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Project Gin

Valuation analyses summary

January 2013

PRELIMINARY | SUBJECT TO FURTHER REVIEW AND EVALUATION

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IMPORTANT NOTICE – PLEASE READ

i. You have informed us that:

a) representatives of the Hungarian government (the "Government") have agreed with E.ON AG ("E.ON") the headline terms of the transaction pursuant to which Magyar Villamos Művek Zrt. ("MVM", or the "Company") will acquire, from E.ON, E.ON Földgáz Storage Zrt ("EFS") and E.ON Földgáz Trade Zrt ("EFT") (jointly the "Target"), the Hungarian gas storage and gas trading activities of E.ON (the "Acquisition"),

b) the price to be paid by MVM in the Acquisition has been agreed to be equal to an enterprise value for the Target of €875 million,

c) the Acquisition shall include the assumption by MVM of all of the current take-or-pay ("TOP") obligations associated with gas procurement contracts of EFT,

d) the Government has assured MVM that it will hold MVM harmless from liabilities associated with the TOP obligations of EFT beyond a specified cut-off date; we have however not been made aware of any proposals, plans or active measures which the Government intends to pursue in order to effect this.

ii. CS has not participated in any capacity in the negotiations referred to in paragraph (i) above, nor has it had any meetings with, or been directly consulted by, any members of the Government in connection with the Acquisition or any aspect thereof, nor has it received or seen any written reports or minutes of meetings held between the senior management of E.ON and the Government. Accordingly, CS is not aware of what was discussed or agreed between the parties at such negotiations beyond those matters noted in paragraph (i) above.

iii. The valuation analyses est out in this report include an estimate of the potential impact on the value of EFT as a going concern resulting from the TOP obligations based on assumptions and estimates provided by KPMG and discussed and agreed with MVM. This estimate is set out on pages 28-30 of this report and indicates that there are very substantial financial liabilities associated with the TOP obligations of EFT. Under the structure for the Acquisition currently contemplated, these liabilities will be acquired by MVM, and it is currently unclear how the Government will hold MVM harmless from these liabilities.

iv. If EFT's TOP liabilities are not eliminated, assumed by the Government or otherwise mitigated (e.g. through very significant renegotiation of EFT's take-or-pay contracts), the purchase of the Target will likely entail very substantial financial losses for MVM.

v. Notwithstanding that this report is addressed to MVM as CS's client, in the light of the fact that Government has negotiated the headline terms of the Acquisition independently of MVM and the very substantial financial liabilities associated with any acquisition of EFT's TOP obligations, CS recommends that either this report in its entirety or those parts of it associated with EFT's TOP obligations be communicated to the relevant decision-makers within the Government

vi. Given MVM's status as a state-owned company, the Acquisition may become subject to inter alia, EU rules on state aid to enterprises and competition. This report does not, and is not intended to, address such matters nor any of the consequences, financial or otherwise, of any consequent obligations imposed upon MVM or the Government as a consequence of such rules.

IMPORTANT NOTICE – PLEASE READ (cont'd)

This report and any accompanying oral presentation (together the "report") has been prepared by Credit Suisse Securities (Europe) Limited and its affiliates ("CS") at the request of MVM pursuant to CS's engagement letter dated 15 April 2011 in connection with the possible acquisition by the Company or one of its affiliates of a direct or indirect interest in E.ON's assets and business activities in Hungary ("E.ON Hungary"), and the preparation, in connection therewith, of a valuation report for the Board of Directors of MVM addressing the enterprise values of both EFS and EFT which together make up part of E.ON Hungary. The report is intended solely for the information of the Company and is subject to the terms of the aforementioned engagement letter. **This report is preliminary and should not be relied on for any purpose. This report may not be reproduced, in whole or in part, nor summarised, excerpted from, quoted or otherwise publicly referred to, nor discussed with or disclosed to anyone else without the prior written consent of CS.**

CS has not independently verified any of the information provided to it for the purpose of preparing this report and no representation or warranty, express or implied, is made and no responsibility is or will be accepted by CS as to or in relation to the accuracy, reliability or completeness of any such information. The conclusions contained in this report constitute CS's judgment as of the date of this report and are based solely on the information received by it up to the date thereof. The Company will be solely responsible for conducting its own assessment of the information set out in this report and for the underlying business decision to effect any transaction recommended by, or arising out of, this report.

All projections and forecasts in this report are illustrative exercises using the assumptions described herein, which assumptions may or may not prove to be correct. The actual outcome may be materially affected by changes in economic and other circumstances which cannot be foreseen. No representation or warranty is made that any estimate contained herein will be achieved. The valuations contained herein represent only a range of theoretical values and a range of possible realistic values and represent solely CS's analysis of, and conclusions with respect to, the information (including information on current market conditions) available to it as of the date thereof and does not constitute an opinion of any kind as to the value of the Target's shares and there is therefore no guarantee that such value will be reflected in any future market capitalisation of the Target and/or in any transaction involving the Target. Further, the value of such shares could be affected by changes in market conditions, general economic conditions and other factors which generally influence the price of securities.

This document does not constitute a fairness opinion and should not be interpreted as such.

CS will receive a fee for its services pursuant to the aforementioned engagement letter.

CS is acting exclusively for MVM and no one else in connection with the Acquisition, the aforementioned engagement and the production of this report, and will not be responsible to any other person and/or entity other than the Company for providing the protections afforded to clients of CS or for providing advice in relation to the Acquisition, the aforementioned engagement and/or this report.

