



MOL HUNGARIAN OIL AND GAS Plc.

1999 FOURTH QUARTER AND FULL YEAR PRELIMINARY RESULTS

This report contains consolidated financial statements for the financial year ended 31 December 1999 for MOL Hungarian Oil and Gas Plc. as prepared by management in accordance with International Accounting Standards (IAS). 1998 financial statements have been restated for the retrospective effect of certain changes of accounting policy, arising in part from the introduction of new International Accounting Standards. Please note that the 1999 and restated 1998 financial statements and all quarterly financial information included here are unaudited. This document contains certain forward-looking information that is subject to a number of factors that may influence the accuracy of the statements and the projections upon which the statements are based. There can be no assurance that the projections or forecasts will ultimately prove to be accurate; accordingly, the company makes no representation or warranty as to the accuracy of such information or the likelihood that the Group will perform as projected.

Financial Highlights

MOL Group financial results (IAS)	Q4 1998		Q4 1999		99/98 ch. %		1998		1999		99/98 ch. %	
	HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD	HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
Net sales revenues	192.8	889.3	262.0	1065.0	+36	+20	634.2	2958.0	749.4	3158.0	+18	+7
EBITDA	36.9	170.2	38.2	155.3	+4	(9)	113.2	528.0	136.7	576.1	+21	+9
Operating profit before rest. ch.	25.2	116.2	20.3	82.5	(19)	(29)	72.4	337.7	83.8	353.1	+16	+5
Net financial expenses	(4.4)	(20.3)	(6.3)	(25.6)	43	26	(8.4)	(39.2)	(24.6)	(103.7)	193	165
Net income before special items⁽²⁾	17.8	82.1	23.4	95.1	+31	+16	50.4	235.1	68.2	287.4	+35	+22
Net income	15.3	70.6	(3.8)	(15.4)	n.a.	n.a.	54.2	252.8	37.8	159.3	(30)	(37)
Operating cashflow	40.6	187.3	57.4	233.3	+41	+25	110.5	515.4	171.6	723.1	+55	+40

⁽¹⁾ In converting HUF financial data into US Dollars, the following average NBH middle rates were used for 1998: 214.4 HUF/USD, for the fourth quarter of 1998: 216.8 HUF/USD, for 1999: 237.3 HUF/USD, and for the fourth quarter of 1999: 246.0 HUF/USD. ⁽²⁾ Net income adjusted for post-tax effect of restructuring charges and other special items: see detailed description in Appendix VI.

- **This year was an important milestone in the strategic development of MOL. Whilst the Group continued to solidify its market positions in Hungary and its key regional markets, dramatic developments in the oil and gas industry and the region led MOL to reassess its position and redefine its strategic objectives. In the pursuit of creating shareholder value, the new Board of Directors and management team refocused, restructured and streamlined operations and improved operating and financial efficiency in order to position the Group as a leader in the growing and fast-changing Central Eastern European (CEE) region.**
- **Net result for the fourth quarter included restructuring charges of HUF 26.6 bn. This, despite a strong underlying profitability, led to a net loss of HUF 3.8 bn in the fourth quarter. While quarterly EBITDA grew by 4%, operating profit contribution before restructuring charges was HUF 20.3 bn, 19% less than in Q4 1998 due to a higher depreciation charge. In the fourth quarter of 1999, net sales revenue growth accelerated and reached 36% on Q4 1998 figures. This increase was lower than the trend dictated by crude oil product prices, reflecting the high share in our sales of the regulated gas business.**
- **For the whole of 1999, the group was able to grow further and generate higher profits and cash flows on an underlying basis than in 1998.** Results were positively affected by increasing oil prices, historically low import gas prices and a modest overall demand growth for motor fuels in Hungary. We turned in a balanced performance by a combination of successful marketing efforts and also major efficiency improvements in the second half of the year, as the company is preparing itself to tackle the challenges from intensified regional competition.
 - **EBITDA grew by 21% and reached HUF 136.7 bn. EBITDA margin was 18.2%, exceeding 1998 performance. We increased operating cash flow considerably, achieving a historic high of HUF 171.6 bn, representing a 55% growth.** As tighter capital budgeting disciplines were enforced in 1999, capital expenditures and investments were HUF 138.8 bn, well below operating cash flow and in line with EBITDA. We shifted focus towards growth capex and this trend will continue in 2000. Net debt at year-end was HUF 157.8 bn, maintaining net debt to net debt plus equity ratio at 30% (31% at year-end 1998).
 - **Operating profit (before restructuring charges) was HUF 83.8 bn in 1999, showing a 16% growth compared to 1998. Exploration and Production contributed HUF 54.9 bn to operating profit, 5% more than in 1998, while Refining and Marketing contributed HUF 41.7 bn, showing a 28% increase from the previous year.** The Group's net expenditure in the Corporate and other segments grew only marginally from HUF 12.3 bn to HUF 12.8 bn. Changes in operating performance are analysed in more detail later in the sector overview section.

