



MOL HUNGARIAN OIL AND GAS Co.

1999 FIRST QUARTER RESULTS

This report contains consolidated¹ financial statements for the three months ended 31 March 1999 for MOL Hungarian Oil and Gas Plc. as prepared by the management in accordance with International Accounting Standards (IAS) as well as explanatory comments and operational data. *Please note that quarterly figures in this report are unaudited.*

Financial Highlights

1998 Full Year		MOL Group financial results (IAS)	Q1 1998		Q1 1999		99/98 ch. %	
HUF bn	USD m ⁽¹⁾		HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
634.2	2,985.0	Net sales revenues	174.5	837.7	173.9	775.0	0	(7)
72.4	337.7	Operating profit	21.0	100.8	26.8	119.4	+28	+18
(8.5)	(39.6)	Net financial results	(0.7)	(3.4)	(11.8)	(52.6)	n.a.	n.a.
54.2	252.8	Net income before special items	15.4	73.9	14.1	62.8	(8)	(15)
4.2	19.6	Special items ⁽²⁾	2.2	10.6	(0.8)	(3.6)	n.a.	n.a.
50.0	233.2	Net income after special items	17.6	84.5	13.3	59.3	(24)	(30)
555	2.6	Earnings per share (HUF or USD)	180.7	0.87	135.8	0.61	(25)	(30)
110.5	515.4	Operating cashflow	49.3	236.7	65.8	293.2	+33	+24

⁽¹⁾ In converting HUF financial data into US Dollars, the following average NBH middle rates were used for the year 1998: 214.4 HUF/USD, for the first three months of 1998: 208.3 HUF/USD, and for the first three months of 1999: 224.4 HUF/USD⁽²⁾ Special items are detailed in Appendix V.

IAS consolidated operating profit of the MOL Group for the first quarter of 1999 was HUF 26.8 bn, profit before taxation was HUF 15.0 bn, net income before special items reached HUF 14.1 bn while net income after special items was HUF 13.3 bn. Operating profit grew by 28%, while profit before taxation fell by 26% and net income declined by 24%. Net income before special items was 8% lower than in the first quarter of 1998. In the light of the severe industry environment (low world market prices of crude oil, shrinking refining margins) the robust improvement in operating profit is a very positive sign. Return on capital employed increased on Q1 1998, EBITDA grew by 25%. Working capital decreased and the major part of cost lines grew only below the inflation rate. During the first quarter of 1999, there were a number of factors impacting negatively on the results. Foreign exchange losses, which for MOL Rt. alone, increased by 4.9 bn due to the stronger USD and the currency structure of the loan portfolio, were further increased by the devaluation charges on the USD loan of a newly consolidated subsidiary and as MOL's Romanian subsidiary incurred further non-cash losses due to the devaluation of the leu.

Exploration and Production (including fully consolidated subsidiaries engaged in Upstream activities) achieved an IAS operating profit of HUF 25.0 bn while Refining and Marketing (including fully consolidated subsidiaries related to Downstream activities) contributed HUF 6.4 bn to IAS Group operating profit. Corporate and other segments (including the results of the remaining fully consolidated subsidiaries as well as eliminations and consolidation adjustments) incurred an operating loss of HUF 4.6 bn. Upstream delivered a very robust profit growth due to the profitability improvement of the natural gas business and despite continuously low crude oil prices and lower production volumes. LPG retail activities launched in 1998 had a successful start. Downstream profitability was enhanced by solid domestic demand for higher value products, a successful retail loyalty card programme, which lead to higher retail market shares, and we were better able to protect our refining margins compared to other industrial players.

Due to a strong increase in operating cash flow (growing by 33%) to reach almost HUF 66 bn, net debt declined by HUF 20.8 bn over the 1998 year-end level and was HUF 116 bn. By the end of the first quarter, the net debt to net debt plus equity ratio declined to 27%. Reacting to the volatility of world market crude oil prices, the developments in domestic gas pricing regulation and the difficulty of predicting their final outcome, shrinking refining margins and the impact of the Yugoslavian conflict on the Group's operations all made it necessary to implement stricter financial controls and a conservative financing policy. This will involve a reduction in capital expenditure plans for 1999, so that capital developments will be chiefly or entirely financed by internally generated funds.

¹ Involved in full consolidation in accordance with IAS were Rotary Rt., GES Kft., Geoinform Kft., MOL-Chem Kft., MOLTRADE-Mineralimpex Rt., MOLLÍZING Kft., Kunpetrol Kft., Petrolszerviz Kft., Petroszolaj Kft., MOLTRANS Kft., Dunafixsz Kft., MOL-Románia Kft., MOL-Szlovákia Kft. (all 100% owned by MOL) as well as Zsámbékgáz Rt (96.2%), Olajterv Rt. (86%), Izobutilén Ltd. (68%), Nitrogénművek Rt., (59%), Börzsönygáz Kft. (99.8%), Terméktároló Rt. (74%) and ZAB Rt. (56% 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 were brought into consolidation (both companies are 100% owned by MOL). As of the first quarter 1999, Kőolajtároló Rt. (51% owned by MOL) was also brought into full consolidation. The liabilities of HUF 22.3 bn of this latter company (chiefly long term currency debt) increased the Group's liabilities. Year-end 1998 and Q1 1998 balance sheet figures of the Group do not contain Kőolajtároló Rt. liabilities due to the applied different consolidation method. In the cash flow statement for the first quarter of 1999, however, Kőolajtároló Rt. was considered as it would have been brought into full consolidation as of 31 December 1998, thus making a base correction.



