



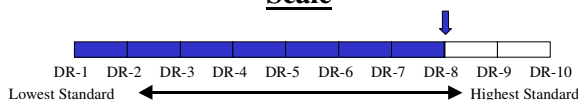
MOL Plc.

Hungary

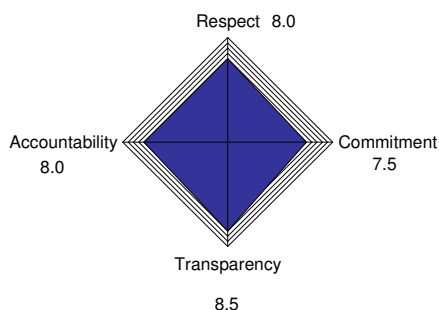
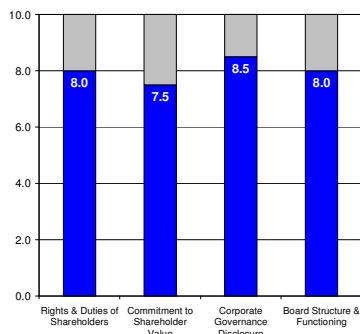
Rating



Scale



Scores for Categories



Summary

ICS Corporate Services (hereafter "ICS") assigns a DR 8.0 to MOL Plc (hereafter "MOL"). This rating reflects the excellent overall performance of the company regarding its current corporate governance structures and functioning.

MOL is a leading corporate governance actor in Central and Eastern Europe and exceeds the average performance of companies in developed economies particularly in its disclosure standards and its board structure and functioning. Further governance reforms and the planned reduction of state involvement in the company's affairs create a positive outlook for further improvement.

Methodology

ICS Europe was appointed by the board of MOL to assess its current corporate governance structures and workings. ICS Europe conducts its analysis from a standpoint of independence and objectivity. The rating is based on public and non-public information provided by MOL, as well as on "one-on-one" interviews with senior management, board of directors' and supervisory board's representatives.

The Corporate Governance Rating is pursued with reference to ICS Europe's standards (hereafter, "the Standard"). The Standard is established according to a methodology based on internationally recognised corporate governance standards, developed and continuously updated with major institutional investors who act as opinion leaders in the field of corporate governance. The Standard places ICS Europe in a unique position to assess the corporate governance practices of companies and ensures that the services conducted by ICS Europe are closely tied to market expectations.

The Rating & Investor Report is based on current information provided to ICS Europe until 7 June 2007. The Rating & Investor Report may be changed, suspended or withdrawn as a result of changes in or unavailability of such information.

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Executive Summary

1. Rights & Duties of Shareholders

For this category, MOL scores 8.0 out of 10.

MOL deviates from the one share – one vote principle in that it features a 10% voting rights ceiling and a golden share in the ownership of the Hungarian state (The rights attached thereto have been considerably limited at the AGM 2007). MOL adheres to the one share – one dividend policy and installed a Global Depository Receipts (DRs) programme to facilitate trading and voting by non-Hungarian investors.

MOL meets almost all investors' expectations as far as the resolutions proposed to the general meeting are concerned. The only voting issue missing to meet best practice standards not featured on MOL's agenda for the general meeting is the approval of last year's report on board remuneration. The shareholders' right to dismiss directors' is limited to the termination of 3 out of 11 board members within 6 months if no shareholder controls more than 33% of outstanding shares. However, after 6 months all board members may be withdrawn.

Following the amended Hungarian Company Act MOL meets investor expectations on proposals. The holding requirement for convening a general meeting is 5% (previously 10%), for adding an agenda item it is 1% (10%). MOL allows shareholders present at the general meeting to make counterproposals as long as these remain within the scope of the published draft agenda.

All shareholders may vote at the general meeting, either by attending or by appointing any proxy. Current Articles of Association do not regulate voting by mail or internet. ADR holders can conveniently forward a filled in voting form to their responsible custodian bank who ensures that the vote will be cast at the general meeting. A seven day record date system replaced the shareholder unfriendly blocking requirement.

MOL treats all shareholders equally in operations involving the company's capital. The current capital authorisation given to the board of directors is restricted to very specific purposes and is limited to 15% of the company's share capital.

2. Commitment to Shareholder Value

For this category, MOL scores 7.5 out of 10.

ICS Europe regards it as the primary duty of the management and the board of directors to serve the long term interests of all shareholders while balancing the interests of all stakeholders for a sustainable business.

There is no indication that the interests of MOL's significant stakeholders should not be in line with the long term interest of all shareholders. With the exception of the Hungarian state, there seems to be no stakeholder that could potentially exercise a disproportionate influence on the company's operations. Notwithstanding, the rights of the state have been considerably curbed at the AGM of 2007. Still, the current rights attached to the golden share make any takeover dependent upon the state's consent. The takeover protection is further reinforced through the amendment to the articles of association limiting the amount of directors that can be dismissed by shareholders.

MOL turned to external professional advice to create a fair and appropriate remuneration of both its board of directors and top management. According to ICS Europe's evaluation the long-term

nature of the executive and top management pay should be extended from currently 2 to 5 years. Executive and non-executive directors (NEDs) may participate in an optional 5-year bond-based incentive scheme. The 7 eligible non-executive directors have chosen to do so.

3. Disclosure on Corporate Governance

For this category, MOL scores 8.5 out of 10.

MOL achieves a very good standard of financial reporting and disclosure. Most of the documents that are considered crucial for shareholders are available in English on the corporate website in a timely fashion. The website features a special corporate governance section giving access to a wide range of relevant documents.

MOL is an active corporate citizen in the field of cultural and community activities as well as issues of health, safety and the environment. In 2006, MOL Group Senior Management approved the establishment of a Sustainable Development Management System.

The general disclosure on boards and committees gives insight into their composition and functioning. More details on the board of directors are available in the articles of association and the various CG documents.

Information to identify links between the NEDs and the company has improved. MOL provides its own independence criteria for its directors and labels directors accordingly. The disclosure on board remuneration and incentive schemes, which is stronger on NED pay, is fair but has room for improvement.

4. Board Structure and Functioning

For this category, MOL scores 8.0 out of 10.

All members of the board of directors are elected by all the shareholders at the general meeting. Board members are not subject to any age limit. The supervisory board, as a second tier controlling body next to the non-executives on the board of directors, has 3 of its 9 members elected by the central works council.

The board of directors reflects a sound composition of members from a diverse academic and professional background. 7 independent voices counterbalance three executive directors and the combined role of Chairman/CEO.

The board of directors of MOL has given credible examination powers to the Financial and Risk Management Committee, which is chaired by an independent chairman. The committee is composed of NEDs only and pursues its work with dedication. Moreover, the newly created Audit Committee composed of independent supervisory board members adds an additional control layer.

ICS Europe's analysis revealed a clear involvement of the board of directors in the strategy-making process.

All nomination proposals are the responsibility of the corporate governance and remuneration committee before being submitted to the general meeting. ÁPV, the state's investment vehicle, as holder of a "golden" share, does no longer hold the right to appoint one board member each to the board and supervisory board. Already at the AGM 2007, ÁPV did not use its appointment right anymore. The board of directors and the committees as a whole are regularly and independently evaluated.

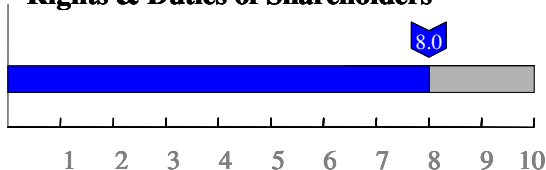
The corporate governance and remuneration committee takes care of board and top management remuneration with the assistance of external consultants. The committee is quite active during the year, and submits a brief report to shareholders in the annual report.