- **Management delivered major efficiency improvements by the end of 1999, reducing annual controllable costs (operating costs less depreciation and oil and gas purchases) by HUF 13 bn in real terms (USD 50 million)** chiefly due to the reduction of administrative and structural costs. We reduced headcount by 1522 or 7%, the positive effects of which will be felt in 2000. Cost efficiency improvement will unfold across all business and functional areas this year.
- **We announced in October 1999 that decisive changes in strategic directions required the company to incur significant one-off restructuring costs.** In addition to the HUF 26.6 bn restructuring charge borne in connection with MOL's business restructuring programme, the financial statements also contain other special items. Special items in aggregate reduced 1999 profit (post-tax) by HUF 30.4 bn (details in Appendix VI). Although the combined impact of these major one-off charges led to a 30% decline in yearly reported net income, results clearly demonstrate the underlying strength of the business.
- **For 2000, natural gas business results are expected to be materially worse than in 1999 or 1998, depending on the specific level of price adjustment adopted by the Regulator in June 2000.** In the fourth quarter, contractual import prices were already 25% higher than in the third quarter. In 2000, the price escalation will continue, eliminating the positive margin between wholesale and import prices in the first quarter of 2000. Due to lack of flexibility in price regulation (no real time adjustment to input costs), MOL may only be able to recover a significant part of its lost revenues after June 2001, when the subsequent price adjustment is due. In 2000, average yearly import prices, assuming the continuation of current high crude oil prices (24 USD/bbl average) could reach 107 USD/thousand cubic meters (representing a 62% growth over 1999) and even assuming a 20 USD/bbl average crude oil price for the year, average import prices would exceed 100 USD/thousand cubic meters (a 52% increase on 1999). MOL strongly believes that the Regulator will have to acknowledge the significant increase in gas import costs in the light of existing regulation, further supported by publicly made promises by the Government in recent years.
- **The Board is determined to maintain the financial flexibility of the group under all circumstances to preserve its ability to capture attractive growth opportunities. The Board is therefore committed to adjust capital spending programmes to the cash generation profile.** The more difficult conditions expected for the gas business in 2000 led the Board of Directors to initiate adjustments to the capex programme: 2000 capital spending will be reduced by around 20% from 1999 levels to approximately HUF 110 bn (before acquisitions), without compromising future growth prospects.
- **The Board of Directors will propose to the 2000 Annual General Meeting of MOL to pay a gross dividend of HUF 55 per share for the 1999 financial year.** The Board of Directors considers that in line with the high medium-term growth opportunities available for our businesses, it is more appropriate to follow a more conservative dividend policy in the future.
- **Average Brent dated crude oil price was 18.0 USD/bbl in 1999, up 42% increase compared to an average price of 12.7 USD/bbl in 1998.** In 1999, average Med quoted price of Ural Blend (dominating MOL's crude oil purchases) was 17.3 USD/bbl, up by 47% compared to 1998 (11.8 USD/bbl). In the fourth quarter of 1999, average Brent dated price was 24.1 USD/bbl, representing a 115% increase compared to the 11.2 USD/bbl average for Q4 1998 and showing a further 17% growth on the 20.6 USD/bbl average for Q3 1999. In 1999, average CIF Med gasoline prices increased by 27%, gasoil prices were up 30%, naphtha and high sulphur fuel oil prices increased by 29% and 39%, respectively. The USD appreciated by an average of 11% against the Hungarian Forint (from HUF 214.4 to HUF 237.3), closing exchange rate was up 15% (from HUF 219.0 to HUF 252.5).

Extraordinary Announcements in Q4 1999; shareholder structure and treasury shares

On 16 October 1999, we announced that the Ministry of Economics requested the Parliament's Economic Committee to postpone the discussion on the amendment of the Gas and Mining Acts. We announced new strategic and financial targets for the Group on 25 October 1999. On 4 November we announced that Mr András Simor resigned from the Supervisory Board. On 15 November we announced unaudited IAS preliminary results for the first nine months of 1999. On 22 November MOL announced that it had signed a cooperation agreement with Yukos for the joint exploitation of the Zapadno-Malobalyk oil field (located in West Siberia within the Khanty-Mansiysk Autonomous Region). On 30 November we reported the status of our Y2K project. On 14 December we denied a press report that the company was considering issuing new shares. On 15 December we announced the signature of a memorandum of understanding between MOL and the INA on a joint gas transit project. On 17 December we announced that we signed a 15-year EUR 50 million loan agreement with the European Investment Bank. During the quarter we announced MOL share purchases by the Chairman of the Board of Directors, the Chief Financial Officer and the Chief Administrative Officer as well as MOL share sales by the Director of Planning and Controlling. The CAO, the Managing Director of Corporate Services and the Managing Director of Chemical Division exercised their share options. There were no relevant changes in the corporate structure or the management body of MOL Rt. during the period. At the end of 1999, foreign investors represented 50.9% of the share capital of MOL Rt. (55% at year-end 1998), Hungarian private and institutional investors represented 2.9% of the share capital (19% in 1998). MOL Rt. held 0.4% of its own shares in treasury against 0.8% a year ago. It must be noted that as the Share Register is run by KELER Rt. from August 1999, shareholder group categories have changed compared to the previous periods and depositaries appeared with a 18.4% participation, while the number of unregistered shares grew to 2.4% from 0.2%. The ÁPV Rt. held 25% of the shares, unchanged from last year. According to the Share Register, two other shareholders owned more than 5% of the ordinary share capital of MOL Rt.: the depositary bank for MOL's GDR programme, the Bank of New York, which had 28.2% of the shares registered under its name and the Capital Emerging Markets Growth Fund which owned 5.2% of the shares. The number of treasury shares held by MOL Rt. decreased by 19,940 from 500,342 to 480,402 chiefly due to purchases made by managers under the share option scheme. Please note that in Hungary, the Share Register does not fully reflect the ownership structure as registration is not mandatory.