Sectoral performance

Exploration and Production

1998		UPSTREAM Divisional IAS results	Q1 1998		Q1 1999		99/98 ch. %	
HUF bn	USD m ⁽¹⁾		HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
282.0	1,315.3	Net sales revenues	92.1	442.2	101.4	451.9	+10	+2
54.6	254.7	Operating profit	17.6	84.5	25.0	111.4	+42	+32
20.7	96.5	Depreciation	5.1	24.5	5.6	25.0	+10	+2
180.8	843.3	Tangible assets	153.5	736.9	181.2	807.5	+18	+10
46.5	216.9	Capital expenditures	3.7	17.8	3.5	15.6	(5)	(12)

⁽¹⁾Exchange rates used for 1998: 214.4 HUF/USD, for the first three months of 1998: 208.3 HUF/USD, and for the first three months of 1999: 224.4 HUF/USD (average NBH middle rates)

In the first quarter of 1999, IAS consolidated net sales revenues for the Exploration and Production division were HUF 101.4 bn and operating profit grew to HUF 25.0 bn, representing a 42% profit growth over Q1 1998. The Division spent HUF 3.5 bn on capital expenditures, HUF 1.1 bn on investments (the total amount of which was used to finance international exploration and development programmes) and expensed a further HUF 2.1 bn in domestic exploration costs. Following a further decline in crude oil prices compared to 1998 average price levels, improving returns from the natural gas business more than offset the negative impact of lower production levels and the declines of crude oil, condensate and LPG revenues, which were all adversely affecting the profitability of domestic production.

Natural gas sales volumes were 4.6 bcm, showing a 0.4 bcm or 10% increase on the 4.2 bcm production level of Q1 1998. This growth was driven by higher power sector sales and colder winter temperatures at the beginning of the year. Sales to industrial consumers declined at the same time, chiefly due to lower sales to the steel and fertiliser industries. Import sources of 3.4 bcm secured 74% of natural gas sales (in Q1 1998 import sources represented 3.0 bcm or 71% of total natural gas sales) and 1.2 bcm was sold from domestic production. Total net dry gas production was 1.0 bcm, 5% lower than in the first three months of 1998. In the first quarter of 1999, the natural gas business, as defined by current regulation (encompassing natural gas exploration, production, storage, transmission and wholesale activities), had an estimated pre-tax profit of HUF 14.5 bn, after HUF 0.6 bn of allocated interest costs, HUF 1.0 bn of inventory holding costs and HUF 1.6 bn of allocated overhead costs. During Q1 1998, the gas business had a pre-tax profit of HUF 6.8 bn, after HUF 0.5 bn of allocated interest costs, HUF 1.7 bn of inventory holding costs and HUF 1.3 bn of allocated overhead costs. The profitability of the gas business improved chiefly due to the fact that while import prices exceeded the wholesale price in the first quarter of 1998, in the first three months of 1999 import prices fell below the wholesale price.

Natural gas sales (including transmission revenues) increased by HUF 6.6 bn to HUF 87.9 bn, as a combined result of higher sales volumes and a modest decline in average prices. Natural gas transit volumes were 0.6 bcm in the first quarter of 1999 which is slightly lower than in the same period of 1998, but revenues were HUF 2.1 bn (showing no change on Q1 1998). Due to NATO military actions which begun at the end of March 1999, and the recent EU embargo on Yugoslavia, natural gas transit activities have been stalled. Under current circumstances, it is difficult to predict the possibility and extent to which gas supplies can be resumed to Serbia for the remainder of the year but, even in the medium term, transit volumes are expected to remain materially lower than contractual volumes. The amount of gross trading receivables from Yugoslavian partners was HUF 2.7 bn as of 31 March 1999. In addition to provisions of HUF 0.4 bn made earlier, as a result of the military action, MOL set aside an additional, extraordinary provision of HUF 0.8 bn which meant, the amount of trading receivables net of provisions was HUF 1.5 bn. An eventual increase in the age of such receivables and the weakening solvency of Yugoslavian partners may require the company to increase provisions further in the future. LPG sales were 55 kt (same as in Q1 1998), while revenues went up to HUF 2.6 bn, increasing by 6% from HUF 2.4 bn. Retail LPG business, beginning at the end of 1998, saw a successful start in the first quarter of 1999. Revenues from other gas products were HUF 0.9 bn, which was the same as in Q1 1998, despite lower sales prices. Revenues from condensates sales (at transfer prices) decreased by HUF 0.6 bn to HUF 1.6 bn, while volumes fell from 91 kt to 83 kt. Domestic crude oil production was 0.3 Mt in Q1 1999 (representing a 6% decrease). Revenues from crude oil (at transfer prices) decreased by HUF 1.5 bn (from HUF 6.5 bn to HUF 5.0 bn) driven by the continued impact of declining of world market prices and the strengthening of the US dollar.