An active, open, determined and yet fair decision-making process seems to take place on board of directors level according to ICS Europe's analysis. The board as a whole seems to be strongly committed to and act in the best interest of the company. Conflicts of interests have been well handled to date.

MOL's supervisory board is responsible for supervising the board of directors on behalf of the shareholders. It serves as a second layer of control, next to the non-executive directors on the board of directors, as regards the business operation of the company.

1 Rights & Duties of Shareholders

Rights & Duties of Shareholders



1.1 One Share – One Vote – One Dividend Principle

MOL deviates from the one share – one vote principle in that it sets up a 10% voting rights ceiling and there is a golden share in the ownership of the state. MOL adheres to the one share – one dividend policy and installed a American Depository Receipts (ADRs) programme to facilitate trading and voting.

The distorting influence on the one share - one vote principle ensuing from the existence of a golden share and the special powers attributed to the holder of the golden share has been watered down considerably through the cancellation of most of these special powers at the AGM of April 2007. The golden share (“B share”) no longer grants privileged powers on board nomination (section 1.2) nor a veto right on control over strategic company assets. It does however grant the state a right to veto a potential elimination of the voting right ceiling.

Shareholder and shareholder groups are subject to a voting right ceiling of 10%. This rule does not apply to the Hungarian state. Its holding through ÁPV reflected the strategic importance of MOL for the country, though over the last years, the State has gradually sold off its complete stake as previously announced. As of 6 December 2006, the Hungarian state only holds 1 A series share and 1 B series (golden) share.

Pursuant to a decision taken at the Extraordinary General Meeting of 1 September 2003, ordinary “C shares” were transformed into ordinary “A shares”, except for 578 “C shares” because of the different par value. The ordinary “C shares”, issued in 2002 in relation to the acquisition of a strategic stake in Slovnaft (a downstream oil and petrochemical company in Slovakia), bear the same rights as the ordinary “A shares”. Even though their par values differ slightly, both ordinary share types have the same number of voting rights, as each share is entitled to 1 vote per HUF 1,000 of its par value. The “C shares” were issued with a premium above the market price of the “A shares” and therefore in spite of their fractionally higher par value and voting right the issue evaded any economic or voting right dilution vis-à-vis the remaining shareholders (see appendix 1 for details).

MOL Share capital¹

Type	Par value (€)	Votes per share	# issued
Ordinary A share	3.95	1	109,329,797
Golden B share	3.95	special rights	1
Ordinary C share	3.95	1.001	578

ÁPV’s share sale of February 2004 which reduced ÁPV’s stake in MOL’s “A shares” to below 25% (only 1 A share held by ÁPV as of 6 December 2006) followed by the conversion of “C shares” into “A shares” in April 2004,” significantly reduced its influence over board election as outlined further in this report (section 4.2.1.3).

The dividend policy is the same for all 3 types of shares, consequently the company respects the one share – one dividend principle.

MOL set up a global depository receipt (GDR) program with the Bank of New York which temporarily had been transferred to JP Morgan. The GDR program was upgraded in June 2006 to the Level-I ADR program with enhanced global equity presence and liquidity. Each ADR is being granted the same voting right as its underlying MOL share (no attendance needed; section 1.4).

Governance features

- No non-voting shares
- No multiple voting rights
- No dividend distortions among shareholders
- ADRs have the same voting rights as ordinary shares
- “C shares” were converted to “A shares”
- Voting right ceiling set at 10% for shareholders and shareholder groups
- One golden share with very limited prerogatives
- Golden share grants veto right for elimination of voting right ceiling

1.2 Voting Issues

MOL meets almost all investors’ expectations as far as the resolutions proposed to the general meeting are concerned.

MOL follows the Hungarian legal framework, which awards a wide range of prerogatives to the general meeting. The only voting issue not featured on MOL’s agenda for the general meeting is the approval of last year’s report on board remuneration. The initial determination of board remuneration for non-executive directors as well as the introduction or alteration of incentive schemes however, lies within the scope of competence of the general meeting and is under the supervision of the supervisory board.

¹ Articles of Association of 7 February 2007.

For most of the proposed resolutions, the information at hand (such as the annual accounts, the agenda and the articles of association) is in English and sufficient to understand the general issues that will be discussed at the general meeting. Draft resolutions available prior to the general meeting may be amended during the general meeting whilst staying within the scope of the original agenda item. According to recent years' experience, the full identity and background of the proposed board members was not available. On a positive note, the agenda is available more than 30 days before the general meeting.

However, the new Hungarian Company Act effective as of July 1, 2006 stipulates that the invitation to the general meeting and other company announcements can be published on the company website instead of in the printed press. In addition, the invitation to an EGM following a public takeover offer has to be published at least 15 days instead of the current minimum required 30 days prior to the day of the general meeting. If applied in practice, this might significantly hinder international shareholders' ability to cast their votes in a timely manner.

In the past, MOL published invitations to GM on its Web site, as well as in the 'Népszabadság' and 'Magyar Nemzet' dailies. From now on, GM notices will be published only on the company's Web site and the Web site of the Budapest Stock Exchange.

Until the AGM of April 2007, the names of the nominated directors had been only disclosed at the general meeting itself, although each director's appointment is voted upon separately. Each shareholder participating at the general meeting receives furthermore a booklet which contains not only the draft resolutions, but also extensive background information. Audit/non-audit fees are available in the document outlining the resolutions of the annual general meeting prior to the general meeting.

MOL's shareholders have exclusive authority to elect and dismiss members of the board of directors and the supervisory board, except for the employee representatives in the supervisory board. The AGM of April 2007 scrapped the previously existing right of the Hungarian state, according to which the holder of the "B share", as long as it holds 25% or less of "A" shares, has a direct appointment and dismissal right, by means of a 50% plus one vote at the general meeting, on one member of the board of directors and one member on the supervisory board. Before that, ÁPV had such a direct appointment right for three members on both board of directors and supervisory board. After the State's stake in MOL was continuously reduced to 12.3% in February 2004, 1.93% in May 2006 and finally down to 1 A series and 1 B series share, respectively, the number of board representatives chosen by ÁPV was reduced accordingly and now has ceased completely, thereby further aligning MOL's practices with shareholders' expectations.

The AGM of 26 April 2007 approved certain limitations on shareholders governing the potential dismissal of board members. In the event any shareholder initiates the termination of appointment of one or more members of the Board of Directors, the general meeting may only decide on terminating the appointment of maximum 3 members of the Board of Directors validly with the restrictions that during the six months period following the decision on termination of the three members of the Board of Directors, no further appointment of the members of the Board of Directors can be terminated; any General Meetings held after six months following the General Meeting deciding on the termination of the three members appointment may terminate the appointment of any members of the Board of Directors. The provisions of the above sentence shall not be applied should any shareholder or shareholders' group hold over 33%² of the shares of the Company acquired via a public purchase offer.

Furthermore, the Hungarian legislation requires that at least one third of supervisory board members be employee representatives (three in the case of MOL).

Governance features
<ul style="list-style-type: none"> ▪ Favourable Hungarian legal framework ▪ Agenda and draft resolutions are available in English ▪ Agenda only published on company website ▪ All voting items relevant to shareholders are mentioned with the exception of last year's board remuneration report's approval ▪ There are no combined resolutions, not even for board appointments ▪ All 11 members of the board of directors are elected by the GM ▪ Six out of 9 directors of the supervisory board are elected by the GM, three are employee representatives ▪ Limitation of directors' termination to 3 out of 11 board members within 6 months if no shareholder controls more than 33% of outstanding shares ▪ No final resolutions until the meeting itself ▪ No information on the nominated directors until the general meeting itself

1.3 Shareholder Proposal

MOL meets most investor expectations as far as shareholder proposals are concerned.

² According to Hungarian law, any shareholder whose holding of shares or voting rights in the company reaches 33 percent of all company shares must make a mandatory tender offer for the balance of the issued equity share capital.