Sector performance

Exploration & Production	1998 Q4		1999 Q4		99/98 ch. %		1998		1999		99/98 ch. %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
<i>Divisional IAS results</i>												
Net sales revenues	91.5	422.0	84.8	344.7	(7)	(18)	254.1	1185.2	263.8	1111.7	4	(6)
Operating profit	25.1	115.8	17.5	71.1	(30)	(39)	52.1	243.0	54.9	231.3	5	(5)
Capital expenditures	15.2	70.1	14.8	60.4	(2)	(14)	43.2	201.5	34.8	146.6	(19)	(27)

Operating profits for the Exploration and Production segment reflected higher profits on crude oil, condensate and LPG production due to firmer prices. This positive impact has been partially offset by lower profit contribution from natural gas production as production volume reduced significantly from 1998 levels. Due to the 70% ratio of gas production in MOL's E&P activity, the results of this segment are most sensitive to the level of gas production. Lower gas transit volumes and revenues also weakened profit contribution, hit at the same time by provisions created against transit receivables. Depreciation in the segment increased by HUF 6.2 bn due to a higher asset base and a more conservative E&P depreciation policy. Finally, stronger exploration activity led to higher exploration costs (HUF 6.9 bn was spent on international and HUF 10.2 bn on domestic exploration). Revenues from crude oil (at transfer prices) increased from HUF 23.4 bn to HUF 35.1 bn, while crude oil production was stable at 1.2 Mt. Revenues from condensates (at transfer prices) increased from HUF 7.3 bn to HUF 9.4 bn, on volumes falling by 16%, from 340 kt to 287 kt. LPG products sales revenues increased from HUF 13.9 bn to HUF 20.2 bn as volumes were 393 kt, 21% higher than in 1998.

Natural gas sales (including transmission revenues) decreased from HUF 229.5 bn to HUF 226 bn, as average selling prices were 3% lower than in 1998 and sales volumes were 12.0 bcm, up 1%. This reflected higher power sector and gas distributor sales, while sales to industrial consumers declined. Import sources of 8.8 bcm secured 73% of sales (in 1998: 8.4 bcm or 70%). Sales from domestic production were 3.2 bcm, down 13% from 3.5 bcm in 1998. Gas transit revenues were HUF 4.1 bn against HUF 8.1 bn in 1998, and transit volumes fell to 1.1 bcm from 2.1 bcm in 1998, due to the EU embargo on Serbia. For the fourth quarter, transit volumes increased to 0.4 bcm reflecting the growing role of humanitarian transit activity. In addition to HUF 2.8 bn of provisions created by 30 September 1999, we set aside a further provision of HUF 0.8 bn. At the end of 1999, all unsecured transit receivables were fully provisioned. The natural gas business, as defined by regulation (gas exploration, production, storage, transmission and wholesale activities), had an estimated pre-tax profit of HUF 15.3 bn, after HUF 3.0 bn of allocated interest costs, HUF 4.4 bn of inventory holding costs, HUF 5.4 bn of allocated overhead costs and HUF 1.7 bn hedging costs (in 1998, the gas business had a pre-tax profit of HUF 14.9 bn, after HUF 2.4 bn of allocated interest costs, HUF 8.1 bn of inventory holding costs and HUF 6.0 bn of allocated overheads). Despite 13% lower import prices, combined gas trading and gas production profits increased only moderately against 1998, due to the production dynamics described above. The margin between average gas selling prices and cost of sales was similar to that of the 1998 level as the impact of lower unit import costs was reduced by sales from higher historic cost imported gas inventories, higher share of import sources and increased domestic production and transmission costs. Furthermore, the margin between sales prices and purchase prices reduced significantly in the fourth quarter of 1999, a key sales period.

Refining & Marketing	1998 Q4		1999 Q4		99/98 ch. %		1998		1999		99/98 ch. %	
	HUF bn	USD m	HUF bn	USD m	HUF	USD	HUF bn	USD m	HUF bn	USD m	HUF	USD
<i>Divisional IAS results</i>												
Net sales revenues	91.1	420.2	174.6	709.8	92	69	345.4	1611.0	469.4	1978.1	36	23
Operating profit	6.8	31.4	8.0	32.5	18	3	32.5	151.6	41.7	175.8	28	16
Capital expenditures	16.7	77.0	18.2	74.0	9	(4)	39.2	182.8	49.8	209.9	27	15