Refining and Marketing

1998		DOWNSTREAM Divisional IAS results	Q1 1998		Q1 1999		99/98 ch. %	
HUF bn	USD m ⁽¹⁾		HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
378.4	1.765.1	Net sales revenues	85.4	410.0	91.9	409.5	+8	0
33.9	158.1	Operating profit	5.6	26.9	6.4	28.5	+14	+6
15.7	73.0	Depreciation	3.5	16.8	4.8	21.4	+37	+27
145.8	680.0	Tangible assets	136.2	653.9	163.5	728.6	+20	+11
40.1	187.0	Capital expenditures	4.2	20.2	6.8	30.3	+62	+50

⁽¹⁾ Exchange rates used for 1998: 214.4 HUF/USD, for the first three months of 1998: 208.3 HUF/USD, and for the first three months of 1999: 224.4 HUF/USD (average NBH middle rates)

IAS net sales revenues of the Refining and Marketing division for the first quarter of 1999 were HUF 91.9 bn and operating profit reached HUF 6.4 bn, representing a 14% profit growth over the first quarter of 1998. The Division spent HUF 6.8 bn on capital expenditures and HUF 0.6 bn on investments. The profitability of the division was enhanced by increasing domestic demand for higher value oil products and despite slightly decreasing refining margins. In the marketing area we were able to reflect in our prices the sharp increases in quoted prices seen at the end of the quarter.

During the first quarter of 1999, MOL refined 1.7 Mt of crude oil, of which 1.4 Mt (82%) was imported. Our average crude oil import prices declined by 23% in dollar terms and by 19% in Forint terms. Total refined crude oil product sales were unchanged, but the product mix improved. Domestic crude oil product sales were 1.3 Mt while export sales were 0.4 Mt. In the first quarter of 1999, total motor gasoline sales were stable (domestic sales falling by 1% and exports growing by 4%). Total gas and heating oil sales went up by 3% as domestic sales were unchanged and exports expanded by 9%. Fuel oil sales decreased by 3%, while bitumen sales slowed down by 35% due to the lower export sales (53%) compared to the very strong first three months in 1998. Lubricants sales fell by 21% due to a 10% export reduction and a 38% domestic sales decline. Domestic wholesale market share was 83% for motor gasolines (85% in Q1 1998) and 84% for gas and heating oils (86% in Q1 1998). Market share in fuel oils reduced to 64% (from 74%), while in bitumens MOL kept its 98% market share. In lubricants, a 43% market share was recorded (64% in Q1 1998). Average wholesale market share was 74% against 80% recorded in the first quarter of 1998, chiefly due to a lower market share in fuel oils. In Q1 1999, sales revenue contributions for the main product groups were as follows (excluding excise duty and product fees): motor gasolines – HUF 14.5 bn, gas and heating oils - HUF 20.3 bn, fuel oils – HUF 7.1 bn, lubricants HUF 3.9 bn, bitumens – HUF 0.6 bn, kerosenes – HUF 1.4 bn, speciality products – HUF 5.3 bn, naphta and other special gasolines – HUF 5.1 bn. In the first quarter of 1998, on the same basis, sales contributions were as follows: motor gasolines – HUF 15.9 bn, gas and heating oils - HUF 20.5 bn, fuel oils – HUF 7.4 bn, lubricants – HUF 3.8 bn, bitumens - HUF 0.9 bn, kerosenes HUF 1.5 bn, speciality products – HUF 6.7 bn, naphta and other special gasolines – HUF 6.6 bn. The general decline of such sales contributions is explained by lower quoted product prices.

Average atmospheric distillation capacity utilisation of the Duna and Tisza refineries in the first quarter of 1999 was 75% and 37% respectively. In both plants moderate declines were seen compared to the same period in 1998 due to planned general overhauls and lower toll processing volumes for KKKSz. In Q1 1998, the average capacity utilisation rate was 81% in the Duna Refinery and 39% at the Tisza Refinery. The applied technologies have been selected for the residue upgrading programme (which is expected to be completed by 2001) and its construction has commenced. We continued the implementation of the complex refining and logistics management system, to be completed by 2000.

Domestic retail oil product sales increased at a growth rate exceeding the national average during Q1 1999, chiefly due to the opening of 16 green-field and 11 reconstructed sites, the launch of a retail loyalty card and generally higher retail demand for motor fuels. Retail sales of motor gasolines were up by 5% and retail gas oil sales increased by 17%, leading to a very strong 10% 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 42% for motor gasolines and 44% for gas and heating oils in the first quarter of 1999 (in both categories further improvement was seen compared to the same period of 1998), while MOL's retail market share in lubricants was 59%. We continued our filling station extension and modernisation programme, and by the end of the quarter, we had a total of 420 MOL filling stations out of which 368 were located in Hungary and 52 in the neighbouring countries (34 in Romania, 12 in Slovakia, 3 in Ukraine, 2 in Slovenia and 1 in Croatia). The retail loyalty card we introduced in the spring of 1998 continues to be well received by the public. Retail dry good sales also increased significantly driven by popularity of this card and our successful marketing campaigns.



