



► ***Monetisation of Treasury Shares***

February 2008

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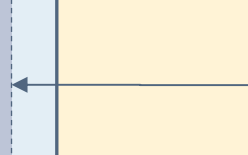
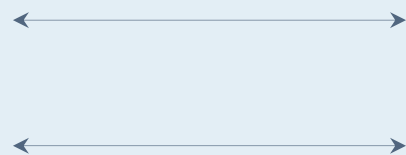
▶ Highlights of the Transaction

- ▶ Sale of 6.0 million Treasury Shares to and Swap Agreement with Magnolia Finance Ltd („MFL“) in March 2006
 - MFL is a legally independent trust
 - MFL is fully consolidated due to swap agreement between MOL and MFL
- ▶ Benefits for MOL
 - Capacity to exercise MOL's option to purchase 10.9 million MOL shares held by APV Zrt. (this transaction took place in May 2006)
 - Eliminates share overhang due to APV's MOL shares
 - Secures increased headroom within the targeted gearing ratio
 - Hybrid capital structure raises equity-like capital at debt-like cost

Transaction Overview – Indicative Terms

MOL Group Consolidated under IFRS

Sale of 6.0 million Shares
At market price
Appr. € 469 MM ⁽¹⁾



Subordinated Swap Agreement

- Remaining proceeds (PEXCS proceeds less purchase price of shares) paid to MOL (appr. € 141 MM) ⁽¹⁾
- Quarterly appr. € 6.1 MM payment on the appr. € 610 MM notional amount to MFL
- Termination payment to MFL if the PEXCS are redeemed
- MOL has a call option to buy the shares at market price upon exchange of the PEXCS by investors and after 10 years if no exchange took place before

Issuance of Perpetual Exchangeable Capital Securities

Appr. € 610 MM ⁽¹⁾

⁽¹⁾ Excluding transaction costs. Sale of 6,007,479 shares at 20,515 HUF/share. Conversion price is 26,670 HUF/share (30% conversion premium). Coupon is 4.00%.

▶ Accounting Implications

▶ **MOL Consolidates MFL Under IFRS**

- Arrangements between MOL and MFL (sale of shares and subordinated swap) eliminated in the consolidation
- No change in the accounting treatment of the shares sold to MFL under IFRS, therefore no change in basic number of shares outstanding (shares held by Magnolia are accounted as treasury shares)
- “If-converted” method used for calculation of fully diluted shares outstanding; conversion is not considered if it were not dilutive

▶ **Balance Sheet Treatment of PEXCS: Majority Equity, Minority Financial Derivative**

- Other equity/minority interests for approximately 78% of proceeds raised (initially HUF 121 bn, in December 2007 HUF 105 bn)
- Financial derivative/liability for approximately 22% of proceeds raised (initially HUF 37 bn, in December 2007 HUF 65 bn)

▶ **Financial Derivative Component Subject to Mark-to-Market under IAS 39**

- Substantial non-cash quarterly impact on profit and loss account, due to revaluation of liability from potential cash settlement, if investors exercise their call option
- Driven by the MOL share price, HUF/EUR exchange rate, volatility of share price and FX rate, dividend expectations, EUR interest rate
- Positive impact if MOL’s share price declines, negative impact if MOL’s share price appreciates
- Mark-to-market effect will be disclosed quarterly as a separate line item under Financial Income/Expense
- Value of conversion option will change accordingly (reported as non-current liability in B/S)

▶ **Dividend to and coupon payment of Magnolia**

- No effect of P&L
- Recorded directly against equity attributable to minority interests

▶ Mark-to-Market Impact – Illustrative Impact of PEXCS and APV Buyback on Q4 2007

•The mark-to-market effect of the PEXCS is shown as a separate line item on MOL's P&L to enable investors to clearly understand the financial accounting impact of the transaction

Illustrative Mark-to-Market Impact (1) (2)						
Share Price		Gain / Loss on Equity Option	Q4 Adjusted Net Income (3)		EPS	
HUF	Change	HUF MM	HUF Bn	Basic	FD	
24,000	-15.8%	18,629	96,214	1,284	955	
24,495	-14.1%	16,667	94,256	1,258	955	
25,000	-12.3%	14,659	92,244	1,231	955	
26,000	-8.8%	10,554	88,139	1,176	955	
27,000	-5.3%	6,323	83,908	1,120	955	
28,000	-1.8%	1,975	79,560	1,062	955	
28,500	0.0%	-239	77,346	1,032	955	
29,000	1.8%	-2,480	75,105	1,002	955	
30,000	5.3%	-7,035	70,550	942	942	
31,000	8.8%	-11,681	65,904	880	880	

Share price on 28 Dec 2007

Share price on 28 Sep 2007

1. For illustrative purposes only - unaudited and not reviewed – All excluding transaction costs
2. Following receipt of exchangeable proceeds of HUF160 billion based on the sale of 6.0 MM shares to MFL and an exchange price of HUF26,700, as well as the buy-back of 10.9 MM shares from APV at HUF21,760 / share
3. Net income available to ordinary shareholders, i.e. after PEXCS interest payment

▶ Calculation of EPS

▶ **Basic EPS**

- Net income is divided by the number of average outstanding shares in the period
- At the calculation of outstanding shares, treasury shares, shares lent to third parties and shares held by Magnolia have to be deducted from shares issued

▶ **Diluted EPS**

- Net income has to be adjusted with the interest paid on management convertible bonds (interest is based on 12m HUF Treasury yield)
- Number of shares has to be adjusted with the potential shares from the conversion of management convertible bonds (number of outstanding bonds X 1,779)
- Net income has to be adjusted with the mark-to-market effect of Financial derivative/liability in the period
- Number of shares held by Magnolia has to be added back to the number of outstanding shares