Segment operating profit grew by 28% in 1999. Changes in the value of own produced inventories resulted in an inventory gain of around HUF 4 bn in 1999 against a loss of HUF 0.6 bn in 1998. Estimated domestic demand growth for motor fuels was 2% with stable gasoline demand and diesel demand growing by 4%. MOL captured its share of this growth. We sold 7.2 Mt of oil products in 1999, domestic sales were 5.4 Mt while exports were 1.8 Mt. We kept our leading market positions due to successful marketing initiatives and increased marketing margins, compensating the impact of lower refining margins. Average wholesale market share was 80% against 81% in 1998. Domestic diesel sales increased by 4% while diesel exports were up 1%. Domestic motor gasoline sales volumes were marginally down (1%), while export fell by 8%. Fuel oil sales volumes fell by 5% reflecting stronger gas substitution in the power sector. Bitumen volumes were 8% lower compared to the high levels seen in 1998. Lubricant volumes fell by 18%, but profit contribution grew as result of a more focused product portfolio and marketing. Revenue contributions for key product groups were (excluding taxes): motor gasoline - HUF 101.5 bn (1998: HUF 77.0 bn), gas and heating oils - HUF 131.5 bn (HUF 94.0 bn), fuel oils - HUF 31.5 bn (HUF 24.5 bn), lubricants HUF 17.6 bn (HUF 17.9 bn), bitumen - HUF 9.6 bn (HUF 8.9 bn), kerosene - HUF 12.2 bn (HUF 7.5 bn), specialty products - HUF 24.1 bn (HUF 15.4 bn), naphtha and special gasoline - HUF 38.4 bn (HUF 25.3 bn). In Q4, MOL made a swap transaction by selling and repurchasing 220 kt of products to/from KKKSz resulting in HUF 10.3 bn additional revenues as KKKSz filled its inventories with products meeting year 2000 specifications.

Retail market developments were very positive as our domestic retail fuel sales increased at a rate exceeding the national average, also due to the sales contribution from 27 new sites. We grew strongly our retail fuel and non-fuel sales and margins. Retail gasoline sales grew by 5%, retail gasoil sales grew by 16%, resulting in a 9% increase in total retail fuel sales. MOL's retail market share was 42% for motor gasoline and 46% for gas and heating oils in 1999, both improved compared to 1998 (data from MÁSZ). By the end of the fourth quarter, MOL had 447 filling stations, of which 390 were located in Hungary and 57 in the region.



Financial overview

1999 Group net sales revenues were HUF 749.4 bn, showing a 18% increase. Export revenues reached HUF 143.8 bn (showing a 31% growth) and represented almost 20% of total sales. As described in note ⁽¹⁾ to the P&L accounts (Appendix I), 22 companies were consolidated for the first time in 1999 (8 exploration subsidiaries, 12 retail gas infrastructure and distribution companies, Kőolajtároló Rt. and MOL Austria). These companies were not previously consolidated as, prior to the expansion of their activities in 1999, the effect would not have been material. Of the increase in total operating revenues and total operating costs compared to 1998, HUF 8.2 bn and HUF 9.4 bn respectively are due to the consolidation of these companies. In the balance sheet the most significant effect is on intangible and tangible fixed assets, where HUF 2.5 bn and HUF 33.4 bn respectively of the increases are so explained. Material-type expenditures increased by 22%. Within this, raw material costs increased by 45% (as average crude oil prices increased by 49% in dollar terms and by 69% in Forint terms), cost of goods purchased for resale increased by 12%, and the value of material-type services and cost of subcontractors fell by 6% as a direct result of cost saving initiatives. Personnel expenses (on a 7% lower closing headcount) grew by 9% but the increase has been halted in the fourth quarter. We reduced headcount by 1255 in the fourth quarter (the chief part of headcount reduction happened in the last two months in 1999) and by 1522 for the whole year. Depreciation was 29% higher than in 1998 due to capital expenditures resulting in a higher tangible asset base. The growth rate of yearly depreciation was in line with previous year's trend, reflecting lower capital spending in real terms. Other cost and expenses increased by 13%. EBITDA grew by 21% and reached HUF 136.7 bn. Operating profit before restructuring charges increased from HUF 72.4 bn in 1998 to HUF 83.8 bn in 1999, a 16% increase. MOL has recorded restructuring charges totalling HUF 26.6 bn in its 1999 income statement. The majority of these charges reflect restructuring decisions taken as part of the Board of Directors strategy review. The most significant items include the adoption of the more conservative successful efforts method of accounting for exploration activity, write-downs of the assets of operations to be discontinued and provision for redundancy costs. Also included is the effect of adopting new IAS 36 (Impairment of assets), and IAS 37 (Provisions, contingent liabilities and contingent assets). In line with IAS requirements appropriate adjustments have been made to the prior year financial statements to reflect the adoption of these standards. Financial income for 1998 included the capital gain achieved on the sale of certain minority interests (chiefly Pannon GSM Rt.) and was HUF 16 bn, while in 1999 financial income (mainly interest income) was HUF 9.6 bn. Total financial expenses for 1999 amounted to HUF 34.2 bn of which interest payable was HUF 14.0 bn, exchange losses were HUF 11.5 bn, and hedging costs were 2.0 HUF bn. Financial expenses increased in 1999 by an interest charge arising on the annual recomputation of the discounted environmental and field abandonment provisions totalling HUF 4.6 bn. Prior to the adoption of IAS 37 these provisions were not discounted. MOL has changed its accounting policy on the capitalisation of interest on assets under construction. With effect from 1 January 1999, where the interest on foreign currency loans is capitalised, any related exchange losses are treated in the same way. In 1999 the effect of this change in accounting policy is to reduce financial expenses by HUF 5.0 bn and increase profit before tax by HUF 5.3 bn. Expensed foreign exchange losses reflecting this change in accounting policy, grew by only HUF 0.6 bn in the fourth quarter, after HUF 10.9 bn in the first nine months of 1999, and despite a further 4.6% appreciation of the USD in Q4 1999. Profit before taxation was HUF 32.7 bn. After adjusting for taxation (HUF 3.6 bn increase in income including deferred tax items) and the share of minority interests from group profits, net income attributable to shareholders was HUF 37.8 bn. Under IAS, the total tax charge of a negative HUF 3.6 bn contains not only the corporate tax payment obligation of HUF 5.3 bn, but also the HUF 8.9 bn positive deferred taxation movement for 1999. The deferred tax movement includes a revaluation of certain deferred tax assets and liabilities as a result of MOL Rt. having become entitled to a 70% corporate income tax concession (1998 – 50%) reducing the company's tax rate from 9% to 5.4%. Minority interests showed a positive impact of HUF 1 bn, because the negative result of the subsidiaries had been allocated to minority owners.