Financial overview

Overview of the business environment

During the first quarter of 1999, average Brent dated price was 11.3 USD/bbl, representing a near 20% decline over the 14.0 USD/bbl average price of Q1 1998 (and reducing further from average Brent dated price of 11.7 USD/bbl in Q4 1998). After a strong price recovery in March, quoted prices were close to 15 USD/bbl by the end of the quarter. Average Med quoted price of Ural Blend (dominating MOL's crude oil purchases) was 10.7 USD/bbl, 19% lower than in the same period in 1998. Average gasoline (grade 95) prices decreased by 21% whilst gasoil prices were 20% lower. Naphtha and 1% S fuel oil prices reduced by 31% and 15%, respectively (CIF Med quoted product prices). The US dollar, MOL's main trading currency, appreciated by an average of 7.7% against the Hungarian Forint (from HUF 208.3 to HUF 224.4) between the quarters, while the closing exchange rate was up by 11.4% from the end of the first quarter of 1998 (from HUF 213.2 to HUF 237.6), and grew by 8.5% from the end of 1998 (from HUF 219.0). The Hungarian Forint's depreciation of 1.8% through the crawling peg mechanism in the first quarter of 1999 was further increased by the weakening of the Forint within the intervention band by 0.5% in the same period.

Revenues, costs and expenditures

IAS consolidated net sales revenues were HUF 173.9 bn in the first quarter of 1999, which was broadly the same as the first quarter of 1998. The net sales revenues contribution of MOL Rt. (parent company) was HUF 151.7 bn (HUF 156.5 bn in Q1 1998) and contributions of the major subsidiaries were as follows: MOL-Chem Kft. - HUF 4.2 bn (HUF 4.9 bn in Q1 1998), MOLTRADE-Mineralimpex - HUF 3.9 bn (HUF 3.3 bn in three first three months of 1998) and reflecting the increased activities of the two regional companies (MOL Slovakia Kft. and MOL Romania Kft.), together they accounted for HUF 3.3 bn of the net sales revenues (HUF 1.1 bn in Q1 1998) while Nitrogénművek Rt.'s net sales revenue contribution declined to HUF 5.2 bn from HUF 7.7 bn. Export revenues reached HUF 24.0 bn (showing a 2.6% growth) and represented 14% of total sales.

Material-type expenditures decreased from HUF 118.1 bn to HUF 108.6 bn, showing an 8% fall. Within this, raw material costs decreased by 15% mainly as a result of the declining price of MOL's crude oil purchases but also reflecting higher costs of energy, increased fuel oil imports, as well as increased activity of trading subsidiaries, moderating the impact of falling crude oil prices on raw material costs. Cost of goods purchased for resale and value of material-type service went up by 8% and 57%, respectively. Personnel expenses (on a 3% higher average headcount) went up by 13% from HUF 11.6 bn to HUF 13.1bn. Depreciation was HUF 11.6 bn, 20% higher than in Q1 1998 (HUF 9.7 bn) due to increased expenditures resulting in higher tangible assets base. Other costs were HUF 6.0 bn, representing a 4% increase. Other expenditures also grew at a pace below the rate of inflation, increasing by 7% (from HUF 10.5 bn to HUF 11.2 bn). In this category, fees payable to the Crude Oil and Crude Oil Product Stockpiling Association (KKKSz) increased from HUF 3.8 bn to HUF 4.0 bn and mining royalties reduced from HUF 3.4 bn to HUF 3.2 bn.

IAS operating profit increased from HUF 21.0 bn to HUF 26.8 bn in Q1 1999, showing a 28% growth. Financial income (mainly consisting of interest income) was HUF 2.7 bn, while financial expenses increased significantly compared to Q1 1998. This consists of interest payable (HUF 3.7 bn, showing a moderate, HUF 0.3 bn growth) and exchange losses on foreign currency loans (HUF 10.3 bn from the total of HUF 10.7 bn other financial expenses). Exchange losses showed a six-fold increase over the level of HUF 1.8 bn in Q1 1998. This major increase is explained by the following items: at the parent company MOL Rt., reflecting the foreign currency debt structure (mainly US dollars), foreign exchanges losses grew to HUF 6.6 bn. This was increased by further losses of HUF 1.9 bn suffered by MOL Romania Kft. as a result of the weakening Romanian national currency, Leu on intra-Group development loans and a further HUF 1.8 bn of exchange loss on the long-term USD loan of a newly consolidated subsidiary, Kőolajtároló Rt. Total financial expenses reached HUF 14.5 bn. IAS consolidated profit before taxation was HUF 15.0 bn. After deducting taxation and the share of minority interests from group profits, net income attributable to shareholders was HUF 13.3 bn. Minority interests showed a positive impact of HUF 0.4 bn which was composed of a loss HUF 0.7 bn attributable to the minority shareholder of Kőolajtároló Rt. and a HUF 0.3 bn profit attributable to the minority shareholder of Nitrogénművek Rt. Under IAS, the total tax liability of HUF 2.3 bn (reflecting a 15% effective tax rate) contains not only the corporate tax obligation of HUF 2.1 bn but also the HUF 0.2 bn negative balance of deferred taxation for Q1 1999. In calculating the parent company's tax rate, we used the preferential 9% income tax rate.