In line with recent amendments to the Hungarian Company Act, a threshold of at least 5% of the votes (previously 10%) to be held alone or in a group, is needed to request the convening of an extraordinary shareholders' meeting. The insertion of an agenda item for an already convened general meeting is possible with 1% (10%). The Hungarian market is now in line with most Western European markets where a threshold of 5% for convening a GM and of 1% to add an item to the agenda is considered best practice.

MOL also allows shareholders present at the general meeting to file counterproposals as long as these remain within the scope of the originally proposed resolution.

Shareholders can at all times ask written questions (before the general meeting) and oral questions (at the general meeting) to the board of directors. These are then answered at the general meeting and recorded in the minutes of the meeting.

Governance features

- Strong shareholder input at the general meeting itself, where counterproposals can be filed by any shareholder
- Calling of an EGM is possible with 5% of voting rights
- Holding requirement to add resolutions to the agenda is 1%

1.4 Voting Procedures & Methods

MOL meets most investor expectations as far as voting procedures and methods are concerned.

All shareholders may vote at the general meeting, either by attending or by appointing any proxy with the exception of board and supervisory board members, respectively, who are legally excluded. The AGM 2006 eased the authorisation of a proxy through the introduction of a proxy card. Any person except board members, company secretary, company executives or the auditor may serve as representative of a shareholder at a GM. MOL' Articles of Association does not regulate voting via mail or internet (see appendix 2 for overview).

For the execution of votes at the general meeting an electronic system is used to ensure confidential voting. Any person has the right to visit the Commercial Register to find out what registered names are behind the voting results of a general meeting. Moreover, shareholders can attend without access limitations (i.e. holding requirement) and all votes cast by shareholders or proxies are counted.

The Bank of New York is responsible for sending out the agenda of a general meeting to the holders of ADRs. ADR holders can conveniently fill in a voting form, instructing the Bank of New York to cast their vote as indicated on the form.

A welcome novelty by international investors was the 2006 amendment of the Company Act changing the previous blocking requirement to a record date system. Technical requirements (share registration and submission of proxy) for voting per proxy or attending the general meeting need to be fulfilled 7 working days prior to the meeting. As MOL must provide its shareholders with a draft agenda 30 days prior to the general meeting, the timing bottleneck is circumvented. The investors have thus in fact about 23 calendar days to perform an analysis on the proposed resolutions and to fulfil the registration requirements. This performance is slightly above the European average of 21 days. The record system does not have the negative side effects of share blocking that resulted into opportunity costs of proceeds from securities lending which an institutional investor forfeited during the blocking period. An abstract of the annual report is available around 20 calendar days before the general meeting.

As determined by Hungarian law, the proxy form generally need not include voting instructions by the beneficiary shareholder if full power of attorney has been given by the latter. This however does not count for professional depositories (nominees) who can only vote as instructed by the beneficiary (no blank proxy).

Governance features

- Proxy voting is possible and anyone can be appointed as proxy without restriction (excluding board members, corporate secretary, company executives or auditor)
- All votes are counted confidentially
- ADR holders can vote shares conveniently through the Bank of New York
- Blank proxies are not allowed
- Record date system replaced share blocking requirements
- GM participants need to be listed in the share register 7 days in advance
- The draft agenda and a summary of the annual accounts including an operational and a management discussion are available prior to the general meeting

1.5 Equitable Treatment of Shareholders

MOL treats all shareholders equally in operations involving the company's capital.

At the ordinary general meeting of April 2005, MOL shareholders authorised the board of directors to increase the company's share capital by no more than 15% of the issued share capital. This is considered an improvement if compared to the previous authorisation of 25%. The exclusion of subscription rights contained in this authorisation are restricted to the purpose of implementations of the company's strategic goals. Although, this purpose is less strictly defined as the previous authorisation (the acquisition of an oil company), MOL in the past has handled its capital increases reasonably to ensure their appropriate and equitable use.

The maximum dilution of voting power that existing shareholders may experience thus equals 15% (previously 21%), which is acceptable considering the restrictive terms of the authorisation and the prospective benefit arising from its use. Conditional capital is limited to 2% of the share capital and is only made use of if beneficiaries of the company's long-term convertible bond scheme trigger their conversion rights. On 7 September 2006, Mol decided on a small capital increase, issuing 345,126 ordinary A shares (0.3% of issued share capital) in conjunction with its convertible bond programme.

In the past MOL never used any authorisation from the general meeting in a way that would have significantly diluted existing shareholders. When the "C shares" were originally issued, they were sold with a premium towards the market price of existing "A shares" avoiding unjust economic dilution of MOL shareholders.

A share repurchase authorisation was approved at the 2007 AGM. The authorisation is valid for an 18 month period and for up to 10% of the share capital with a repurchase price reflecting the market price..

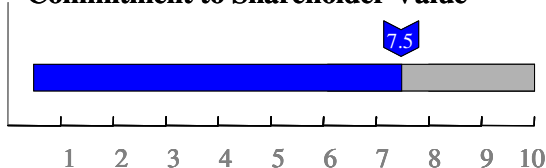
Governance features

- Authorised capital up to 15% of current share capital
- Exclusion of pre-emptive rights may lead to voting power dilution of maximum 15% but clearly restricted in purpose
- Conditional capital is restricted in its scope to 2% of the share capital and in its use to service the convertible bond plan
- No unnecessary dilution of existing shareholders in the recent past
- Share repurchase authorisation for 18 months that excludes use as an anti-takeover device
- No targeted stock placement

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2 Commitment to Shareholder Value

Commitment to Shareholder Value



2.1 Influence of Stakeholders

There is no indication at hand leading to believe that the interests of MOL's significant stakeholders should not be in line with the long term interest of all shareholders. With the exception of the state, there is no stakeholder that could potentially exercise a disproportionate influence on the company's operations.

MOL outlines its shareholder structure in the annual report and regularly discloses updates of the shareholder structure on its corporate website. (for the current shareholder structure see appendix 3).

Taking the known shareholders (OMV, BNP and Magnolia) and the treasury shares into account, MOL has a remaining free float of about 66.3%. After the most recent divestment of ÁPV in December 2006, its financial stake has been reduced to virtually 0%, leaving it with only one A share. Notwithstanding, together with the B share ÁPV's holding remains the most influential, as the B (golden) share confers certain prerogatives to its holder. Those however, have been widely limited at the AGM of 26 April 2007- e.g. the right to appoint one representative on the board of directors and one on the supervisory board does not exist anymore. Although there are still directors on the board that have originally been elected by ÁPV, to date, it may be assumed that they hold no more ties to ÁPV.

The formerly dominating influence of the Hungarian State (via ÁPV) over the governance of MOL has consecutively been diminished. The following remains:

- The Hungarian State (via ÁPV) is the only shareholder that may exercise more than 10% of voting rights at any general meeting. This voting right ceiling gives rise to the necessity for a potential bidder to acquire a stake of at least 90% of voting rights to overcome this barrier. The gradual divestments of ÁPV, which led to the complete sell-off of the state's financial stake, relativises this hurdle, leaving however the question of the usefulness of the voting right ceiling. Still, a successful takeover is dependent on the consent of the Hungarian State.
- The Hungarian State (via ÁPV) can veto the elimination of the 10% voting right ceiling.

The influence of the Slovintegra and Slovvena shareholder group ("SISB"), the 2 investment vehicles that sold their Slovnaft shares to MOL, has in 2005 been reduced to the supervisory board seat of the co-founder of Slovintegra and former chairman of the board of directors of Slovnaft, Slavomír Hatina, who had joined the supervisory board of MOL following the aforementioned transaction. The supervisory board is in the case of the Hungarian model very limited in its controlling function. Except for reviewing significant business reports of the company its main leverage is to convene an extraordinary general meeting and to submit a proposal in case it is of the opinion that the activity of the board of directors violates applicable laws or regulations. The main controlling function is taken on by the NEDs on the board of directors (section 4.2). The former "SISB" stake of 8% in MOL is currently held by BNP following the latter's exercise of a call option in "SISB". On 23 December 2005, "SISB", BNP and MOL signed an agreement appointing BNP to exercise MOL's call option.