January 2013

1. Basis of preparation

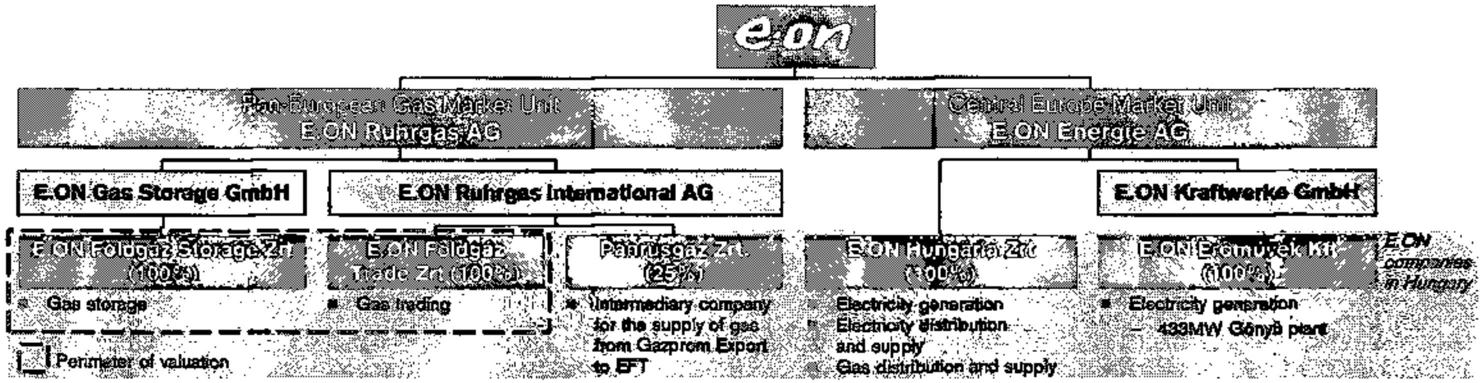
Basis of preparation

Credit Suisse role and scope of work

- Credit Suisse Securities (Europe) Limited ("CS") has been engaged by Magyar Villamos Muvek Zrt. ("MVM" or the "Company") to act as its exclusive financial advisor with respect to the acquisition by MVM or one of its affiliates of a direct or indirect interest in E.ON AG's ("Seller") assets and businesses in Hungary, including E.ON Földgáz Storage Zrt. ("EFS") and E.ON Földgáz Trade Zrt. ("EFT") (the "Transaction")
- In these materials, Credit Suisse presents a preliminary valuation analysis of EFS and EFT ("Targets")

Perimeter of valuation

- Scope of the valuation includes 100% of EFS and 100% of EFT
- The 25% stake in Panrusgáz, which could possibly be within the scope of the contemplated acquisition, has not been considered in the valuation analyses due to the lack of any financial information



Underlying financials

- KPMG projections for key market assumptions
- Historical financials and business plans for EFS and EFT for capex forecasts
- Business cases and assumptions as discussed and agreed with MVM
- Updates of valuation draft as of January 2013:
  - New net working capital reference figures to ensure consistency with envisaged sale and purchase contract; to be adapted accordingly in case of any future changes or different negotiation outcome
  - New WACC figures based on updated market information
  - New macroeconomic forecasts, including exchange rates and inflation
  - Take-or-pay related cash flows considered from 30 June 2013

Basis of preparation (cont'd)

Other sources of information[1]

- Due diligence reports prepared by Baker & McKenzie (legal consultant), KPMG (accounting and tax consultant) and ESK (technical consultants) in the context of the acquisition of the Targets
- Selected information and data provided in E.ON dataroom (April 2011, August 2011 and October 2012)
- Industry research reports, broker reports and relevant information from publicly available sources (e.g. Hungarian Energy Office)

Valuation approach

- Valuation of each Target on a stand alone basis (100% enterprise value)
- Valuation date: 30 September 2013 (assumes no material delays from regulatory approvals)
  - Valuation date assumes that transaction is closed on 30 Sept. 2013 and MVM takes economic ownership of EFS and EFT as of this date
- Sensitivity analyses performed on key operating assumptions
- No impact of any potential state aid rulings or issues on valuation of EFT and EFS assumed
- Potential future changes in the current tax regime applicable to EFS and EFT have not been taken into account
- The potential impact of any change-of-control clauses or other transaction-related effects (e.g. integration cost or synergies) on EFT and EFS has not been considered in the valuation analysis
- No potential liabilities or negative cash flow effects from (i) any legal risks, (ii) any environmental issues / obligations or (iii) any tax exposure / liabilities relating to past periods have been considered in the valuation analyses, since it has been assumed that these will be covered separately in any binding purchase agreements either via respective representations or indemnities from the seller or as purchase price adjustment
- The valuations contained herein represent an intrinsic valuation of the Targets. There is no guarantee that such value will be reflected in any future valuation of the Target and/or in any transaction involving all or any of the Targets

Note: (1) For further details please refer to the relevant slides in the sections on the detailed valuation of the Target.

Basis of preparation (cont'd)

Valuation approach for EFS[1]

- The main valuation methodology used to value EPS is the discounted cash flow analysis ("DCF") since it best captures relevant aspects of the Hungarian regulation, the key dynamics of the Hungarian gas market as well as relevant operating and cost characteristics for EFS
- As secondary valuation methodology, precedent transactions in the gas storage sector in Europe, over the past 10 years are used as an additional reference point
- The comparable trading companies methodology is not deemed applicable due to lack of pure play peers and different regulatory regimes
- The following parameters are considered the key drivers of the EFS valuation: domestic gas consumption, mobile domestic storage sales volumes, outcome of the next regulatory review and export dynamics. These are reflected in the following valuation cases:
  - Business Plan Case: based on assumptions provided by E.ON, assuming mobile capacity bookings will increase from 2.5bcm in 2012 to 3.4bcm by 2017
  - Base Case: based on market assumptions provided by KPMG, assuming further decline in mobile capacity bookings to 2.3bcm in 2012 and stagnating bookings volume thereafter and the closure of 2 UGS[2] facilities in 2017 since they are not required due to low assumed mobile storage capacity bookings volume
  - South Stream Case: based on market assumptions provided by KPMG but assuming additional 1.0bcm of storage capacity bookings related to South Stream

Valuation approach for EFT[1]

- The main valuation methodology used to value E.ON Földgáz Trade is the discounted cash flow analysis since it best captures the relevant aspects of the Hungarian regulation regime and the key characteristics for the gas wholesale trading and supply sector as well as the specific characteristics of EFT (e.g. contractual position)
- Precedent transactions and trading comparable companies methodologies are deemed not applicable for EFT due to lack of comparable transactions, pure play peers and different regulatory regimes
- The following parameters are considered the key drivers of the EFT valuation: domestic gas consumption, gas sales volumes, domestic gas sales prices and the outcome of the contract renegotiation with key suppliers
- Since EFT has gas procurement contracts that contain a take-or-pay clause requiring EFT to purchase a minimum volumes ("MAQ") of gas at oil-linked gas price ("WACOG"), EFT is unlikely to be able to sell all its MAQs over the 2012-2015 period, resulting in significant TOP volumes and the risk of significant operating losses for EFT
  - In our valuation, we have therefore separated the value of EFT recurring underlying business[3] and the potential impact of TOP volumes
- To value EFT (recurring underlying business), the following 2 main valuation scenarios have been considered:
  - Scenario 1: based on current contractual position of EFT and market assumptions provided by KPMG for the 2012-2015 period. Post 2015, DCF projections based on assumed 20% gas market share and sales price with 2.0% margin over WACOG
  - Scenario 2: based on E.ON assumption that EFT purchase contracts will be successfully renegotiated and market assumptions provided by KPMG
- The impact of TOP obligations is valued separately based on the same valuation Scenarios
  - Net present value of TOP cash flows is driven by the success of contracts renegotiation with gas suppliers, discount on sales price, and financing cost

Notes: (1) For further details please refer to the relevant slides in the sections on the detailed valuation of the Targets.
(2) Underground gas storage.
(3) Recurring underlying business excluding the impact of TOP volumes.