Total assets amounted to HUF 745.3 bn at the end of 1999, growing by 22%. Exploration, research and development increased by HUF 6 bn as we fully consolidated our international exploration subsidiaries and adopted the SE method to account for domestic exploration costs. Tangible fixed assets increased by 24%. Within this, plant, buildings, technical equipment and machinery increased by a total of 55%, reflecting our investment programmes and the wider circle of the consolidated subsidiaries. Long-term financial investments decreased by 9% during 1999, due to the first time consolidation of 22 subsidiaries in 1999 offset by the acquisition of a 19.6% participation in TVK. Inventories were 6% higher than at year-end 1998, driven by a 15% increase in the value of finished goods and a 5% decline of goods for resale (due to lower gas unit cost). This is a considerable positive sign in inventory management, taking into account the strong rise in crude oil and crude oil product prices. Receivables increased by 24%, within this, trade debtors were 22% higher. Their growth was much slower than the growth in Forint terms of the price of key oil products. Other receivables increased by 29%. Trade creditors grew by 114% while other short-term liabilities were 29% higher. Short term debt was HUF 7.4 bn, HUF 9.4 bn lower than at the end of 1998. Long term liabilities grew by 18% compared to 31 December 1998. Long term debt, which is the largest part of this account, went up by HUF 42.3 bn to HUF 176.2 bn (out of which HUF 19.8 bn was related to Kőolajtároló Rt., fully consolidated in 1999). Foreign currency debt accounted for 83% of total long term debt at the end of 1999.

Cash flow from operations was HUF 171.6 bn in 1999, representing a 55% growth over 1998, of which a decrease in working capital needs increased the Group's funds by HUF 21.6 bn. Adjusted for the working capital change, cash flow grew by 18% in 1999. Working capital was reduced by a HUF 30.8 bn increase in creditors and a HUF 20.7 bn in other short term liabilities, which exceeded growth in working capital needs stemming from a HUF 19.8 bn increase in debtors a HUF 5.9 bn increase of inventories and a HUF 4.0 bn increase in other receivables. Returns on investment and servicing of finance (HUF 8.0 bn) and corporate tax paid (HUF 8.4 bn) decreased funds in the 1999. Net cash used in investing activities reached HUF 138.8 bn. Net financing cash outflows amounted to HUF 12.0 bn.



APPENDIX I.

**CONSOLIDATED¹ IAS PROFIT & LOSS ACCOUNTS FOR THE MOL GROUP
FOR THE YEAR ENDED 31 DECEMBER 1999**
Unaudited figures (in HUF millions)

	1998 Q4	1999 Q4	Ch. %	1998	1999	Ch. %
Net domestic sales revenues	160 491	213 347	+33	524 165	605 598	+16
Net export sales revenues	32 332	48 655	+50	110 049	143 844	+31
NET SALES REVENUES	192 823	262 002	+36	634 214	749 442	+18
Other operating revenues	2 932	(451)	n.a.	6 221	5 695	(8)
TOTAL OPERATING REVENUES	195 755	261 551	+34	640 435	755 137	+18
Raw material costs	46 969	91 404	+95	159 351	230 399	+45
Value of material-type services used	20 026	13 526	(32)	54 815	51 525	(6)
Cost of goods purchased for resale	58 691	93 218	+59	205 745	229 742	+12
Material-type costs	125 686	198 148	+58	419 911	511 666	+22
Payroll costs and related charges	17 368	17 359	0	54 665	59 509	+9
Depletion, depreciation and amortisation	11 749	17 875	+52	40 885	52 823	+29
Other operating expenses	20 398	24 341	+19	64 272	72 795	+13
Less: Own costs capitalised	(4 627)	(16 487)	+256	(11 654)	(25 484)	+119
TOTAL OPERATING COSTS	170 574	241 236	+41	568 079	671 309	+18
Operating profit before restructuring charges	25 181	20 315	(19)	72 356	83 828	+16
Restructuring charges	-	(26 583)	-	-	(26 583)	-
Operating profit after restructuring charges	25 181	(6 268)	n.a.	72 356	57 245	(21)
Interest received and interest-related revenues	276	2 218	+704	6 177	6 846	+11
Dividend and profit-sharing received	1 055	665	(37)	1 643	1 390	(15)
Other revenues from financial transactions	(278)	(134)	(52)	8 163	1 408	(83)
Financial income	1 053	2 749	+161	15 983	9 644	(40)
Interest paid and interest-related payments	2 524	8 329	+230	12 191	18 638	+53
Write-off of financial investments	457	430	(6)	986	1 462	+48
Other expenditures on financial transactions	2 453	335	(86)	11 255	14 127	+26
Financial expense	5 434	9 094	+67	24 432	34 227	+40
FINANCIAL RESULT	(4 381)	(6 345)	(45)	(8 449)	(24 583)	(191)
PROFIT/(LOSS) BEFORE TAXATION	20 800	(12 613)	n.a.	63 907	32 662	(49)
Taxation	(5 107)	8 184	n.a.	(9 491)	3 637	n.a.
PROFIT/(LOSS) AFTER TAXATION	15 693	(4 429)	n.a.	54 416	36 299	(33)
Share of results of associated companies	26	(3)	n.a.	355	536	+51
Minority interests	(375)	597	n.a.	(603)	974	n.a.
NET PROFIT/(LOSS) ATTR. TO SHAREHOLDERS	15 344	(3 835)	n.a.	54 168	37 809	(30)
Dividend (proposed)	(8 785)	(5 386) ²	(39)	(8 785)	(5 386) ²	(39)
RETAINED PROFIT/(LOSS) FOR THE PERIOD	6 559	(9 221)	n.a.	45 383	32 423	(29)