In March 2006, MOL signed a share purchase agreement to sell 6,007,479 A-shares of MOL currently held in treasury of Magnolia Finance Limited ("Magnolia"), incorporated in Jersey, which thereby acquired a 5.58% stake in MOL. MOL does not have any direct or indirect equity interest in or control right over Magnolia, but consolidates the latter for IFRS purposes. Neither BNP nor Magnolia are represented on MOL's boards.

As a welcome sign of restraining influence, MOL's board of directors did not support the appointment of a representative of OMV, an Austrian competitor, to its board of directors, despite its 10% stake in MOL.

As determined by Hungarian law, the supervisory board comprises 3 employee representatives, appointed by the Central Works Council, out of a total of 9 board members. All supervisory board representatives have the same rights and responsibilities. Should, however, the 3 employee representatives at any stage unanimously differ, the general meeting will be informed on such a minority opinion. The presence of the employee representatives has no negative or disproportionate influence on the company's management and management supervision.

The relationship between MOL and one of its main financial stakeholders OTP, the largest Hungarian bank, at first glance may seem privileged as Dr Sándor Csányi, chairman and CEO of OTP, is a NED on the board of directors. OTP is one of many banks with which MOL interacts commercially. Moreover, a stringent conflict of interest procedure, which imposes full liability in case of breach, is signed as a prerequisite to assuming a board seat and thus further reduces the risks involved.

A similar remark can be made for several board and supervisory board members, as well as for some relatives of a MOL board member and a senior manager, respectively, which are involved in certain advisory or commercial relations with the company. However, the value of the performed service contracts has been very limited so far. They are disclosed in the annual report and are subject to the above mentioned conflict of interest procedure.

The annual appointment of the company's independent auditors and the determination of their remuneration falls under the responsibility of the general meeting. The ratio of non-audit to audit fees paid to the external auditors for the last financial year was 14.6% (31% in 2005), implying that the main revenue of the auditor is derived from audit services as required by international standards. During 2006, the main non-audit services related to a due diligence in connection with a takeover bid.

The company has expressed its commitment to long term shareholder value through its various charters, especially through its MOL Group Code of Ethics.

Governance Features
<ul style="list-style-type: none"> ▪ The 3 employee representatives on the supervisory board have no significant influence ▪ No executive is connected to identified core shareholders ▪ Conflict of interests rules are clearly outlined and applied for all board members ▪ Non-audit fees paid to auditors are clearly below audit fees ▪ No improper ties to suppliers or clients ▪ No inappropriate influence of financial advisors ▪ State influence on the composition of the boards decreased but to date is still more than proportionate ▪ On board composition ÁPV has so far opted for appointees with proper business experience and judgement

2.2 Board & Management Remuneration

MOL has turned to external professional advice to create a fair and appropriate remuneration of both its board of directors and top management. According to ICS Europe's evaluation the long-term nature of the executive and top management pay should be extended from currently 2 to 5 years. NED compensation includes a variable component that is related to the company's share price. Pay is not linked to attendance.

2.2.1. Remuneration of Board members

The non-executive director's remuneration policy includes

- a fixed annual cash fee,
- the possibility to participate in a voluntary convertible bond based LTIP, and
- in some cases some additional fees.

The fixed annual fees are reasonable and total EUR 25,000 or EUR 41,500 for a non-executive chairman. If the chairman of the board has executive status - as is the case for MOL - the latter amount is paid to the NED who takes on the office of the vice-chairman. In 2006 directors' total remuneration approximated HUF 286m (EUR 1,059,570).

In addition, NEDs may participate in a voluntary convertible bond scheme with the first series of bonds becoming convertible in 2004. The term of the bond is 5 years. The conversion ratio is determined in a way that it corresponds to the average market price in the period up to the issue. Ownership is capped at 25 bonds per person for members of the board of directors, 30 bonds per person for the committee chairmen and 35 bonds for the chairman of the board of directors (but not if the chairman is executive; then the non-executive vice-chairman would qualify for the 35 bonds, which is the case today). A maximum of 1,200 bonds with a par value of HUF 10,000,000 (EUR 39,536) each may be issued. Each year bondholders may convert 20% of their bonds, ensuring alignment of directors' interest with the long-term interest of shareholders. All 7 eligible non-executive board members decided to subscribe to this optional incentive scheme.

Pay is not linked to attendance, but attendance is very high. A reasonable additional fee per meeting is provided for non-Hungarian residents (EUR 1,500) and a monthly fee for committee chairpersons (EUR 1,000). The meeting fee is restricted to 15 meetings during a 12-months period.

The members of the supervisory board, charged with the monitoring of the board of directors, receive a fix remuneration of of EUR 3000 per month, while the chairman receives EUR 4000. In addition, the chairman receives EUR 1500 up to 15 times per year after every meeting attended of the board of directors or a board committee. Total remuneration of the members of the supervisory board amounted to HUF 76m (EUR 300,475)

The non-executive remuneration policy is administered by the supervisory board of MOL, and approved by the shareholders' meeting. The exposure of the pay's policy and amount to a "market test", i.e. requesting consent by the company's shareholders and its representative body—the supervisory board—ensures their transparency and fairness.

Governance Features
<ul style="list-style-type: none"> ▪ Approval of the whole pay package for NEDs by the general meeting ▪ Adequate average fees per member (NEDs) ▪ Non-Hungarian residents are additionally and fairly compensated for their duties ▪ Board and committee chairmanship additionally remunerated ▪ NEDs' fees are not linked to attendance but attendance has thus far been very high ▪ NEDs have the opportunity to purchase convertible bonds

2.2.2. Remuneration of top management

The remuneration of the members of the executive board of MOL has been prepared by an external expert. A compensation expert drafted the plan with the human resources and the legal departments. The decision on the proposed executive pay is made by the board of directors with the involvement of the corporate governance and remuneration committee (for its composition see section 4.2).

The annual base salary of MOL's senior managers has been benchmarked by an international consultant against the annual base salary of other large Hungarian companies. The resulting annual base salary just like the remaining pay components have, however, not been submitted for approval by the general meeting.

Senior managers are furthermore eligible to participate in an incentive system with effect from January 2003. Based on both corporate and individual targets, the variable component varies from 40% to 100% of annual base salary. The annually determined incentive is in most cases divided into a 50% cash grant and a 50% deferred grant.

The cash grant is paid following the annual general meeting (closing the business year of 2003 for the first time) and the deferred grant is paid in shares 2 years after the respective general meeting.

The number of shares granted is calculated in consideration of the amount of the incentive and the average price in the first quarter of the year of evaluation of MOL shares (i.e. the year in which the annual general meeting takes place). The deferred grant thus constitutes a medium-term incentive. A more long-term alignment of the senior managers' deferred grant towards the interests of the shareholder may have been ensured, if senior managers were to benefit from the proceeds of the shares at the earliest after a period of at least 5 years.

Top managers below the first line of senior managers have access to the same annual incentive scheme with slight modifications as regards the size of the incentive, the target setting and the payment method.

Release of deferred shares after two years is only conditional on continued employment. Upon early termination of the service contract (other than for cause), the executive directors and top management are eligible to vest all shares held conditionally. ICS Europe believes that this arrangement may be regarded as a considerable golden parachute.

The share awards are made with treasury shares therefore avoiding dilution among present shareholders. A negligible dilution is caused by the voluntary convertible bond incentive scheme (see section 2.2.1) to which all eligible top management members have also subscribed.

Additional benefits are limited to a company car and various insurance policies.