***Cash flow***

IAS cash flow from operations was HUF 65.8 bn in Q1 1999, representing a 33% growth over Q1 1998, within which a decrease in working capital needs increased the Group's funds by HUF 25.5 bn. The change in working capital was affected by decreases of HUF 21.9 bn in inventories, HUF 9.8 bn in debtors and HUF 3.3 bn in other short term liabilities, as well as increases of HUF 4.6 bn in other receivables and HUF 1.7 bn in creditors. Returns on investment and servicing of finance (HUF 1.9 bn) and corporate tax paid (HUF 2.1 bn) decreased funds in the first quarter of 1999. Net investing cash outflows amounted to HUF 27.3 bn including HUF 16.1 bn capital expenditures and investments. Internally generated funds significantly exceeded investing cash outflows resulting in a decrease in net debt. Net cash used in financing activities therefore reached HUF 29.6 bn

Balance sheet and financing

IAS total assets amounted to HUF 627 bn at the end of March 1999, a figure 15% higher than at the end of the same period of 1998. Tangible fixed assets went up by 24%. Within this, equipment, machinery and work in progress increased strongly by a total of 43%, reflecting the strong investment programme and the full consolidation of Kőolajtároló Rt. For the same reason, participations also grew strongly by 102% or HUF 19.9 bn due to new investments and capital increases in existing companies. Inventories were HUF 71.3 bn, 4% lower than in the similar period of 1998. Value of goods purchased for resale decreased by 13% from HUF 26.3 bn to HUF 22.9 bn due to lower natural gas inventories caused by stronger gas sales in Q1 1999.

Receivables were HUF 96.7 bn at the end of the first quarter of 1999, showing a 4% increase on 31 March 1998. Within receivables, debtors were 1% lower and reached HUF 70.9 bn, while other receivables decreased to HUF 25.7 bn, showing an 18% decline. Securities and liquid assets were HUF 31.1 bn, lower by HUF 8.6 bn than at the end of the first quarter of last year. Creditors went up to HUF 30.7 bn, showing a 7% growth while other short term liabilities were 18% lower than at the end of Q1 1998, reaching HUF 48.9 bn. Short term debt was HUF 4.6 bn (this contains the short-term portion of long-term debt, i.e. the part repayable within one year) or by HUF 20.1 bn lower than at the end of March of 1998. Long term liabilities grew by 63% compared to the end of March 1998. Long term debt, which is the largest part of this account, went up to HUF 142.0 bn representing an 87% growth over 31 March 1998 (higher by HUF 66 bn) but only moderately increased (by HUF 8 bn) from 31 December 1998 despite the fact that the end-March 1999 figure already includes the long term debt of Kőolajtároló Rt. (HUF 19.3 bn). The accrual for field abandonment costs increased only moderately and reached HUF 32.7 bn. Foreign currency debt accounted for 90% of total long term debt.



Major events and Extraordinary Announcements during the first quarter of 1999

MOL Rt. announced on 24 January 1999 that the Board of Directors of the company called an Extraordinary General Meeting to be held on 24 February, 1999. On 15 February, the Company published its unaudited preliminary IAS results for the 1998 financial year. We announced on 18 February that MOL Pakistan B. V. has signed a farm-out agreement with OMV for the exploration of the Khanpur Block in Pakistan. OMV acts as the operator with a 75% interest, while MOL has a 20% stake in the project. We also announced that for the Thal block (see detailed information published on 7 August 1998) MOL Rt. has now signed the concession agreement to complete the deal. We published the resolutions of the EGM on 25 February. MOL Rt. announced on 2 March that it had sold its minority, 20.9% interest in Hungarian telecommunication company PanTel Rt. to KFKI Számítástechnikai Rt. for HUF 1.3 bn.

During the first quarter the following changes were seen in the composition of the Board of Directors and the Supervisory Board: the EGM approved the withdrawal of Mr Béla Németh, Mr János Száz and Mr István Ligeti from the Supervisory Board and at the same time elected Mr Sándor Lámfalussy, Mr János Lukács, Mr András Simor and Dr Péter Hartmann to the Supervisory Board. The EGM has also approved the withdrawal of Mr László Pál (former Chairman of the Board of Directors), Mr Szilárd Király, Dr Sándor Doleschall, Ms Emese Szentpéteri, Mr Győző Wiegand, Dr Tibor Palánkai, Mr Béla Cseh and Dr Dániel Magyarai from the Board of Directors and at the same time elected Mr János Csák, Mr Sándor Méhes, Mr Ákos Macher, Mr Zsolt Hernádi, Mr László Czirják, Mr Iain Paterson, Dr Gábor Horváth and Mr János Szitó as new Board members. Mr János Csák was elected new Chairman of the Board of Directors. A further important event since the first quarter occurred on 11 May 1999, when the Board of Directors of MOL Rt. approved a new executive management structure in order to strengthen the Group's capabilities, professional skills and international experience. After Mr Zoltán Mándoki stepped down as Chief Executive Officer, the Board of Directors proposed to Shareholders to elect a new, acting Chief Executive Officer, Mr György Mosonyi, to head the Group. At the same time, a three-member Executive Committee was formed consisting of Mr Mosonyi as acting CEO, Mr Zoltán Mándoki, who has been appointed Chief Administrative Officer (CAO), and a Chief Financial Officer, still to be appointed. MOL Rt's Annual General Meeting (held on 29 April 1999) adopted the following substantial resolutions: the AGM approved to pay out a gross dividend of HUF 90 per share in respect of the 1998 financial year; appointed Arthur Andersen Audit Kft. as new auditor to perform the audit of financial statements for the 1999 financial year, and elected Mr András Vinkovits and Mr Eduárd Pap (as an employee representative) to the Supervisory Board valid from the date of approval by the court of the modifications to the Articles of Association made at the EGM on 24 February 1999.