2/33/16/2013/13

2. Summary valuation analyses

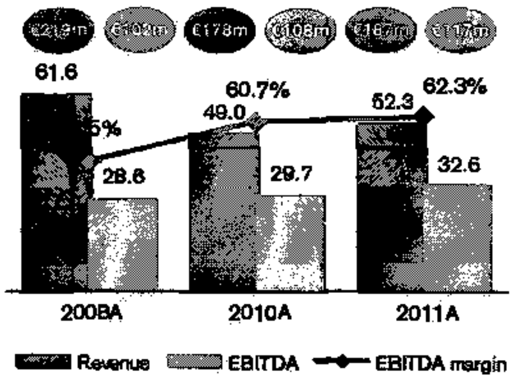
a) EFS

EFS
Perimeter of valuation

Overview

- EFS has four underground natural gas storage sites (in Zsana, Hajdúszoboszló, Pusztaederics, and Kardoskút) where gas is being stored in depleted gas fields
- Total working gas capacity of 4.2bcm, daily withdrawal and injection capacity of 55.1mcm and 32.2mcm, respectively
- EFS owns c. 70% of existing storage capacity in Hungary (c. 85% excl. strategic storage), with the remainder being owned by MOL(1)
- c. 11 customers and 174 employees

Key financials (HUFbn)(3)(4)

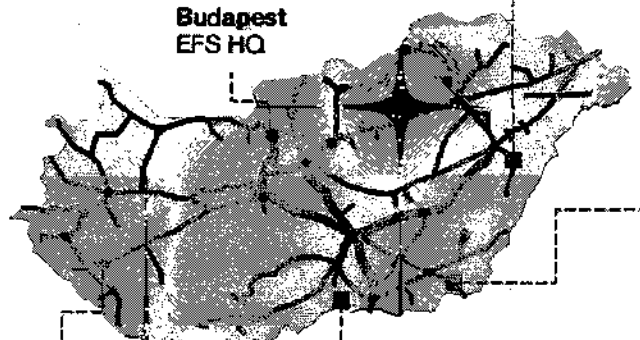


Note: Based on Hungarian Accounting Standards.

Asset location

Total EFS

Mobile:	4,230 mcm
Withdrawal cap:	55.1 mcm/d
Injection cap:	32.2 mcm/d
Cushion gas:	4,171 mcm(2)



Hajdúszoboszló

Mobile:	1,440 mcm
Withdrawal cap:	20.8 mcm/d
Injection cap:	10.3 mcm/d
Cushion gas:	2,210 mcm

Kardoskút

Mobile:	280 mcm
Withdrawal cap:	3.2 mcm/d
Injection cap:	2.2 mcm/d
Cushion gas:	260 mcm

Pusztaederics

Mobile:	340 mcm
Withdrawal cap:	3.1 mcm/d
Injection cap:	2.5 mcm/d
Cushion gas:	266 mcm

Zsana

Mobile:	2,170 mcm
Withdrawal cap:	28.0 mcm/d
Injection cap:	17.2 mcm/d
Cushion gas:	1,435 mcm

EFS
Transmission networks MOL transport

Gas storage operator in Hungary with 4.2bcm of mobile capacity and c. 70% storage capacity market share

Source: Seller.
Notes: (1) MOL owns the Szoreg UGS with 1.9bcm of mobile capacity. 1.2bcm of Szoreg UGS is dedicated to strategic storage. (2) Includes transaction cushion gas ("TCG") which (3.3bcm) was acquired by EFS in 2005 for HUF60bn (€238m at 2005 avg. EURHUF exchange rate of 252.15). It can not be sold prior to 2021 according to the agreement with the Government. EFS is receiving a HUF9.25bn (c. €33.6m at 2011E avg. EURHUF exchange rate of 275.08) p.a. return on TCG which is included in tariff. (3) Including capitalised value of EFS performance. (4) Based on average exchange rate of each year.

EFS
Introduction to valuation cases

	EFS Business Plan	Base Case ("BC")	South Stream Case ("2S")
Methodology	➚ Based on the business plan (2012-17) provided during due diligence ➚ EFS provides limited detail on certain relevant items: e.g. export volumes, prices ➚ Corporate tax rate of 19% and local tax rate of c. 2.5%	→ Mobile storage booking volume assumptions based on KPMG projections → Prices based on the current regulatory framework → Assumes closure of Hajdúszoboszló and Kardoskút UGS facilities in 2017 due to low utilisation and sale of 1.47bcm of cushion gas → Costs and working capital projections based on assumptions described in section 3 – Decline in personnel expenses due to reduction in workforce by 62 employees	→ Mobile storage booking volume assumptions based on KPMG projections – Assumes c. 1bcm of storage booking volume related to South Stream → Prices same as in the Base Case → Assumes closure of Kardoskút UGS facility in 2017 due to low utilisation and sale of 0.25bcm of cushion gas → Costs and working capital projections based on assumptions described in section 3 – Decline in personnel expenses due to reduction in workforce by 22 employees
Regulation and prices	➚ 2012 Business Plan does not contain price assumptions – For the purpose of this analyses no changes in the current regulatory framework[1] are assumed ➚ Assumes that EFS' application to HEO to reduce the reference capacity booking volume from 3.6bcm to 3.2bcm for tariff calculation is approved and is effective as of January 2013 ➚ Assumes RAB and allowed OPEX indexation with inflation starting in 2015; 1.3% efficiency factor for allowed OPEX assumed	→ Assumes no changes in regulatory framework – RAB and allowed opex increased by inflation post 2014; 1.3% efficiency factor for allowed OPEX assumed → After closure of 2 UGS facilities, RAB, allowed opex and reference booking volume (3.6bcm) reduced proportionately to the reduction in storage capacity – Revenue for TCG reduced in proportion to the reduction in volume of cushion gas. Revaluation of revenue in 2021[2]	→ Same approach to the regulatory framework as in the Base Case assumed → After closure of 1 UGS facility, RAB, allowed opex and reference booking volume (3.6bcm) reduced proportionately to the reduction in storage capacity – Revenue for TCG reduced in proportion to the reduction in volume of cushion gas. Revaluation of revenue in 2021[2] a Prices for 2S sales at 50% of non-USP tariff
Volumes	➚ Total cumulated volumes 2012-17: 16,914mcm ➚ Average storage capacity sales 2012-17: 2,619mcm	→ Total cumulated volumes 2012-17: 14,369mcm → Average storage capacity sales 2012-17: 2,396mcm (16.0% below Business Plan Case) – Nabucco and South Stream volumes equal to 0 – Export sales of 0.2bcm per year	→ Total cumulated volumes 2012-17: 16,369mcm → Average storage capacity sales 2012-17: 2,662mcm (9.1% below Business Plan Case) – South Stream volumes equal to 0.33bcm in 2016, 0.67bcm in 2017 and 1bcm post 2017 – Export sales of 0.2bcm per year
Capex	➚ Average yearly capex 2012-20: HUF3,399m (EUR12m)[3] ➚ Average capex in % of sales: 8.0%	→ Based on the Business Plan; Average yearly capex 2012-20: HUF3,399m (EUR12m)[3] → Average capex in % of sales: 10.7% → Capex is not reduced post 2017 as utilisation of remaining 2 UGS facilities will increase → Recultivation costs at closing of 2 UGS facilities of HUF46.9bn (€169m) based on ESK estimates	→ Based on the Business Plan case; Average yearly capex 2012-20: HUF3,380m (EUR12m)[3] → Average capax in % of sales: 9.9% → Capex is not reduced post 2017 as utilisation of remaining 3 UGS facilities will increase → Recultivation costs at closing of 1 UGS facility of HUF13.0bn (€44m) based on ESK estimates