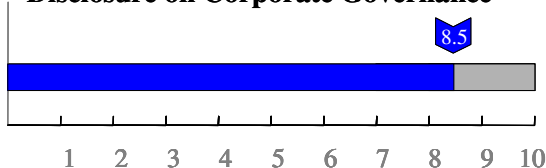
The general meeting does not approve any of the components of the compensation policy of the executive directors (or top management) including the terms of the annual incentive scheme nor does it have an idea of the amount paid to executive directors or top management.

Governance Features
<ul style="list-style-type: none"> ▪ Annual salary benchmarked by external consultant against other Hungarian companies ▪ The annually determined incentive for executives amounts to maximum 100% of the annual base salary ▪ The amount of the annual incentive per executive is calculated on the basis of several corporate, organisational and individual indicators ▪ Half of the incentive is paid out as an annual bonus and half of it is paid with deferred effect in form of shares 2 years after the performance year ▪ The share grant constitutes a mid-term (2 years) incentive pay device ▪ Share repurchase policy to avoid dilution ▪ No remuneration report is submitted to the general meeting ▪ Reactive involvement of the corporate governance and remuneration committee in drafting the compensation policy

* * * * *

3 Disclosure on Corporate Governance

Disclosure on Corporate Governance



3.1 Investor Relations Department

MOL achieves a high standard of financial reporting and disclosure. All the documents that are considered crucial for the understanding of the company's business, structures and performance are promptly available in English and on the corporate website.

The latest accounts are prepared in both Hungarian GAAP and IFRS.

The investor relations department is appropriately staffed and provides phone numbers for both institutional and retail shareholders together with an email template online. The department is run with an open-door policy, and regularly reaches out to its domestic and international investors via investor days and additional one-on-one meetings with institutional investors.

The company runs an extensive website featuring a vast volume of documents that can be consulted and downloaded. This ranges from the annual report, the board charter, share price information and the articles of association to press releases and reports on health, safety and environment. All shareholder relevant documents are thus available online, except for the minutes of the general meeting.

Information on the composition of the boards is easily accessible on the net, the committees' composition has been made available for the first time in the AR 2006, and from 2007 also on the website.

Governance Features

- Pro-active IR department with an open-door policy
- Good disclosure of financial and non-financial documents
- Website section fully dedicated to investors
- Committees' composition disclosed for first time in 2006

3.2 Corporate Governance Involvement

It is clearly visible from MOL's public documents that strong efforts are made to convey to its stakeholders that proper corporate governance finds an entrée in many of its activities.

MOL has created its own separate Corporate Governance

Code that is disclosed on the company website. It outlines the principles pertaining to shareholders matters, organisation and functioning of the board, its committees, the supervisory board, the executive board and the Ethics Council. The website also features a special corporate governance section, where a range of mandatory and voluntary key documents for the exercising of shareholder rights can be downloaded. The annual report sketches out how corporate governance theory is implemented throughout the company in areas such as pay, accounting standards and reporting, and expresses the company's commitment to achieving high standards of corporate governance. Although several essential elements and amounts of board remuneration are disclosed, the company does not provide a comprehensive remuneration report.

MOL explained its compliance with the Corporate Governance Recommendations issued by the Budapest Stock Exchange already in 2004, even though a publication of a declaration on compliance or non-compliance with the Recommendations (comply or explain principle) was only required as of 30 April 2005. In line with its listing on the Warsaw Stock Exchange, MOL, publishes each year, the last in May 2007, a statement of compliance and deviations thereof with the WSE corporate governance rules.

Governance Features

- Clear commitment to adopt good corporate governance
- Pro-active publication of declaration with regard to the Corporate Governance Recommendations of the Budapest Stock Exchange
- Reporting on compliance with Warsaw Stock Exchange Corporate Governance Recommendations
- Dedicated corporate governance section in the annual report and the corporate website

3.3 Capital & Shareholder Structure

Both capital and shareholder structure are disclosed in the company's documents.

MOL discloses a general distribution of the share capital according to resident status and activity of the shareholder structure, including the stake held by employees. The major nationalities behind the foreign holdings are not mentioned.

The website's downloadable quarterly results ("Flash Reports") and corporate governance section give an update of the shareholder structure. The existence of shareholder agreements or the lack of knowledge thereof is not explicitly stated.

MOL's articles of association give a thorough view as regards the total amount and purpose of its capital measures. Article 17 of the articles of association state that in addition to the content required by law the proposal on exclusion of the preference right shall contain the reason of the capital increase, amongst others.

Governance Features

- Full disclosure on the capital structure
- Good level of disclosure on shareholders structure

3.4 Information on Stakeholders

According to the published documents, MOL fosters a comprehensive multi-stakeholder approach. It reports in detail about its stance and performance towards health, safety and environment issues in its Sustainability Report. MOL is also an active corporate citizen in the field of community, cultural and sports activities. Information to identify links between the NEDs previously appointed by ÁPV and the company is limited.

MOL runs many community, cultural and charitable activities as documented in its Sustainable Development Report (SDR)2005, the third of its kind, which is available online. The SDR complies with the guidelines of the Global Reporting Initiative (GRI) and other reporting initiatives. MOL also specifies the total amounts spent on sponsorships and donations which amounted to HUF 1.8 billion (approx. EUR 7,116,516) these act. MOL's clearly states that it refrains from making political or religious donations .

MOL's commitment to environmental and sustainable development has been underlined through the approval of the Sustainable Development Management System in 2006, providing the company with clear aims, means, defined delegated tasks and accountability. This system allows MOL to formulate measurable economic, environmental protection and social targets.

MOL operates certified standard-based management systems in all areas required. It also operates a quality management system ISO 9001 and environment-oriented management system ISO 14001 throughout the group. The company's management statements, policies, programmes and targets as far as health, safety and environment are concerned are covered in detail in the Sustainable Development Report 2005. MOL defines annual targets, expresses its intention to continuously improve HSE and makes its performance transparent to the public. In November 2005 MOL became a signatory to the World Safety Declaration: Global Industry Commitment to Workplace Safety and in June 2005 it joined the UN Global Compact. The group's economic, environmental and social activities are regularly audited by independent auditors. In addition, MOL aims to use independent experts to assess environmental liabilities.

The composition of the supervisory board is clear with regard to the presence of employee and trade union representatives. However, there is little information to positively assess the relationship of the remaining people on the supervisory board, in particular towards the important stakeholder ÁPV. NEDs and executive directors on the board of directors are clearly identified, with sufficient details to sketch an approximate classification as regards the NEDs' independence towards the company (section 4.1.2). It does not become evident that four directors were originally appointed by ÁPV of whom one (László Akar) is the current last remaining official ÁPV representative.

The company describes in public documents its posture towards insider trading and its values towards its employees, its customers, its suppliers and the community at large.

The company provides all necessary information with regard to the group auditors' identity. The agenda for the AGM 2005 mentions the introduction of a co-partner to the lead-partner of the company's auditor during 2004. In line with the 8th EU directive requirements on partner rotation, the former took over as lead partner as of 2005. The agenda for the AGM 2006 includes the appointment of the auditor and the determination of its remuneration. The company does not disclose details on the rotation policy or the appointment criteria. Identity, statutory audit and group audit as well as non-audit fees are provided in the agenda of the annual general meeting. The initial date of the mandate given to the auditors/signing partners is not disclosed by the company .

Governance Features

- Identity of external auditors is disclosed
- Audit and non-audit fees are available in the annual report
- Initial mandate, appointment criteria and rotation policy of the external auditors are disclosed
- Independent NEDs are identified in a separate document
- Information is provided to evaluate the NEDs relationship (in terms of independence) vis-à-vis the company
- However, the relationship of current and former ÁPV representatives is not exhaustively explained.
- Clear environmental commitment and ethics charter
- Informative Corporate Sustainability Report

3.5 Board & Committees

MOL's disclosure on its boards and committees gives insight into their composition and functioning. Names of committee members are disclosed. Some more details available on the boards and committees' duties is available in the articles of association and MOL's corporate governance code.

