	<b>110,394</b>	<b>89,886</b>	<b>115,699</b>	<b>93,191</b>	<b>(19.5)</b>
Advance payments received from customers	1,951	1,018	1,951	1,018	(47.8)
Accounts payable (suppliers)	32,086	25,015	32,086	25,015	(22.0)
Drafts outstanding	1,055	2,261	1,055	2,261	+114.3
Short term credits	22,591	12,891	22,591	12,891	(42.9)
Short term loans	463	685	463	685	+47.9
Other short term liabilities	52,248	48,016	57,553	51,321	(10.8)
<b>ACCRUED EXPENSES</b>	<b>6,351</b>	<b>8,934</b>	<b>5,018</b>	<b>7,900</b>	<b>+57.4</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>523,398</b>	<b>603,601</b>	<b>534,684</b>	<b>609,992</b>	<b>+14.1</b>



## APPENDIX III.

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

	1995	1996	1997	1998
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>25,486</b>	<b>66,249</b>	<b>77,790</b>	<b>100,937</b>
of which movements in working capital	(26,708)	(1,031)	(22,569)	(23,383)
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>				
Interest and other financial income	2,066	3,942	3,783	9,003
Interest paid and other financial costs	(3,191)	(7,261)	(8,110)	(14,290)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>(1,125)</b>	<b>(3,319)</b>	<b>(4,327)</b>	<b>(5,287)</b>
<b>TAXATION – CORPORATE TAX PAID</b>	<b>(520)</b>	<b>(4,037)</b>	<b>(8,995)</b>	<b>(8,502)</b>
<b>INVESTING ACTIVITIES</b>				
Capital expenditures and exploration costs	(51,746)	(55,555)	(76,635)	(101,344)
Proceeds from disposal of fixed assets	499	1,141	1,275	1,435
Net cash inflow on purchase of subsidiary undertaking	0	1,426	(1,239)	0
Net cash inflow on sale of subsidiary undertaking	0	0	195	0
Acquisition of other investments	(1,602)	(1,252)	(11,539)	(25,634)
Proceeds of disposal of investments		708	1,394	9,992
Changes in loans and long term bank deposits	470	(316)	(1,350)	(457)
Changes in short term investments	(875)	(1,380)	2,591	(428)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(53,254)</b>	<b>(55,228)</b>	<b>(85,308)</b>	<b>(116,436)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of long term debt	17,448	16,652	84,220	64,798
Repayments of long term debt	(7,092)	(7,776)	(67,627)	(24,776)
Changes in short term debt	19,270	(10,726)	1,626	(9,036)
Dividends received	508	274	325	1,829
Dividends paid to shareholders	0	(885)	(3,604)	(7,805)
Dividends paid to minority interest	(21)	(1)	(390)	(298)
Net repurchase of own shares	(1,171)	(474)	(27)	(1,634)
Bond issue	0	0	10,000	0
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>28,942</b>	<b>(2,936)</b>	<b>24,523</b>	<b>23,078</b>
<b>NET INCREASE/(DECREASE) IN CASH EQUIVALENTS</b>	<b>(471)</b>	<b>729</b>	<b>3,683</b>	<b>(6,210)</b>
Cash and cash equivalents at the beginning of the year	7,267	6,796	7,525	12,271
Adjustment to the subsidiaries brought into consolidation in 1997	0	0	1,063	(456)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>6,796</b>	<b>7,525</b>	<b>12,271</b>	<b>5,605</b>



## APPENDIX IV.

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

NET SALES REVENUES	1995	1996	1997	1998
Exploration and Production	125,574	177,976	242,066	283,122
Refining and Marketing	202,263	274,190	366,604	375,124
Corporate and other	26,207	36,050	27,755	55,249
Eliminations and IAS adjustments	(10,247)	(30,631)	(54,405)	(76,318)
<b>TOTAL</b>	<b>343,797</b>	<b>457,585</b>	<b>582,020</b>	<b>637,177</b>

OPERATING PROFIT	1995	1996	1997	1998
Exploration and Production	11,899	26,366	32,497	55,172
Refining and Marketing	2,414	10,015	23,852	34,497
Corporate and other	(6,975)	(4,074)	(3,393)	(9,557)
Eliminations and IAS adjustments	1,506	(65)	(2,949)	(4,389)
<b>TOTAL</b>	<b>8,844</b>	<b>32,242</b>	<b>50,007</b>	<b>(75,723)</b>

CAPITAL EXPENDITURES	1995	1996	1997	1998
Exploration and Production	20,463	23,161	35,778	48,894
Refining and Marketing	18,007	20,035	29,265	38,526
Corporate and other	1,252	4,871	5,014	6,172
Eliminations and IAS adjustments	-	(860)	(2,314)	(6,590)
<b>TOTAL</b>	<b>39,722</b>	<b>47,207</b>	<b>67,743</b>	<b>87,002</b>

DEPRECIATION	1995	1996	1997	1998
Exploration and Production	14,882	15,951	22,099	20,784
Refining and Marketing	14,749	11,706	14,163	15,791
Corporate and other	771	1,525	1,936	5,138
Eliminations and IAS adjustments	(642)	(1,607)	(619)	(166)
<b>TOTAL</b>	<b>29,760</b>	<b>27,575</b>	<b>37,579</b>	<b>41,547</b>

TANGIBLE ASSETS	31 Dec 1995	31 Dec 1996	31 Dec 1997	31 Dec 1998
Exploration and Production	137,361	143,290	161,557	179,066
Refining and Marketing	91,419	98,065	125,590	144,488
Corporate and other	6,161	10,683	11,280	28,495
Eliminations and IAS adjustments	4,960	5,867	(5,893)	(8,588)
<b>TOTAL</b>	<b>239,901</b>	<b>257,905</b>	<b>292,534</b>	<b>343,461</b>

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. Due to 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 and this is also reflected in the financial statements for 1998. Corporate and other categories include the results of the fully consolidated subsidiaries belonging to MOL Headquarters as well as to the portfolio of MOL-Invest Rt. In this group, a major subsidiary, Nitrogénművek Rt. achieved net sales revenues of HUF 16.9 bn while its operating profit declined from HUF 2.7 bn in 1998 to HUF 1.1 bn due to increasing pressure from imported products and significantly lower world market fertiliser prices. Net sales excludes internal sales of crude oil made by the 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 prevailing market prices. Net sales revenues have been adjusted by reclassifications in 1997, in order to make them comparable with 1998. For 1998, the operating profit of Exploration and Production Division includes a decrease in its share of the environmental provision amounting to HUF 0.4 bn and also includes an increase in the accruals for the restoration costs of oil and gas fields of HUF 0.8 bn. For 1998 the operating profit of the Refining and Marketing Division includes its share in the decrease of the environmental provision amounting to HUF 1.0 bn and a reduction in the accrual for the future maintenance expenditures of the Duna Refinery amounting to HUF 2.0 bn. Operating profit of the group was affected by the reclassification of foreign exchange losses - amounting to HUF 8.4 bn for 1998 - accounted for as operating profit according to HAR and as financial expenses according to IAS.

## APPENDIX V.

## SPECIAL ITEMS (in HUF millions)

Net impact of special items	1995	1996	1997	1998
Writedowns of investments	-	-	-	(1,223)
Capital gains achieved on the disposal of investments	-	-	-	6,981
Extraordinary release of environmental provisions	-	5,557	-	-
Cash received from TVK Rt.	-	3,840	-	-
Provisions for headcount rationalisation	-	(2,684)	-	-
<b>TOTAL</b>	<b>-</b>	<b>6,713</b>	<b>-</b>	<b>5,758</b>