Notes: (1) In 2011, EFS assumed that post 2014 the market will be liberalized and the return for USP customers will increase to 10.05% from 4.5%.
(2) In the Base and South Stream Cases, after the revaluation of revenue on TCG (with accumulated inflation), implied allowed return on TCG is 6.3%. Assuming no revaluation of TCG, implied allowed return is 4.2%.
(3) ESK estimated that annual capital expenditure are expected at EUR18.6m over the 2012-2020 period.

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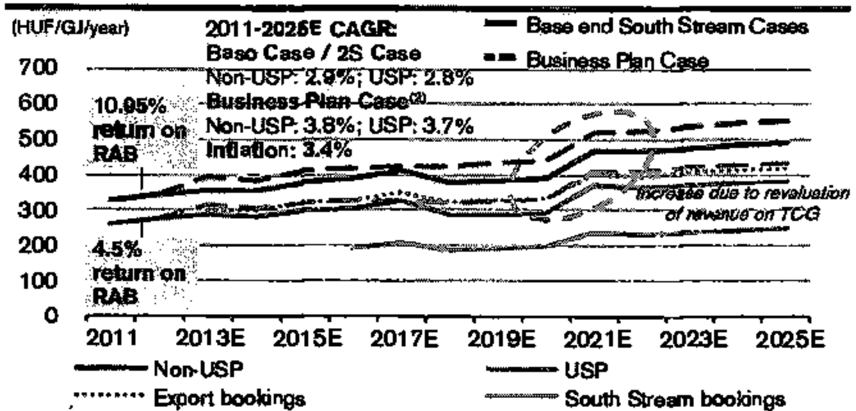
EFS

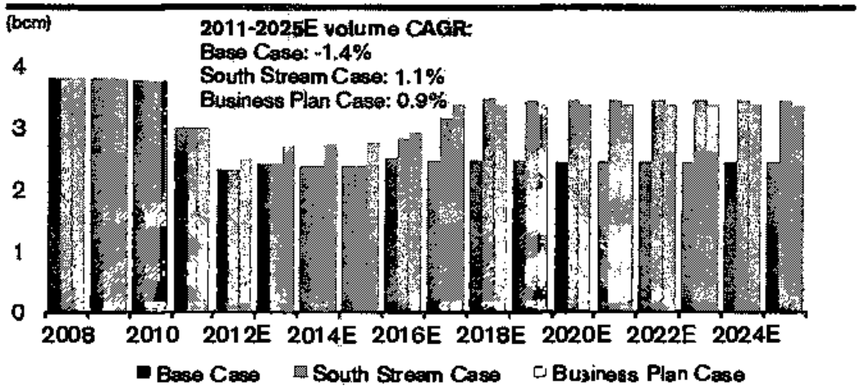
Key assumptions and summary financiais

Mobile capacity fee[1]



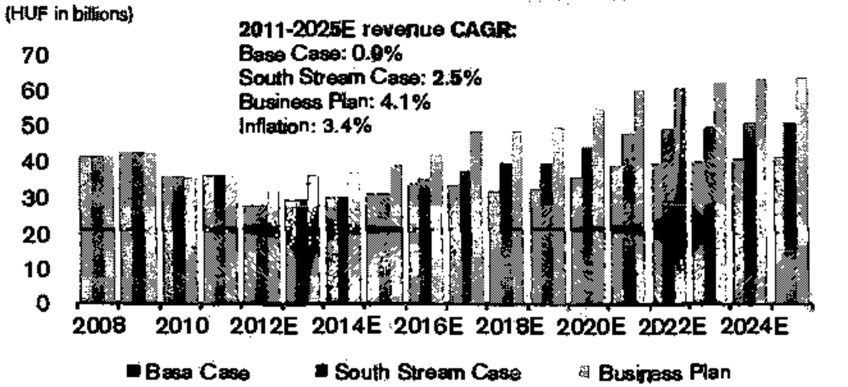
Source: Current regulatory framework.

Mobile capacity booking volume[3]



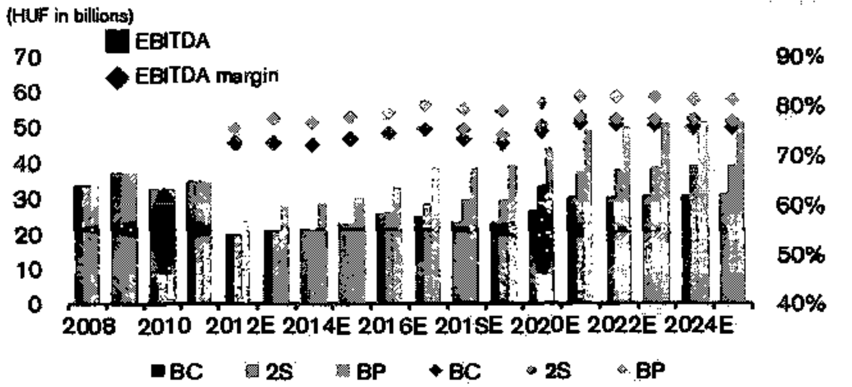
Source: KPMG, EFS, MVM.

Gas storage revenue[4]



Source: KPMG, EFS, CS analyses.