3.5.1 Board disclosure

The tasks, duties and rules of procedure for members of the board of directors, the executive board and the supervisory board are explained in the annual report, the articles of association, the charter of the board and the company's corporate governance code which are all available online.

The number of meetings held and the attendance rate are disclosed. A short report on the responsibilities and activities of the board and its committees during the financial year under review is included in the section on corporate governance in the annual report.

The treatment of confidential information and insider dealing are dealt with in the "Charter of the Board of Directors". The charter also includes a model for a declaration on conflicts of interest.

In line with the Corporate Governance Recommendations of the Budapest Stock Exchange, MOL established a list of criteria for independence, which are based on the NYSE recommendations. As of August 2005, MOL labels whom of its directors it considers to be independent and non-independent, respectively. This classification is supported by comprehensive biographical data, that, within limits, allows to assess the degree of independence of the members.

3.5.2 Committee disclosure

MOL discloses the existence of four committees, the Financial and Risk Management Committee, the Corporate Governance and Remuneration Committee and the Sustainable Development Committee. In addition, there is an Audit Committee composed of independent members of the Supervisory Board. The main responsibilities of the committees to the board are briefly touched upon. MOL discloses the targeted profile of the committees (number of NEDs and EDs) and the names of the directors who currently fill in these positions (for the first time in the annual report 2006). As a result to date, shareholders do not have information on the mix of skills and independence of the committees. As for functioning, the number of meetings held, the average attendance rate and a short responsibilities and activities report are disclosed in the annual report.

Governance Features
<ul style="list-style-type: none"> ▪ Tasks, duties and rules of procedure for members of the 3 boards are briefly explained ▪ Board charter including the conflicts of interest procedure is available online ▪ Definition of independence based on NYSE recommendations introduced in 2005. ▪ The main responsibilities of the committees and their target composition are disclosed ▪ Disclosure of board members' attendance rate at both the board and the committee level as well as of the number of meetings held

3.6 Remuneration & Incentive Schemes

The disclosure on board remuneration and incentive schemes, which is stronger on NED pay, is above European average as screened by ICS Europe.

The rationale behind the chosen pay components for non-executive directors, total emoluments and the possible additional amounts paid to them are disclosed. The basic incentive scheme policy for the executives and top management is outlined in the corporate governance section of the annual report.

Although an individual breakdown of remuneration is not provided, shareholders, who approve the non-executive remuneration at the general meeting, get a good idea of the composition of the remuneration package and the remuneration level of the non-executive directors.

The information regarding executive remuneration is very descriptive as far as the components of the remuneration is concerned, but shareholders are informed neither of the aggregate amount paid to executive directors nor of the individual breakdown of their remuneration.

Transitional payments upon termination of membership or severance payments if membership is terminated other than for a just cause are not disclosed.

Insurance premiums, an annual medical check-up and a company car are aggregated in one position entitled "additional wage benefits", the value (aggregate or individual) of which is not disclosed

The company additionally discloses that the members of the supervisory board receive a monthly fee fixed by the general meeting.

The details of the annual fee for non-executive directors and the nature of their voluntary variable performance related component, are disclosed.

The short- and long-term incentive plan for executive directors is described in the annual report. External parties cannot currently verify whether the active plan is appropriate and sufficiently linked to challenging performance conditions as demonstrated by the table below. In 2005 the Group decided to revise its accounting policy for the short term management incentives and applied an IFRS share-base plan retrospectively. This had a positive impact on the basic and diluted EPS for 2005. The AGM of 2006 approved a new long-term option incentive scheme for Senior Employees. The essential features thereof were disclosed in the meeting agenda.

Disclosure on short and long term incentive plan for executive directors

		Comment
Total no. of shares	-	
Number of beneficiaries	x	Senior executive management
Granting policy	(x)	Based on base salary (is not disclosed)
Performance conditions	x	Short term: undisclosed financial indicators
		Long term: key corporate level financial indicators, key organisational indicators, contribution to the implementation of strategic targets
Vesting/holding period	x	Short term: no vesting or holding period
		Long term: 24 month vesting period, no holding period
Unvested grants held	-	
All data in one report	x	Annual report
Connected capital measure	-	
Dilution potential	-	

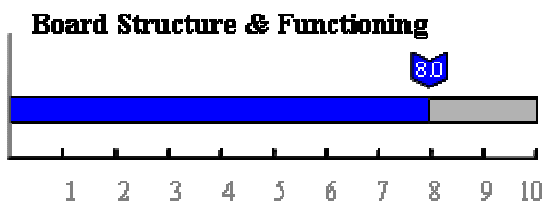
x = available (x) = partially available - = not available

Governance Features

- It is disclosed that the variable part plays a considerable role in the executive pay policy
- Half of the annual bonus of the executives are paid in shares
- All components of the pay are disclosed
- The rationale for the pay components and the respective performance criteria is not fully clear
- The value of the additional benefits (car, insurance policy, etc.) is not disclosed
- Individual or aggregate pay is available for neither the executives nor the NEDs
- The aggregate remuneration for the non-executive directors can be approximately determined with public data

* * * * *

4 Board Structure & Functioning



4.1 Election & Composition of the Board

4.1.1 Structural adequacy of Board profile

All members of the board of directors are elected by the shareholders at the general meeting. There is no age limit imposed on board members. The supervisory board, as a second layer controlling body, has 3 of its 9 members elected by the central works council.

In accordance with Hungarian law, all public companies including MOL, are managed by a board of directors which is monitored by a supervisory board. Like most large Hungarian companies, MOL's board of directors delegates top management responsibilities to an executive board, even though the former remains the company's ultimate decision-making entity that outlines the company's strategy and is in charge of taking the most sensitive decisions.

The board of directors consists of eleven members, all of whom are appointed and dismissed by the general meeting. Before the AGM of April 2007, ÁPV retained a right to board appointment(s) as holder of the state's "Golden Share" (for board composition see appendix 4).

The supervisory board consists of 9 members, 6 of whom are elected by the general meeting and 3 by the employees. Also here, ÁPV used to have a right to appoint 1 member prior to the AGM 2007. The dismissal procedure is equal to that of the board of directors. The employee representatives can only be dismissed by the central works council.

The executive board operates as an in-between level between the BoD and the company's various management levels. The composition and workings of the executive board are not determined by the articles of association.

MOL does not impose an age limit for the members of the board of directors, the supervisory board or the executive board. Each member of the board of directors and the supervisory board is appointed for a maximum term of 5 years and may be re-appointed for one or more terms. This term is relatively long and there is no rotation plan to allow for regular and intermediate elections or re-elections of board members. However, directors can be called back at any GM. Of seven members of the executive board two are members of the board of directors, namely the Chairman & CEO and the Group CEO. The ones not serving on the board of directors have not been elected by the general meeting but were appointed by the board of directors.

Governance Features
<ul style="list-style-type: none"> ▪ Adequate size of all 3 boards ▪ The board of directors is the supreme decision-making body and includes executive directors as well as NEDs ▪ Top management responsibilities are for the most part delegated to the executive board ▪ The supervisory board is a second layer control body that unlike the board of directors is entirely composed of non-executive members ▪ All members of the board of directors are elected by the general meeting. ▪ No age limit for board members ▪ Directors elected by the general meeting can be dismissed at any time by the general meeting

4.1.2 Factual adequacy of Board profile

The board of directors reflects a sound composition of members from a diverse academic and professional background. A majority of seven independent voices counterbalance the combined role of Chairman/CEO and the remaining executive and non-executive directors.