¹ With effect from 1 January 1999 the number of fully consolidated subsidiaries has increased from 22 to 44. The subsidiaries previously consolidated were as follows: Rotary Rt., GES Kft., Geoinform Kft, MOL-Chem Kft, MOLTRADE-Mineralimpex Rt., MOL-Lízing Kft., Kunpetrol Kft., Petrolszervíz Kft., Petroszolg Kft., MOLTRANS Kft., Dunafiksz Kft, MOL-Románia Kft., MOL-Szlovákia Kft., MOL-Hotels and MOL-Invest Rt. as well as Zsámbékgáz Rt., Olajterv Rt., Izobutilén Ltd., Nitrogénművek Rt., Börzsönygáz Kft., Terméktároló Rt. and ZAB Rt. The newly consolidated companies consist of MOL's international exploration subsidiaries (MOL Syria, MOL Yemen, MOL Tunézia, MOL Qatar, MOL Nile, MOL Greece, MOL Pakisztán, MOL CIS), natural gas distribution and LPG subsidiaries (MOL Gáz Kft., Balatongáz Kft., Bihari Közmű Szolgáltató Kft., Délborsodi Gázközmű Kft., Felső-Szabolcs Gáz Kft., Főnix-Gáz Kft., Kiskungáz Rt., Mátragáz Kft., Turulgáz Rt., Pébé Tároló Kft., Szeg-Gáz Kft., MOL PB-Gáz Kft.) as well as Kőolajtároló Rt. and MOL Austria GmbH.

² Assuming gross dividend of HUF 55 per share as proposed by the Board of Directors



APPENDIX II.

CONSOLIDATED IAS BALANCE SHEETS FOR THE MOL GROUP AS AT 31 DECEMBER 1999

Unaudited figures (in HUF millions)

	31 Dec 1998	31 Dec 1999	Ch. %
FIXED ASSETS			
Intangible assets			
Property rights	471	1 041	+121
Software and trade marks	3 250	3 468	+7
Exploration, research and development	1 291	7 130	+452
Goodwill arising on consolidation	(3 154)	(373)	(88)
TOTAL INTANGIBLE ASSETS	1 858	11 266	+506
Tangible fixed assets			
Land and building	213 496	242 591	+14
Plant and machinery	72 890	112 764	+55
Other equipment	17 908	17 598	(2)
Investments in process	38 697	51 169	+32
Payments in advance	1 726	2 750	+59
TOTAL TANGIBLE FIXED ASSETS	344 717	426 872	+24
Long-term financial investments			
Participations	35 378	33 729	(5)
Securities	476	317	(33)
Loans	2 950	1 589	(46)
TOTAL LONG-TERM FINANCIAL INVESTMENTS	38 804	35 635	(9)
TOTAL FIXED ASSETS	385 379	473 773	+23
DEFERRED TAX	12 611	14 569	+16
CURRENT ASSETS			
Inventories			
Raw materials	19 430	23 557	+21
Goods for resale	47 555	45 316	(5)
Work in progress and finished goods	26 356	30 249	+15
TOTAL INVENTORIES	93 341	99 122	+6
Receivables			
Accounts receivables (net)	81 028	98 729	+22
Other receivables and prepayments	25 781	33 316	+29
TOTAL RECEIVABLES	106 809	132 045	+24
SHORT-TERM INVESTMENTS	3 442	6 420	+87
CASH	10 810	19 353	+79
TOTAL CURRENT ASSETS	214 402	256 940	+20
TOTAL ASSETS	612 392	745 282	+22



APPENDIX II. (CONTINUED)

CONSOLIDATED IAS BALANCE SHEETS FOR THE MOL GROUP
AS AT 31 DECEMBER 1999
Unaudited figures (in HUF millions)

	31 Dec 1998	31 Dec 1999	Ch. %
SHAREHOLDERS' EQUITY			
Share capital	97 607	97 911	0
Reserves	164 056	233 211	+42
Retained profit for the period	45 383	32 423	(29)
TOTAL SHAREHOLDERS' EQUITY	307 046	363 545	+18
MINORITY INTEREST			
	6 289	7 419	+18
Long-term liabilities			
Provisions for liabilities and charges	56 037	46 659	(17)
Long-term debt	133 874	176 219	+32
Other long-term liabilities	0	798	n.a.
TOTAL LONG-TERM LIABILITIES	189 911	223 676	+18
Current liabilities			
Accounts payable	28 757	61 511	+114
Short term debt	16 808	7 383	(56)
Other current liabilities and accruals	63 581	81 748	+29
TOTAL CURRENT LIABILITES	109 146	150 642	+38
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	612 392	745 282	+22

APPENDIX III.