EBITDA[5] and EBITDA margin



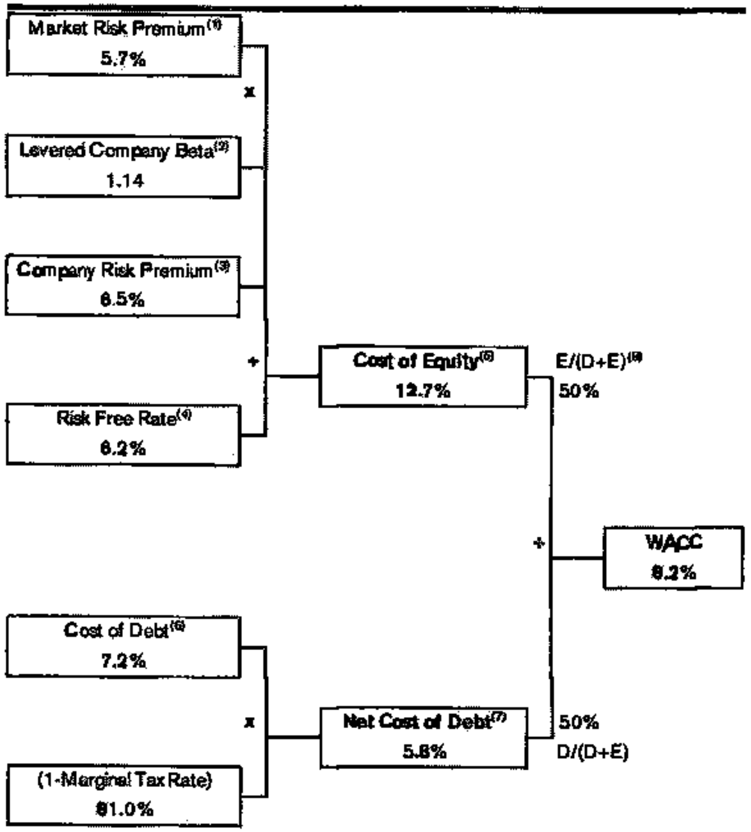
Source: KPMG, EFS, CS analyses.

In the Base Case and South Stream Cases, mobile capacity fees are growing below inflation and domestic capacity booking volumes are forecast at a significantly lower level vs. 2008-2011

Notes: (1) South Stream case assumes mobile capacity fee similar to the Base Case.
(2) Higher tariff in the Business Plan Case due to assumed approval of EFS' application to reduce reference capacity booking volume for tariff calculation from 3.6bcm to 3.2bcm starting in January 2013.
(3) Mobile capacity booking volume in the South Stream Case includes additional 1bcm of bookings related to South Stream.
(4) Excludes revenue from sale of natural gas, capitalized own performance and other income.
(5) EBITDA during the 2008-2011 period is affected by results related to the sale of natural gas, capitalized own performance and other income, thus EBITDA margin is not shown.

EFS
Implied WACC

WACC breakdown



Commentary

- (1) Market risk premium (Rm) reflects the risk associated with the country in which the company operates
  - Market risk premium calculated as an average of values assumed by equity research analysts
- (2) Levered company beta reflects the correlation of the company's equity performance with the broader equity market performance
  - Beta is calculated based on an average of historical and forward-looking betas of comparable companies including Niska Gas Storage, PAA Natural Gas Storage, GDF Suez, Gas Natural, Cez, Enea, PGE, PGNiG, and Tauron
- (3) Company risk premium reflects the premium associated with the equity of the company over the relevant risk free rate
- (4) Risk free rate reflects the yield on a risk-free investment in the country
  - Average of current 10-year and 15-year HUF Government bond yields
- (5) Cost of equity theoretically reflects the return required by a company's shareholders on their capital invested
- (6) Cost of debt reflects an estimation of the effective cost of raising new debt for the company
  - The cost of debt is calculated as the current Hungarian 10-year swap rate (5.7%) + 150bps
- (7) Net coat of debt reflects the affective net cost to the borrower as it takes the tax shield of debt interest expense into consideration
- (8) Target capital structure taking into account capital structures of comparable companies, existing leverage of EFS as well as observed capital structure in other European storage transactions. More conservative ratio assumed given specifics of EFS' business profile

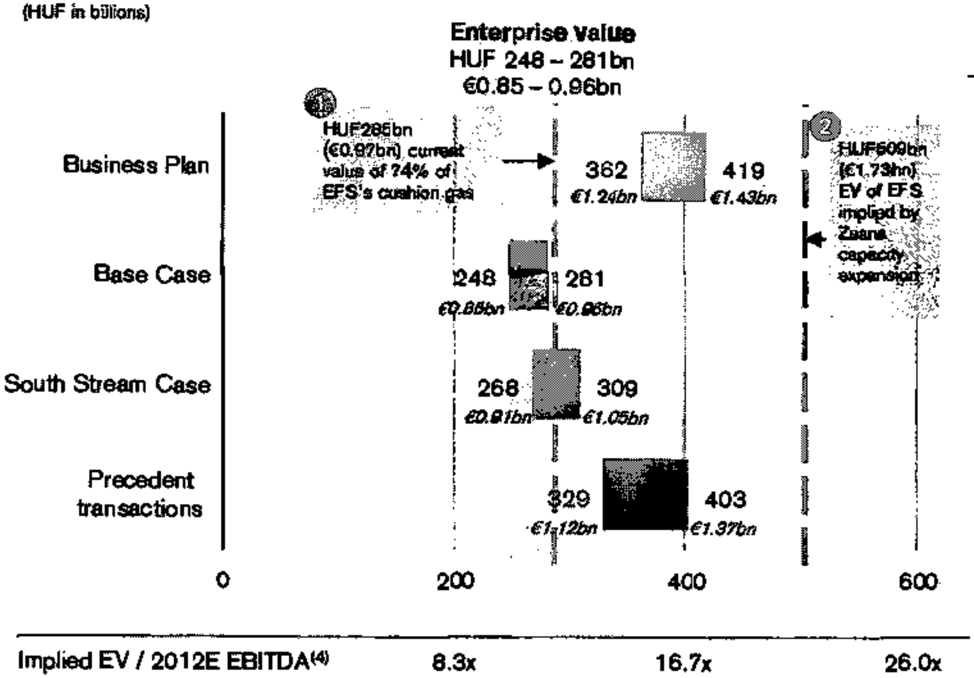
The assumed parameters result in an estimated WACC for EFS of 9.2%

Source: Bloomberg, Barra-beta, Broker Research.