The focus here is on MOL's board of directors, which has a majority of non-executive directors (eight out of eleven). According to ICS Europe's standard of independence, seven non-executive directors are independent (MOL classifies 8 as independent), which is a clear majority. This is good practice as advocated by most international codes (see appendix 4; classification of board members).

The role of chairman and chief executive are not separated. The Chairman & CEO's power is however counterbalanced by the strong independent component on the board, which is additionally underlined by the presence of the independent Vice-Chairman of the board.

The composition of MOL's board of directors (11) is as follows:

- Seven NEDs are independent. Three of which had originally been elected by or associated with ÁPV, but are not further linked to ÁPV.
- The only remaining non-independent NED (classified

as independent by MOL), until recently used to be the 'Golden Share' representative of the Hungarian state/ÁPV. (May be considered independent after a cooling-off period of 2 years³); and

- Three are executive directors (Chairman-CEO, GCEO, and the Advisor to the Chairman/former GCSO)

In recent years, the board of directors has evolved impressively and opened doors to international directors together with the internationalisation of MOL's business. The directors add an adequate diversity of academic backgrounds and professional experience to the board. Additionally, no age categories or industries (e.g. banks, financial advisors) are predominantly represented.

Governance Features
<ul style="list-style-type: none"> ▪ A majority of independent board members ▪ Independent vice-chairman of the board ▪ The company has its own definition of an independent director ▪ Reasonable presence of executive directors on board but no separation of chairman and CEO positions ▪ Good diversity in terms of nationality, skills and experience ▪ No predominant age category or professional/industry group

4.2 Functioning of the Board

4.2.1 Board responsibilities and tasks

4.2.1.1. *Control responsibility – Financial and Risk Management Committee and Audit Committee*

The board of directors of MOL has given credible examination powers to the Financial and Risk Management Committee (formerly "audit committee"), which is chaired by an independent chairman, composed of NEDs only (80% independent) and active in pursuing its work responsibly. The new Audit Committee comprised of Supervisory Board members adds an extra layer of audit control.

MOL's board of directors is assisted by a number of committees, including the Financial and Risk Management Committee. The committee is composed of 5 non-executive directors, of which 4 members, including the chairman, can be considered as independent. As required by the international investor community, no executive participates (other than invited guests) in the committee's meetings. Furthermore, 4 out of 5 of the committee's members have financial expertise.

The committee is dedicated to a charter that outlines the composition of the committee, its purpose, its responsibilities and its rules of operation. The committee takes on the role of a communication channel between the board and the internal and external auditor and can decide to meet with them without the presence of the executive directors. The independent chairman, with assistance from the company secretary, sets the agenda for the committee's meetings.

The Financial and Risk Management Committee reports directly to the board of directors. Communication to the shareholders is done via a short activity report in the annual report. The committees' tasks and duties are quite complete with the exception of a systematic approval of all non-audit services executed by the external auditors that currently does not take place.

MOL's Financial and Risk Management Committee, which makes non-binding proposals to the board of directors, proves to be quite active; 5 highly attended meetings were held during the financial year 2006. The agenda and preparatory information are distributed on time to all committee members. Recurrent items such as examination of quarterly and annual reports are included into the annual agenda before the start of the financial year.

According to the new Company Act effective as of 1 July 2006, the AGM appointed an audit committee comprising three independent members of the Supervisory Board plus one substitute member. The committee is primarily responsible for the oversight of the company's financial statements, its internal audit function, and its independent auditors.

Governance Features
<ul style="list-style-type: none"> ▪ Two layers of accounting oversight through Financial and Risk Management Committee as well as the Supervisory Board's Audit Committee. ▪ Adequate size of both committees ▪ Independent chairman and a majority of independent members on the committee ▪ Adequate financial expertise of committee members ▪ Easy access to relevant information ▪ Short report to the shareholders in the annual report ▪ Early agenda setting for recurrent events ▪ No systematic approval of all non-audit services performed by the company's external auditors

4.2.1.2. *Strategic responsibility - board of directors*

ICS Europe's analysis revealed a clear involvement of the board of directors in the strategy-making process.

MOL's board of directors takes on the role of a pilot, which actively formulates and initiates strategy. Guided by a comprehensive decision-making guideline, operational decisions with strategic impact are identified.

The board's stance relating to the gas price litigation confirmed that the whole board of directors, including the

³ As a consequence of subsequent reductions in share participation and changes to the Articles of Association during 2005-2007, ÁPV's appointment rights to the board have ceased to exist.

members elected by ÁPV, are committed to and act in the best interest of the company, although the influence of ÁPV still poses the risk of impeding strategic and operational freedom.

ICS Europe's analysis revealed that the board of directors is active in the strategy making process. All board members have a strong sense of ownership for the successful search for and implementation of company strategy.

The Executive Board, consisting of seven senior managers, also discusses strategic issues.

Governance Features
<ul style="list-style-type: none"> ▪ The board of directors as a whole deals with the company strategy in an active manner ▪ The executive board deals with strategic issues, too

4.2.1.3. Selection and evaluation – the corporate governance and remuneration committee

Issues related to the nomination of the board of directors and the supervisory board belong to the corporate governance and remuneration committee's responsibility before being submitted to the general meeting. ÁPV's previous right to board appointments has ceased to exist. Board and committee evaluations take place annually and independently, yet not on individual level.

According to the charter of the committee, the corporate governance and remuneration committee is responsible for nominating new board members, before being submitted to shareholders' approval at the GM. The identification process of potential new candidates has not been formalised (e.g. age, independence, skills and international experience).

New directors shall receive thorough induction with respect to the company's operation. The board encourages directors to participate in informative sessions and education programs provided by the company.

The committee is composed of 4 members, including the Chairman & CEO of MOL and three independent directors.

MOL's board as a whole was formally and independently evaluated three times in the past 4 years, June 2006 being the most recent. Board and committees' evaluation is now enshrined in MOL's corporate governance code as an annually recurrent element.

The individual executive board members also undergo a formal evaluation, which includes the assessment of personal contribution to the performance of the company, although the results are not discussed at board level. Based on the evaluation report from the corporate governance and remuneration committee, the board will annually review the performance of the Chairman-CEO and CEO in light of the company's goals and objectives. Such an evaluation process has not been organised for non-executive board members yet.

Governance Features
<ul style="list-style-type: none"> ▪ With four members, the committee is adequately sized ▪ 3 of the 4 members are independent of which also the chairman ▪ Chairman & CEO is also a member of the committee ▪ ÁPV is not involved anymore in the nomination process ▪ Company provides director induction and training programs ▪ Board and committee evaluation have been formalised to recur regularly, though not necessarily annually ▪ Individual evaluation take place on Executive Board, not on Board yet. ▪ Annual CEO performance review

4.2.1.4. Determining remuneration - the corporate governance and remuneration committee

The corporate governance and remuneration committee takes care of board and top management remuneration with the assistance of external consultants. The committee is active (8 meetings) and its members are committed (100% attendance) to their task. Reporting to shareholders is done through a brief activity report.

The above mentioned corporate governance and remuneration committee is also in charge of the compensation of board members and top executives.

A formal written charter outlines the responsibilities and procedures of the committee. The committee consults different external advisors for each the executive and the non-executive remuneration.

During the last financial year the committee met eight times, with a 100% average attendance rate. The agenda, which is set by the committee chairman, and all relevant material is sent to the members in a timely fashion.

Frequent reporting to the board is done verbally and through summary reports including preliminary resolutions taken at the committee's meetings. A separate activity report from the committee to the shareholders is available in the annual report.

Governance Features
<ul style="list-style-type: none"> ▪ With four members, adequate size of the active committee ▪ Presence of three independent directors and the CEO/Chairman. ▪ Seek professional advice from 2 separate advisers on executive and non-executive pay ▪ Deal with executive, non-executive and top management remuneration ▪ systematic reporting to board and activity report to shareholders in the annual report

4.2.2 Internal Board procedures

An active, open, determined and yet fair decision-making process seems to take place on board level according to ICS Europe’s analysis. Conflicts of interests are well handled to date.