MOVEMENT IN SHAREHOLDERS' EQUITY FOR THE MOL GROUP
FOR THE YEAR ENDED 31 DECEMBER 1999
Unaudited figures (in HUF millions)

	Share capital	Reserves	Retained profit for the period
Opening balance 1 January 1999	97 607	164 056	45 383
Transfer to reserves of retained profit for the previous year		45 383	(45 383)
Retained profit for the period			32 423
Net change in balance of treasury shares held	304	145	
Gains on treasury share transactions		122	
Prior year effect of accounting policy changes			
<i>Introduction of new International Accounting Standards</i>			
Impairment of domestic production assets (IAS 36)		(4 126)	
Environmental and field abandonment provisions (IAS 37)		23 272	
Reversal of Duna Refinery maintenance provision		3 306	
<i>Other accounting policy changes</i>			
Adoption of Successful effort exploration accounting		(1 849)	
Capitalization of FX losses on assets under construction		2 902	
Closing balance 31 December 1999	97 911	233 211	32 423



APPENDIX IV.

**CONSOLIDATED IAS STATEMENTS OF CASH FLOWS FOR THE MOL GROUP
FOR THE YEAR ENDED 31 DECEMBER 1999**
Unaudited figures (in HUF millions)

	Q4 1998	Q4 1999	change %	1998	1999	change %
NET CASH PROVIDED BY OPERATING ACTIVITIES	40 640	57 364	+41	110 513	171 622	+55
of which movements in working capital	(4 159)	8 242	n.a.	(16 549)	21 582	n.a.
RETURNS ON INVESTMENT AND SERVICING OF FIN.						
Interest and other financial income	662	1 737	+162	8 024	8 280	+3
Interest paid and other cash financial costs	(2 505)	(3 895)	+55	(13 129)	(16 286)	+24
NET CASH USED IN FINANCING ACTIVITIES	(1 843)	(2 158)	+17	(5 105)	(8 006)	+57
TAXATION – CORPORATE TAX PAID	(2 734)	(778)	(72)	(8 502)	(8 402)	(1)
INVESTING ACTIVITIES						
Capital expenditures and exploration costs	(41 594)	(45 242)	+9	(106 808)	(120 071)	+12
Proceeds from the disposal of fixed assets	576	1 384	+140	1 428	2 265	+59
Net cash inflow/(outflow) on purchase of subsidiary	-	-	n.a.	-	(1 413)	n.a.
Acquisition of other investments	(6 057)	(586)	(90)	(24 113)	(21 392)	(11)
Proceeds from the disposal of investments	-	-	n.a.	9 992	1 350	(86)
Changes in loans and long term bank deposits	(337)	663	n.a.	(794)	95	n.a.
Changes in short term investments	309	718	+132	(429)	402	n.a.
NET CASH USED IN INVESTING ACTIVITIES	(47 103)	(43 063)	(9)	(120 724)	(138 764)	+15
FINANCING ACTIVITIES						
Issuance of long term debt	51 464	19 133	(63)	118 954	50 523	(58)
Repayments of long term debt	(47 068)	(4 067)	(91)	(79 510)	(43 422)	(45)
Changes in short term debt	4 740	(23 241)	n.a.	(6 950)	(12 137)	+75
Dividends received	315	666	+111	902	1 391	+54
Dividends paid to shareholders	138	-	n.a.	(7 667)	(8 784)	+15
Dividends paid to minority interest	1	-	n.a.	(297)	(33)	(89)
Net repurchase of own shares	(64)	166	n.a.	(1 634)	449	n.a.
NET CASH PROVIDED BY/(USED IN) FIN. ACTIVITIES	9 526	(7 343)	n.a.	23 798	(12 013)	n.a.
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS	(1 514)	4 022	n.a.	(20)	4 437	n.a.
Cash and cash equivalents at the beginning of the period	13 469	15 331	+14	12 271	10 810	(12)
Impact of subsidiary brought into the consolidation	-	-	n.a.	-	4 106	n.a.
Exchange difference arising on cons. of foreign subsidiaries	(1 145)	-	n.a.	(1 441)	-	n.a.
CASH AND CASH EQ. AT THE END OF THE PERIOD	10 810	19 353	+79	10 810	19 353	+79



APPENDIX V.

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

NET SALES REVENUES	Q4 1998	Q4 1999	1998	1999
Exploration and Production	91 519	84 822	254 100	263 779
Refining and Marketing	91 078	174 615	345 382	469 384
Corporate and other	10 226	2 564	34 732	16 279
TOTAL	192 823	262 001	634 214	749 442

OPERATING PROFIT (before restr. charges)	Q4 1998	Q4 1999	1998	1999
Exploration and Production	25 104	17 486	52 143	54 892
Refining and Marketing	6 837	7 974	32 516	41 719
Corporate and other	(6 760)	(5 145)	(12 303)	(12 783)
TOTAL	25 181	20 315	72 356	83 828

CAPITAL EXPENDITURES	Q4 1998	Q4 1999	1998	1999
Exploration and Production	15 204	14 847	43 180	34 839
Refining and Marketing	16 710	18 240	39 245	49 839
Corporate and other	2 919	2 667	5 791	4 926
TOTAL	34 833	35 754	88 216	89 604