EFS
Valuation summary

Enterprise value (100%) as of 30 September 2013

(HUF in billions)



	EV / 2012E EBITDA[4] Min	EV / 2012E EBITDA[4] Max	Comments
Business Plan	15.1x	17.5x	▪ Based on Business Plan operating assumptions and WACC of 9.2% +/- 0.5%; TGR of 2.1%[1] ▪ TV is 46.7% of total EV. Impl. exit EV/EBITDA of 9.9x
Base Case	10.4x	11.7x	▪ WACC of 9.2% +/- 0.5%; TGR of 2.1%[1] ▪ Closure of 2 UGS facilities due to low utilisation ▪ TV is 38.9% of total EV. Impl. exit EV/EBITDA of 9.4x
South Stream Case	11.2x	12.9x	▪ WACC of 9.2% +/- 0.5%; TGR of 2.1%[1] ▪ 1bcm 2S related sales and closure of 1 UGS facility ▪ TV is 45.9% of total EV. Impl. exit EV/EBITDA of 9.5x
Precedent transactions	13.7x	16.0x	▪ Based on average capacity metric of previous transactions of €0.297/mcm +/- 10%

(1) HUF285bn (€0.97bn) current value of 74% of EFS's cushion gas

- 4.17bcm[2] (volume of cushion gas) x HUF104.4/m³ (2012 competitive market gas price) x 0.74 (withdrawal amount)[3] x 0.83 (factor to account for 12% mining royalty)

(2) HUF509bn (€1.73bn) EV of EFS implied by Zsana capacity expansion

- HUF32bn (cost of Zsana expansion) / 600mcm (expansion capacity) x 4,200mcm (total capacity) + HUF286bn (value of cushion gas)

EFS' enterprise value amounts HUF248bn (€0.85bn) to HUF281bn (€0.96bn) assuming the Base Case DCF valuation as key reference point

Source: CS analyses.

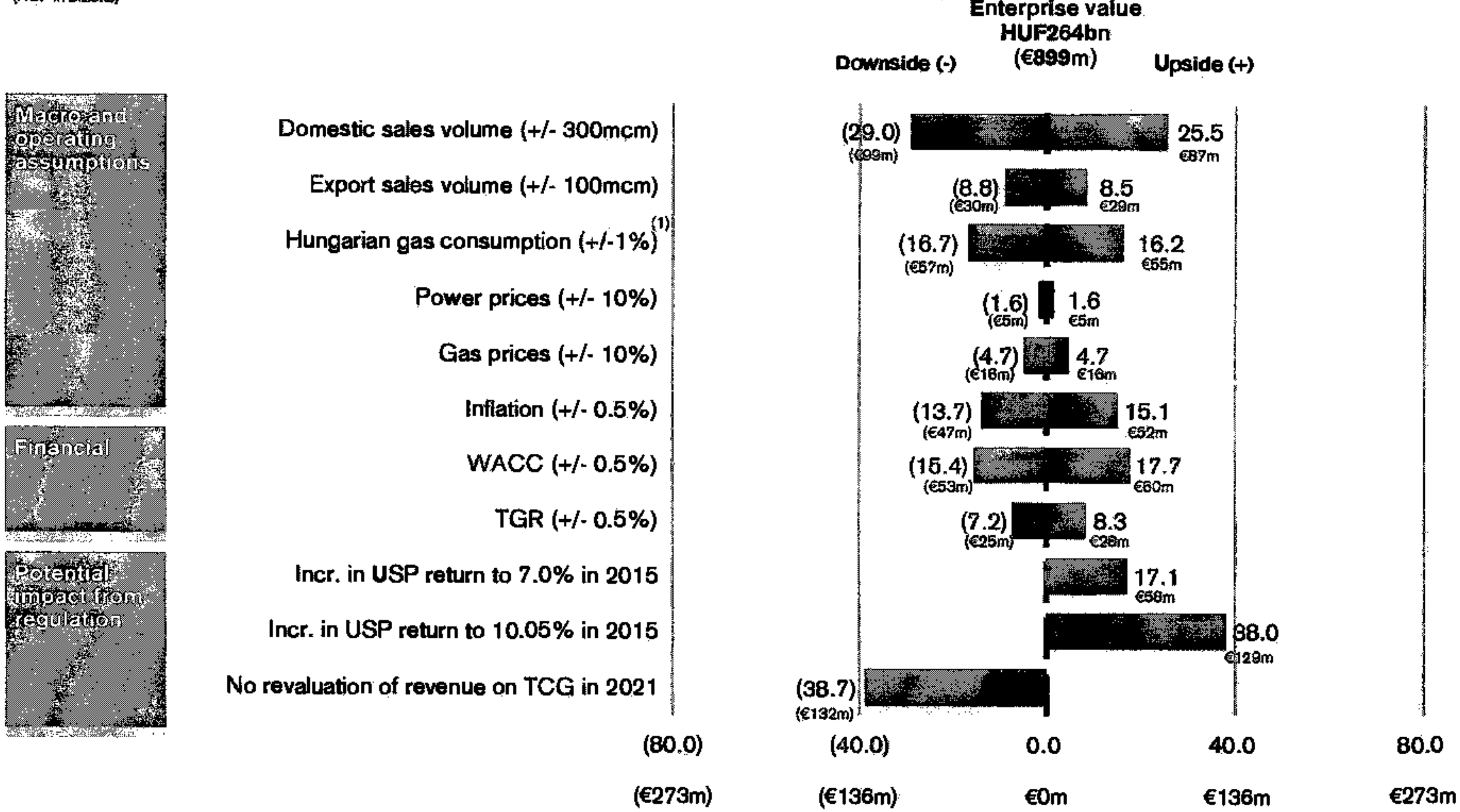
Note: Net debt (Jun-2012) of HUF124bn (€442m) based on KPMG calculation, pension provisions (Jun-2012) of HUF0.1bn (€0.2m), site restoration provisions (Jun-2012) of HUF9.5bn (€34m) and other provisions (Jun-12) of HUF1.2bn (€4m), based on IFRS. Net working capital assumed at -HUF0.5bn (-€1.7m) as of September 2013 based on KPMG figures and as defined in the SPA. EUR/HUF exchange rate of 293.

(1) Based on long term inflation assumption of 2.1%. (2) Total volume of cushion gas as of August 2012. (3) 74% assumption has been provided by ESK. (4) 2012E EBITDA of HUF24.0bn (€82m) based on the Business Plan case.

EFS
Sensitivity analysis

Enterprise value (Base Case, assuming closure of 2 UGS facilities)

(HUF in billions)