According to its board charter the board of directors is “MOL’s supreme managing body with collective responsibility, [it] manages its activities and objectives to increase shareholder value”. The charter further determines the responsibilities and procedures of the board. The charter may regulate the regular or occasional participation at board meetings of persons who are not members of the board. Analysis confirmed that board decisions are taken by consensus, after an oftentimes enthusiastic, fair and open debate.

Prevention of conflicts of interest is a crucial issue tackled by the charter of the board. A formal procedure is in place and the procedure is adequately applied.

The charter of the board and the code of ethics determine a code of conduct for all board members. Essential issues such as confidential information, insider dealing are covered in these 2 documents. The charter that includes a conflict of interest exhibit, needs to be signed by each board member whereas this is not so for the ethical code.

Directors have to inform the board of potential conflicts of interests and have to abstain from voting whenever such conflict arises. ICS Europe’s analysis demonstrates the adherence to this procedure.

Thanks to the adequate and timely dispatch of information, which is distributed 8 days before the board meetings, board members can cast an informed vote. Translations for non-Hungarian speaking board members are arranged swiftly with an acceptable delay. Additionally, board members have access to all the corporate information they require through the Corporate Secretary.

The board charter that is signed by all board members ensures directors’ commitment to the company, as it confirms in detail their duty of confidentiality, of information and of loyalty. Full-time commitment is required of the executive directors; accordingly any executive member of the board of directors will serve on the boards of other companies only to the extent that, in the judgment of the board, such services do not detract from the directors' ability to devote the necessary time and attention to MOL.

In addition to the board charter, MOL’s code of ethics describes the company’s stance towards the community, its suppliers, its customers, insider trading and other matters of ethical concern. A clear notification and feedback procedure has been installed by the ethical council to facilitate employees’ feedback and to alert detection of a problem immediately. All employees sign a statement on compliance with the MOL group code of ethics, which puts additional responsibilities on executives. No regular audit on the respect of company’s ethical values has taken place so far. Although despite of the ethical council’s function no group wide whistle-blowing procedure has been set up, any employee can report irregularities to the management without jeopardizing his or her position in MOL group. In addition, there are a number of national whistle-blowing procedures in operation.

Governance Features
<ul style="list-style-type: none"> ▪ Presence of independent directors in all committees ▪ Full access to information through the Corporate Secretary and also in English for non-Hungarian speaking board members ▪ Adequate handling of conflicts of interest at board level ▪ Directors’ charter binding on all directors ▪ Ethical and social responsibility values ▪ Clear and well communicated feedback and notification procedures on ethical matters

* * * * *

Appendix 1

Capital Structure of MOL

Details of the capital structure of the company on: Thursday, January 18, 2007

Type of share	# of issued shares	Par value	Voting rights per share	Gross dividend per share	Own stock held by the company	Own stock held by the group	% in capital	% in voting rights
Ordinary A share	109,329,797	EUR 3.95	1	EUR 2.01	10,898,525	0	100%	100%
Golden share	1	EUR 3.95	special rights	EUR 2.01	0	1	0%	0%
Ordinary B share	578	EUR 3.96	1.001	EUR 2.01	EUR 578	EUR 0	0.00053%	0%
Total	109,330,376				10,899,103	1	100%	100%

Note: On the picture date, the company's share capital was EUR 432.25m.

Appendix 2

Voting Procedures & Methods

	Possibility
Voting by mail	No
Proposed proxy voting ¹	No
Pure proxy voting	Yes
Real time voting in abstentia	No
Confidential voting	Yes

Proxy holder	Possibility
Anybody	No
Limited to shareholder	Yes
Limited to spouse	Yes
Limited to legal representative	Yes

1: This is possible for the ADR programme and for local investors

Postal voting

Postal voting is currently not permitted by law.

Proxy voting

All votes must be cast in person at the general meeting or by a proxy.

Confidential voting

Electronic devices handed out at the general meeting ensure confidential voting.

Internet voting

Internet voting is permitted by law, however not allowed by MOL's Articles of Association.

Other methods

ADR holders can vote through their custodian bank.

Note:

A welcome novelty by international investors was the 2006 amendment of the Company Act changing the previous blocking requirement to a record date system. Technical requirements (share registration and submission of proxy) for voting per proxy or attending the general meeting need to be fulfilled 7 working days prior to the meeting. As MOL must provide its shareholders with a draft agenda 30 days prior to the general meeting, the timing bottleneck is circumvented. The investors have thus in fact about 23 calendar days to perform an analysis on the proposed resolutions and to fulfil the registration requirements. The record system does not have the negative side effects of share blocking that resulted into opportunity costs of proceeds from securities lending which an institutional investor forfeited during the blocking period .

Appendix 3

Shareholder structure

As of 31 December 2006, as disclosed by MOL on the corporate website.

	% of capital	% of voting rights
Hungarian Government (APV)	0.0%	0.0%
BNP Paribas	8.2%	8.2%
OMV	10.0%	10.0%
Magnolia Finance Ltd	5.5%	5.5%
Internat. (institutional) investors	58.6%	58.6%
Domestic institutional investors	5.2%	5.2%
Domestic private investors	2.5%	2.5%
MOL Treasury Shares	10.0%	10.0%
TOTAL	100%	100%

Note:

According to Hungarian regulation, MOL can not exercise voting rights regarding the treasury shares.

Appendix 4 Board Composition

Directors' mandates

Category (assessed by DR)	Title	Name	Function	Age	First App' Date	Term of App'	Committees		Comments
							FR C	CG&R C	
Executive Directors									
	Mr	Zsolt Hernádi	Chairman & CEO	47	1999	2009		X	
	Mr	György Mosonyi	Group CEO	58	1999	2009			
	Mr	Michel-Marc Delcommune	Advisor to the Chairman	59	2000	2009			former GCSO
Non-Executive Directors									
Independent Directors	Dr	Miklos Dobak	Board member	52	1996	2009	C		
	Dr	Gabor Horvath	Board member	51	1999	2009		X	
	Mr	Iain Paterson	Board member	60	1999	2009	X		
	Dr	Sándor Csányi	Board Vice-Chairman	54	2000	2009		C	Chairman & CEO of OTP
	Dr	Erno Kemenes	Board member	67	2002	2012	X		Originally appointed by ÁPV
	Ms	Kálmán Simóka*	Board member	60	2002	2007	X		Originally appointed by ÁPV
	Mr	Miklós Kamarás	Board member	62	2002	2012		X	former CEO of ÁPV (2002-2004)
Non-Executive Director	Mr	László Akar	Board member	54	2002	2012	X		originally appointed by ÁPV as "Golden Share" director

* The AGM of 27 April 2007 approved the appointment of József Molnár, currently Executive Vice President Finance (CFO), to the Board of Directors of MOL Plc. as of 12 October 2007 until 11 October 2012 after the expiration of the mandate of Ms Kálmánné Simóka. The proportion of independent directors vs. executive directors will change accordingly. The given majority of independent directors on the board will persist.

Note

A: Financial and Risk Management Committee (previously Audit Committee)
CG&R: Corporate Governance and Remuneration Committee
C: Chairperson

Composition of the Committees

	Number of members	% executive members	% of non executive members	% of independent members	Independent chairman	Numbers of meetings held
Financial and Risk Management Committee (formerly Audit Committee)	5	0%	100%	80%	Yes	5
Corporate Governance & Remuneration committee	4	25%	75%	75%	Yes	8

Note:
 In addition to the above mentioned committees, MOL established a Sustainable Development Committee (SDC) in 2006 with the following members: Györgi Mosonyi (Chairman), Michel-Marc Delcommune, Erno Kemenes and Iain Paterson.