DEPRECIATION	Q4 1998	Q4 1999	1998	1999
Exploration and Production	5 874	10 257	20 657	26 810
Refining and Marketing	4 526	6 095	15 516	20 679
Corporate and other	1 349	1 523	4 712	5 334
TOTAL	11 749	17 875	40 885	52 823

TANGIBLE ASSETS	31 Dec 1998	31 Dec 1999
Exploration and Production	172 637	204 412
Refining and Marketing	143 880	192 667
Corporate and other	28 200	29 793
TOTAL	344 717	426 872

Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions. Exploration and Production transfers domestically produced crude oil and condensates to Refining and Marketing. Refining and Marketing transfers LPG produced in the refinery to Exploration and Production, 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 segments includes the profit arising on such intra-Group sales but net sales for each segment exclude such intra-Group sales. Please note, that figures for 1998 reflect the consolidation eliminations attributed to the operating segments. Therefore these figures may appear different from those previously published for the same period.

APPENDIX VI.

RESTRUCTURING CHARGES AND OTHER SPECIAL ITEMS (in HUF millions)

Impact of special items	Q4 1998	Q4 1999	1998	1999
Restructuring charges affecting operating profit	-	(26 583)	-	(26 583)
Other special items affecting operating profit	-	-	-	-
Provisions for headcount rationalisation (*)	(1 750)	-	(1 750)	-
Provision for Yugoslavian receivables	-	(1 351)	-	(3 774)
Other special items affecting financial results	-	-	-	-
Writedowns on investments	(995)	(430)	(995)	(1 462)
Capital gains achieved on the disposal of investment	-	-	6 977	-
TOTAL IMPACT BEFORE TAXATION	(2 745)	(28 364)	4 232	(31 819)
Tax effect associated with restructuring and other spec. items	247	1 194	(381)	1 381
TOTAL IMPACT AFTER TAXATION	(2 498)	(27 170)	3 851	(30 438)

(*) In 1999, provisions for headcount rationalisation are included under restructuring charges



APPENDIX VII.

KEY OPERATING DATA

HYDROCARBON PRODUCTION (kt)	1998	1999	99/98	1998	1999	99/98
(gross figures, before royalty)	Q4	Q4	Ch. %			Ch. %
Crude oil production	315	319	+1	1258	1243	(1)
Condensates production	113	88	(22)	357	282	(21)
LPG production (w/o refining production)	48	33	(31)	158	133	(16)
Other gas products	33	30	(9)	90	100	+11

NATURAL GAS BALANCE	1998	1999	99/98	1998	1999	99/98
million m³	Q4	Q4	Ch. %			Ch. %
Natural gas production (net dry)	1275	1081	(15)	3872	3396	(12)
Natural gas imports	2059	2048	(1)	8728	9014	+3
Movements in storage inventories	1103	1089	(1)	-367	-44	(88)
TOTAL SOURCES	4437	4218	(5)	12233	12366	+1
Sales to Gas Distribution Companies (GDCs)	3586	3408	(5)	8954	9112	+2
Sales to power sector	482	431	(10)	1900	1973	+4
Sales to industrial and other consumers	285	288	+1	1055	948	(10)
TOTAL THIRD PARTY SALES	4353	4127	+5	11909	12033	+1
Loss and own consumption	84	91	+8	324	333	+3
TOTAL SALES AND LOSSES	4437	4218	(5)	12233	12366	+1
TOTAL LPG SALES (thousand tons)³	108	120	+11	324	393	+21

REFINERY THROUGHPUT	1998	1999	99/98	1998	1999	99/98
thousand tons	Q4	Q4	Ch. %			Ch. %
Processing of domestic crude oils	314	304	(3)	1208	1200	(1)
Processing of imported crude oils	1341	1593	+19	5627	5774	+3
Processing of condensates	112	90	(20)	341	290	(15)
Other processing	207	392	+89	795	831	+5
TOTAL REFINERY THROUGHPUT	1974	2379	+21	7971	8095	+2

REFINED PRODUCT SALES	1998	1999	99/98	1998	1999	99/98
Hungary, thousand tons	Q4	Q4	Ch. %			Ch. %
Gas and heating oils	463	474	+2	1661	1617	(3)
Motor gasolines	315	310	(2)	1211	1202	(1)
Fuel oils	412	390	(5)	1318	1254	(5)
Special gasoline and naphta	200	237	+19	787	790	0
Bitumens	60	64	+7	238	226	(5)
Lubricants	12	9	(25)	47	34	(28)
Other products	56	73	+30	266	280	+5
TOTAL DOMESTIC SALES	1518	1557	+3	5528	5403	(2)

Other markets (exports), thousand tons						
Gas and heating oils	189	253	+34	861	904	+5
Gasolines	99	82	(17)	391	370	(5)
Bitumens	23	19	(17)	113	95	(16)
Lubricants	21	22	+5	94	81	(14)
Other products	86	69	(20)	346	327	(5)
TOTAL EXPORT SALES	418	445	+6	1805	1777	(2)
TOTAL CRUDE OIL PRODUCT SALES	1936	2002	+3	7333	7180	(2)

HEADCOUNT			1998	1999	99/98
(full-time MOL Group employees)					Ch. %
TOTAL CLOSING HEADCOUNT⁴			20460	18938	(7)

³ Isobutane and normal butane were added to the previous category due to their increasing sales volumes.

⁴ 1999 year-end headcount figures contain the 22 newly consolidated companies (headcount 260)