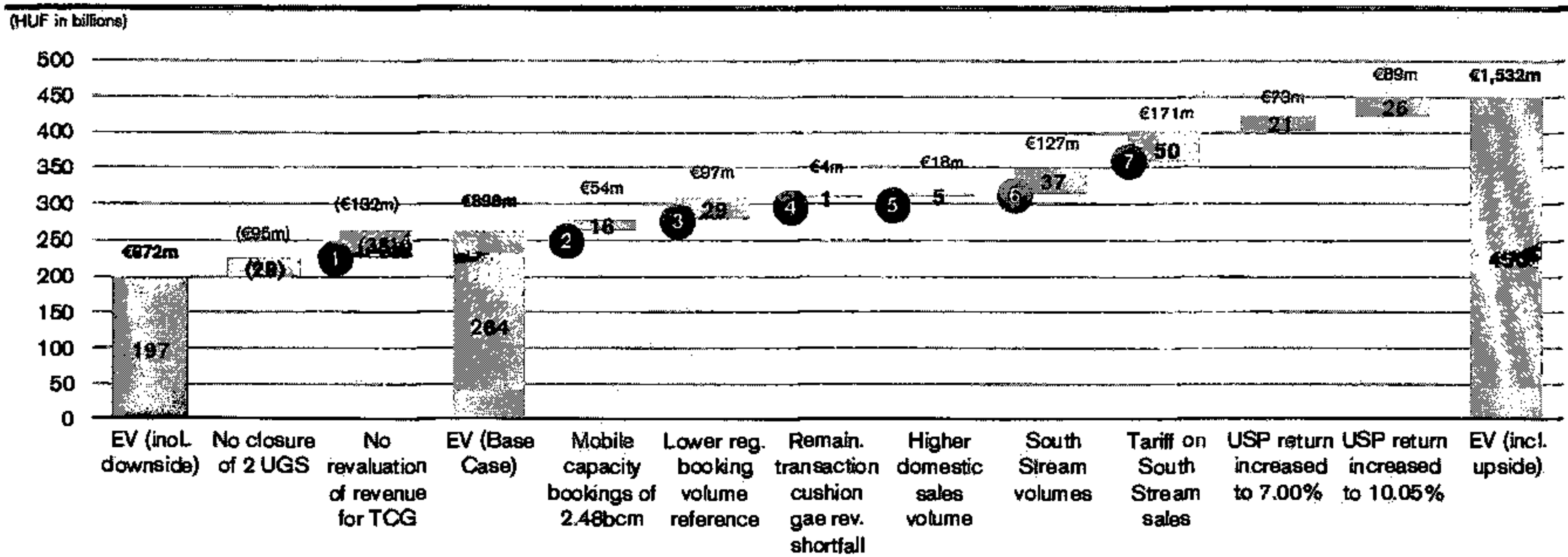


Source: CS analyses.
Note: EUR/HUF exchange rate of 293.
(1) Increase/decrease in Hungarian gas consumption 2012E-2020E CAGR by +/- 1%.

EFS

Valuation summary – downsides and upsides

Enterprise value (based on mid-point of the valuation ranges)



1. Allowed revenue for transaction cushion gas is HUF 9.25bn per year over the 2005-2021[1] period. In all cases, allowed revenue on transaction cushion gas is revalued in 2021 gas year with accumulated 2005-2021 inflation[2]
2. Upside if domestic mobile capacity bookings in 2012 are 2.48bcm as per EFS BP expected 2012 bookings vs. 2.3bcm currently assumed in the Base Case; driven by KPMG's forecast of Hungarian gas consumption
3. Approval of EFS' application to reduce regulatory bookings volume reference from 3.6bcm to 3.2bcm as of January 2013
4. Recovery of remaining shortfall in revenue related to transaction cushion gas (shortfall which is not recovered through assumed tariff adjustment)[1]
5. Upside if gas consumption in Hungary grows faster than forecast by KPMG (average of forecasts by CERA, EIU and Wood Mackenzie, please see p. 9 for further details). Mobile storage capacity booking assumed to increase to 2.7bcm by 2020
6. Upside if storage bookings increase by 1bcm due to South Stream
7. Upside if sales tariff for 1bcm of storage bookings related to South Stream is equal to 85% of non-USP tariff vs. assumed 50% of non-USP tariff

A number of upsides exist, including sales volumes and regulation which are likely to be factored into the seller's decision making

Source: EFS, Company information, CS analyses.

Note: EUR/HUF exchange rate of 293. (1) HUF9.25 is a contractually guaranteed revenue. If actual revenue related to transaction cushion gas is lower than HUF9.25, EFS has the right to recover lost revenues. Revenue is HUF11.6bn in 2012 adjusted for revenue shortfall in previous years. (2) Revaluation assumed in July 2020. In the Base and South Stream Cases, after the revaluation of revenue on transaction cushion gas, implied allowed return on transaction cushion gas is 8.2%. Assuming no revaluation of transactium cushion gas, implied allowed return is 4.2%.

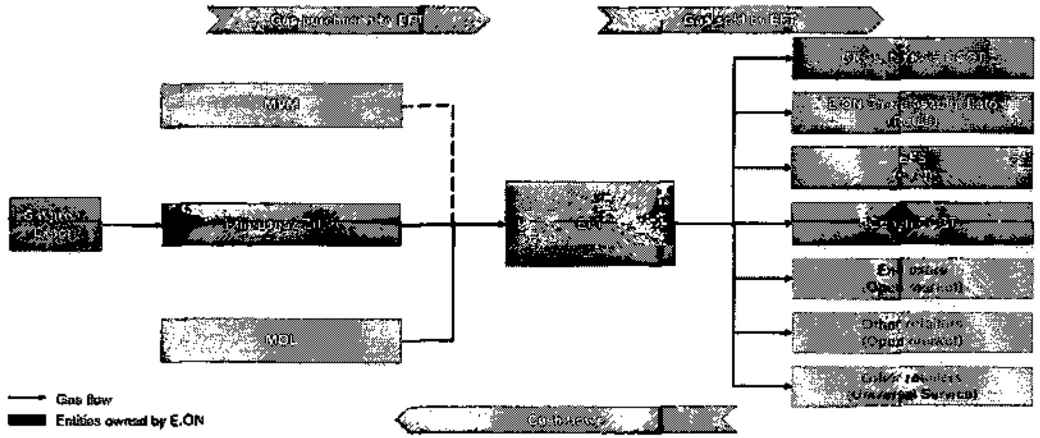
b) EFT

EFT
Perimeter of valuation

Overview

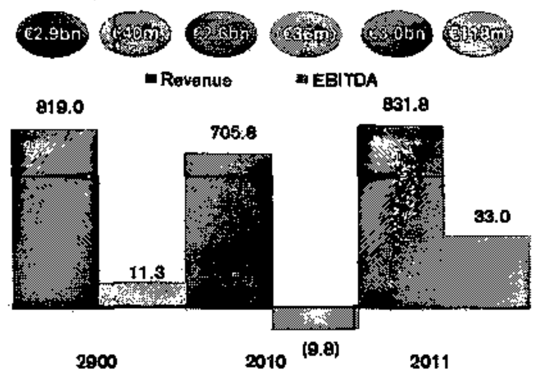
- EFT is the largest natural gas importer and wholesaler in Hungary with 2011 sales of 9.1bcm (c. 66% market share) and 43 customers and 47 employees as of December 2011
- EFT purchases gas from Gazprom (through Panrusgáz) at oil-linked prices and MOL. Its gas procurement contracts have Take-or-Pay ("TOP") clauses
  - Under the TOP clauses, EFT is required to off-take a minimum annual quantity of gas ("MAQ"). If it does not off-take the MAQ, it is required to pay for the amount of untaken gas or trigger a make-up clause that allows to take gas within 5 years time by making a 50% prepayment
  - Contracts expire at the end of 2015
- EFT supplies gas to direct clients (power plants, industrial customers), wholesalers distributing gas to the residential customers and export clients