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

Shareholder groups	31 March 1998	30 June 1998	30 Sept 1998	31 Dec 1998	31 March 1999
Foreign investors (mainly institutional)	56.5%	51.2%	53.8%	54.9%	56.6%
ÁPV Rt. (Hungarian State Privatisation and Holding Co.)	25.0%	25.0%	25.0%	25.0%	25.0%
Hungarian private and institutional investors and other	11.8%	17.6%	14.7%	13.7%	13.8%
Employees and management	4.6%	4.6%	4.6%	4.5%	2.8%
Municipalities	1.1%	0.7%	1.0%	1.1%	1.1%
MOL Rt.	1.0%	0.9%	0.9%	0.8%	0.7%

According to the Share Register, MOL Rt. had two shareholders whose ownership in the ordinary shares exceeded 5%; the ÁPV Rt. which owns 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 115,155 from 793,347 to 678,192 chiefly due to the distribution of shares to employees, amounting to half a month's salary and share distribution to the members of the Board of Directors. During the first three months of 1999, there were no relevant changes in share ownership amongst MOL's senior management, the members of the Board of Directors and Supervisory Board, except for the changes described above.



APPENDIX I.

**CONSOLIDATED IAS PROFIT & LOSS ACCOUNTS FOR THE MOL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 1999**

Unaudited figures (in HUF millions)

	1998 Q1	1999 Q1	change %
Net domestic sales revenues	151 037	149 917	(0.7)
Net export sales revenues	23 417	24 019	+2.6
NET SALES REVENUES	174 454	173 936	(0.3)
Other revenues	1 137	2 073	+82.3
Capitalised value of own produced assets	946	1 203	+27.2
Changes of own produced inventories	-	-	-
Capitalised value of own performance	946	1 203	+27.2
Raw material costs	37 177	31 772	(14.5)
Value of material-type services used	5 907	9 289	+57.3
Cost of goods purchased for resale	72 061	66 355	(7.9)
Value of subcontractors' performance	2 912	1 202	(58.7)
Material-type expenditures	118 057	108 618	(8.0)
Wages and salaries	6 227	7 601	+22.1
Other payments to personnel	2 242	2 406	+7.3
Social insurance contribution	3 108	3 098	(0.3)
Personnel expenditures	11 577	13 105	+13.2
Depreciation and amortisation	9 633	11 571	+20.1
Other costs	5 778	5 990	+3.7
Other expenditures	10 458	11 154	+6.7
OPERATING PROFIT	21 034	26 774	+27.3
Interest received and interest-related revenues	2 021	1 649	(18.4)
Dividend and profit-sharing received	0	286	n.a.
Other revenues from financial transactions	2 520	769	(69.5)
Financial income	4 541	2 704	(40.5)
Interest paid and interest-related payments	3 413	3 710	+8.7
Write-off of financial investments	-	-	-
Other expenditures on financial transaction	1 780	10 775	+505.3
Financial expense	5 193	14 485	+178.9
FINANCIAL RESULT	(652)	(11 781)	n.a.
PROFIT BEFORE TAXATION	20 382	14 993	(26.4)
Tax payable	2 174	2 306	+6.1
PROFIT AFTER TAXATION	18 208	12 687	(30.3)
Share of profit of associated companies	132	172	+30.3
Minority interests	(736)	409	n.a.
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	17 604	13 268	(24.6)
RETAINED PROFIT FOR THE PERIOD	17 604	13 268	(24.6)



APPENDIX II.

**CONSOLIDATED IAS BALANCE SHEETS FOR THE MOL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 1999**

Unaudited figures (in HUF millions)

	31 March 1998	31 March 1999	change %
FIXED ASSETS	318 704	410 196	+28.7
INTANGIBLE FIXED ASSETS	6 479	6 903	+6.5
Rights, representing assets	483	509	+5.4
Intellectual property	1 822	2 959	+62.4
Capitalised value of research and development	3 919	1 279	(67.4)
Capitalised value of formation an restructuring expenses	13	11	(15.4)
Goodwill	242	2145	+786.4
TANGIBLE FIXED ASSETS	292 636	363 783	+24.3
Land and buildings	185 854	209 397	+12.7
Technical equipment, machinery, vehicles	57 380	85 925	+49.7
Other equipment and fittings	13 451	16 231	+20.7
Work in progress	35 123	48 857	+39.1
Advance payments made towards capital expenditures	828	3 373	+307.4
LONG-TERM FINANCIAL INVESTMENTS	19 589	39 510	+101.7
Participations	16 661	37 079	+122.5
Securities	636	487	(23.4)
Loans owed to the Company	2 292	1 944	(15.2)
Long term bank deposits	0	0	-
DEFERRED TAX	14 826	12 402	(16.3)
CURRENT ASSETS	207 686	199 017	(4.2)
INVENTORIES	74 614	71 306	(4.4)
Raw materials and consumable goods	19 983	20 188	+1.0
Goods purchased for resale	26 297	22 877	(13.0)
Advance payments made towards inventories	885	859	(2.9)
Semifinished products	13 236	12 097	(8.6)
Finished products	14 213	15 285	+7.5
RECEIVABLES	93 384	96 656	+3.5
Accounts receivable	71 619	70 940	(0.9)
Draft receivables	0	0	-
Other receivables	21 765	25 716	+18.2
SECURITIES	10 443	17 693	+69.4
Bonds purchased for resale	5 790	8 883	+53.4
Treasury shares, share quotas, shares bought for sale	28	4 988	-
Other securities	4 625	3 822	(17.4)
LIQUID ASSETS	29 245	13 362	(54.3)
Cash	383	1 774	+363.2
Bank deposits	28 862	11 588	(59.9)
PRE-PAID EXPENSES	4 951	5 408	+9.2
TOTAL ASSETS	546 167	627 023	+14.8



APPENDIX II. (CONTINUED)

**CONSOLIDATED IAS BALANCE SHEETS FOR THE MOL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 1999**

Unaudited figures (in HUF millions)

	31 March 1998	31 March 1999	change %
SHAREHOLDERS' EQUITY	280 924	320 571	+14.1
Issued share capital	97 438	97 719	+0.3
Reserves	165 882	209 584	+26.3
Retained profit for the period	17 604	13 268	(24.6)
MINORITY INTEREST	6 253	6 454	+3.2
PROVISIONS	22 447	22 965	+2.3
Provisions for expected losses	0	0	-
Provisions for expected liabilities	708	2 298	+224.6
Other provisions	21 739	20 667	(4.9)
NEGATIVE GOODWILL	4 740	5 417	+14.3
LIABILITIES	223 413	262 040	+17.3
LONG TERM LIABILITIES	108 177	176 112	+62.8
Investment and development credits	63 257	128 864	+103.7
Other long term credits	571	577	+1.1
Long term loans	2 155	2 562	+18.9
Outstanding bonds issued	10 052	10 050	0.0
Other long term liabilities	32 142	34 059	+6.0
SHORT TERM LIABILITIES	115 236	85 928	(25.4)
Advance payments received from customers	2 024	1 645	(18.7)
Accounts payable (suppliers)	28 811	30 697	+6.5
Drafts outstanding	13	6	(53.8)
Short term credits	22 548	4 454	(80.2)
Short term loans	2 160	180	(91.7)
Other short term liabilities	59 680	48 946	(18.0)
ACCRUED EXPENSES	8 390	9 576	+14.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	546 167	627 023	+14.8



APPENDIX III.

**CONSOLIDATED IAS STATEMENTS OF CASH FLOWS FOR THE MOL GROUP
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 1999**
Unaudited figures (in HUF millions)

	Q1 1998	Q1 1999	change %
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,321	65,781	+33.4
of which movements in working capital	+17,763	+25,511	+43.6
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest and other financial income	4,541	2,323	(48.8)
Interest paid and other cash financial costs	(3,821)	(4,198)	+9.9
NET CASH PROVIDED BY FINANCING ACTIVITIES	720	(1,875)	n.a.
TAXATION – CORPORATE TAX PAID	(2,469)	(2,114)	(14.4)
INVESTING ACTIVITIES			
Capital expenditures and exploration costs	(11,284)	(14,026)	+24.3
Proceeds from the disposal of fixed assets	165	152	(7.9)
Net cash inflow on purchase of subsidiary undertaking	0	0	-
Net cash inflow on sale of subsidiary undertaking	0	0	-
Acquisition of other investments	(5,580)	(4,590)	(17.7)
Proceeds from the disposal of investments	3,822	1,350	(64.7)
Changes in loans and long term bank deposits	(159)	1,005	n.a.
Changes in short term investments	(7,430)	(11,201)	+50.8
NET CASH USED IN INVESTING ACTIVITIES	(20,466)	(27,310)	+33.4
FINANCING ACTIVITIES			
Issuance of long term debt	84	4,313	n.a.
Repayments of long term debt	(1,391)	(21,321)	n.a.
Changes in short term debt	(7,770)	(12,431)	+60.0
Dividends received	0	0	-
Dividends paid to shareholders	0	0	-
Dividends paid to minority interest	(198)	0	n.a.
Net repurchase of own shares	(861)	(171)	(80.1)
Bonds issued	0	0	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(10,136)	(29,610)	+192.1
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS	16,974	4,872	(71.3)
Cash and cash equivalents at the beginning of the period	12,271	10,811	(11.9)
Impact of the Kőolajtároló Rt. brought into the consolidation from Q1 1999	n.a.	(1,691)	-
Adjustment to the subsidiaries brought into consolidation in 1997	0	(630)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29,245	13,362	(54.3)



APPENDIX IV.

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

1998	NET SALES REVENUES	Q1 1998	Q1 1999
282,040	Exploration and Production	92,080	101,378
378,448	Refining and Marketing	85,434	91,933
39,424	Corporate and other	10,843	7,460
(65,697)	Eliminations and IAS adjustments	(13,903)	(26,835)
634,214	TOTAL	174,454	173,936
1998	OPERATING PROFIT	Q1 1998	Q1 1999
54,598	Exploration and Production	17,567	24,995
33,889	Refining and Marketing	5,637	6,390
(12,131)	Corporate and other	(56)	(3,441)
(4,000)	Eliminations and IAS adjustments	(2,114)	(1,170)
72,356	TOTAL	21,034	26,774
1998	CAPITAL EXPENDITURES	Q1 1998	Q1 1999
46,524	Exploration and Production	3,748	3,511
40,074	Refining and Marketing	4,207	6,787
5,792	Corporate and other	894	624
(4,174)	Eliminations and IAS adjustments	1,024	(837)
88,216	TOTAL	9,873	10,085
1998	DEPRECIATION	Q1 1998	Q1 1999
20,735	Exploration and Production	5,103	5,590
15,655	Refining and Marketing	3,498	4,827
4,731	Corporate and other	1,161	1,237
(236)	Eliminations and IAS adjustments	(129)	(83)
40,885	TOTAL	9,633	11,571
31 Dec 1998	TANGIBLE ASSETS	31 March 1998	31 March 1999
180,838	Exploration and Production	153,508	181,156
145,817	Refining and Marketing	117,686	163,505
28,345	Corporate and other	27,838	28,262
(10,283)	Eliminations and IAS adjustments	(6,396)	(940)
344,717	TOTAL	292,636	363,783

Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions. For the first quarter of 1999, the operating profit of the Exploration and Production Division includes a decrease in its share of the environmental provision amounting to HUF 0.1 bn and also includes an increase in the accruals for the restoration costs for the abandonment of oil and gas fields of HUF 0.2 bn. For Q1 1999 the operating profit of the Refining and Marketing Division includes its share in the decrease of the environmental provision amounting to HUF 0.1 bn and a reduction in the accrual for the future maintenance expenditures of the Duna Refinery amounting to HUF 0.5 bn. The Exploration and Production division transfers domestically produced crude oil and condensates to the Refining and Marketing division. The Refining and Marketing division transfers the LPG which produced in the refinery to the Exploration and Production division, which re-sells this product to third parties. The internal transfer prices utilised for such activities are based on prevailing market prices. Operating profit for each division includes the profit arising on such intra-Group sales.

APPENDIX V.

SPECIAL ITEMS (in HUF millions)

1998	Net impact of special items	Q1 1998	Q1 1999
(995)	Writedowns on investments	-	-
6,977	Capital gains achieved on the disposal of investments	2,187	-
-	Extraordinary provision for Yugoslavian receivables	-	(818)
(1,750)	Provisions for headcount rationalisation	-	-
4,232	TOTAL	2,187	(818)



APPENDIX VI.

Key operating data

HYDROCARBON PRODUCTION (kt)	1998 FY	Q1 1998	Q1 1999	99/98 change
(gross figures, before royalty)				%
Crude oil production	1258	319	300	(6.0)
Condensates production	357	93	87	(6.5)
LPG production	158	44	40	(9.1)
Other gas products	92	27	30	+11.1

NATURAL GAS BALANCE	1998 FY	Q1 1998	Q1 1999	99/98 change
million m³				%
Production (net dry)	3872	1049	1000	(4.7)
Imports	8731	1978	2066	+4.4
Movements in storage inventories	-365	1207	1618	+34.1
TOTAL SOURCES	12238	4234	4684	+10.6
Sales to Gas Distribution Companies (GDCs)	8956	3451	3876	+12.3
Sales to power sector	1900	379	450	+18.7
Sales to industrial and other consumers	1053	328	290	(11.6)
TOTAL THIRD PARTY SALES	11909	4158	4616	+11.0
Loss and own consumption	329	76	68	(10.5)
TOTAL SALES AND LOSSES	12238	4234	4684	+10.6
TOTAL LPG SALES (thousand tons)	306	55	55	0.0

REFINERY THROUGHPUT	1998 FY	Q1 1998	Q1 1999	99/98 change
thousand tons				%
Processing of domestic crude oils	1205	282	293	+3.9
Processing of imported crude oils	5627	1355	1414	+4.4
Processing of condensates	341	91	82	(9.9)
Other processing	792	188	146	(22.3)
TOTAL REFINERY THROUGHPUT	7965	1916	1935	+1.0

REFINED PRODUCT SALES	1998 FY	Q1 1998	Q1 1999	99/98 change
Hungary, thousand tons				%
Gas and heating oils	1664	340	340	0.0
Motor gasolines	1211	246	243	(1.2)
Fuel oils	1298	412	398	(3.4)
Special gasoline and naphta	787	187	205	+9.6
Bitumens	238	17	14	(17.6)
Lubricants	48	13	8	(38.5)
Other products	287	55	66	+20.0
TOTAL DOMESTIC SALES	5533	1270	1274	+0.3
Other markets (exports), thousand tons				
Gas and heating oils	858	194	211	+8.8
Gasolines	391	86	85	(1.2)
Lubricants	94	21	19	(9.5)
Bitumens	113	17	8	(52.9)
Other products	344	85	78	(8.2)
TOTAL EXPORT SALES	1800	403	401	(0.5)
TOTAL CRUDE OIL PRODUCT SALES	7333	1673	1675	+0.1

HEADCOUNT	1998 FY	Q1 1998	Q1 1999	99/98 change
(full-time MOL Group employees)				%
Total average headcount	20140	19912	20501	+3.0
TOTAL CLOSING HEADCOUNT	20460	20037	20563	+2.6