Gas and cash flows scheme



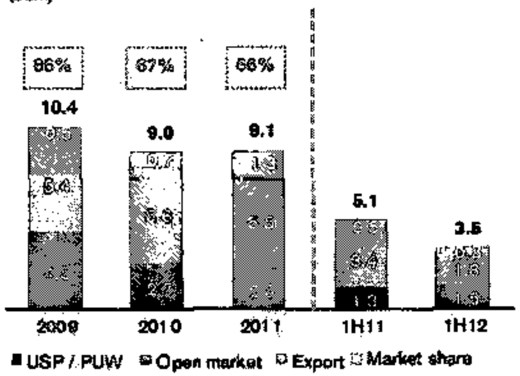
Key financials[1][4]

(HUF in billions)



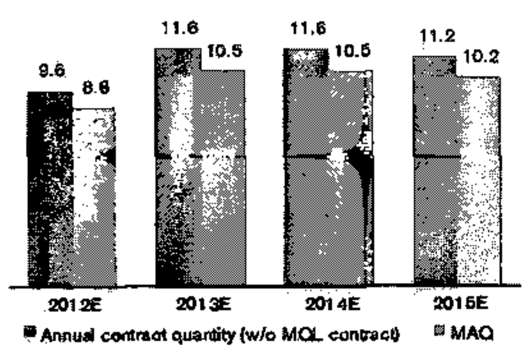
Gas volume sold and market share[3]

(bcm)



TOP contracts – gas purchase volumes

(bcm)



EFT supplied 66% of Hungarian natural gas consumption in 2011

Source: Seller, CERA, IHS Global Insight.
Note: Based on Hungarian Accounting Standards.
(1) Revenues include 'Other income'.
(2) 25% owned by E.ON Ruhrgas International GmbH (100% owned subsidiary of E.ON).
(3) Total gas demand in Hungary in 2009-2011 based on CERA figures.
(4) Based on average exchange rate of each year.

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EFT
Valuation approach

EFT gas procurement contracts

- EFT has gas procurement contracts that contain a Take-or-Pay clause that oblige EFT to purchase minimum volumes (MAQ) of gas at oil-linked gas price (WACOG)
- Due to stagnant gas consumption and gas oversupply, EFT's WACOG is currently c. 21% above spot gas prices
- It is expected that EFT will not be able to sell all its MAQs over the 2012-2015 period, resulting in significant TOP volumes
  - In addition, EFT has accumulated c. 1.7bcm of TOP volumes during 2009 and 2011 for which it made a 25-50% prepayment
- If EFT cannot purchase the MAQs, TOP obligations trigger either a penalty (requirement to pay for untaken gas volumes) or a make-up clause
  - Make-up clauses allow EFT to prepay 50% of gas and to take gas volumes within 5 years by making the remaining 50% payment
  - Prepayments may require significant access to financing
- Due to its high WACOG and significant MAQ volumes, EFT is likely to incur significant operating losses related to negative margin gas sales and/or financing costs for TOP prepayments
  - In the past, EFT was able to reduce MAQ volumes and WACOG through annual renegotiations with its suppliers

Valuation approach

- Principal approach
  - Valuation of EFT on a recurring stand-alone basis to estimate the value of the company without any potential TOP liabilities
  - NPV analysis for TOP /make-up gas volumes to reflect the valuation impact of potential operational and financing losses related to TOP contracts
- Valuation scenarios
  - Valuation scenarios based on KPMG forecasts and E.ON assumptions
  - KPMG forecasts reflect the current contractual position of EFT while E.ON assumes that EFT will be able to renegotiate contractual terms with its gas suppliers
- Financial statements and TOP impact are projected on a consolidated basis in order to adequately capture impact of effects on working capital and other items

EFT's future financial performance is mainly affected by the scale and terms of its future TOP obligations, the impact of which has been reflected in valuation scenarios

EFT (recurring underlying business[1])

Introduction to the valuation scenarios

	Scenario 1	Scenario 2
Methodology	- Valuation of EFT without TOP/make-up volumes[1] - For the period 2012-2015, gas sales volumes based on KPMG assumptions - Gas purchase price ("WACOG") based on proxy price formula provided by E.ON (contractually agreed purchase price) and KPMG assumptions - Gas sales prices based on the existing regulation and KPMG forecasts; no exports assumed after 2012 - After 2015, gas sales volumes based on an assumed 20% market share (market size based on KPMG estimates), gas purchase price is assumed to be competitive with alternative gas sources (equal to spot gas prices), and gas sales price is assumed to be at a 2.0% margin to the gas purchase price	- Valuation of EFT without TOP/make-up volumes[1] - Gas sales volumes as in Scenario 1 - From 2012 to 2015, gas purchase price ("WACOG") is assumed to gradually decline to reach competitive (spot) level by 2016, as assumed by E.ON - Open and regulated gas sales prices assumed for 2012-2015 at the same level as in the Scenario 1 but not higher than 4.0% margin over WACOG and post 2015 period at the same level as in the Scenario 1 - All other valuation assumptions as in Scenario 1

Volumes	- For the period 2012-2015, average open and regulated market sales volumes assumed at 2.7bcm and 2.6bcm per year, respectively (excl. TOP/make-up volumes)[1]
	- After 2016, average open and regulated market sales volumes assumed at 1.6bcm and 0.5bcm per year, respectively, assuming a 20% market share in each segment
	  – Hungarian total gas consumption forecast to stagnate over 2011-2020 period as potential increase in power consumption assumed to be offset by increase in generation from renewable energy sources and efficiency improvements
	  – Overall market share assumed to decline from c. 66% in 2011 to 20% by 2016 due to competition from alternative gas suppliers
		- Volume assumptions (excl. TOP/make-up volumes) are the same as in the Scenario 1

General assumptions

- Key costs and working capital assumptions
  - Storage and transmission costs linked to volume stored and sold, respectively
  - Inventory (1.0bcm in 2011) assumed to be partially disposed in 2016 to reach the 2011 inventory-to-sales volume ratio of 0.11x
  - Accounts receivable and payables assumed to be 8.7% and 4.1% of revenues and COGS, respectively (based on 2011 figures)
  - Receivables from affiliated undertakings and short-term liabilities to affiliated undertakings assumed to be 3.2% and 15.1% of revenues and gas purchase cost, respectively (based on 2011 figures)
  - Other indirect costs (i.e. marketing) linked to revenues (based on 2011 ratios)
- Assume MOL does not exercise its change-of-control right
- No I/K funds[2] assumed after 2012 as per E.ON information
- Capital expenditures equal to depreciation based on the 2011–2017 Business Plan
- No Crisis and "Robin Hood" taxes assumed after 2013 as per E.ON information

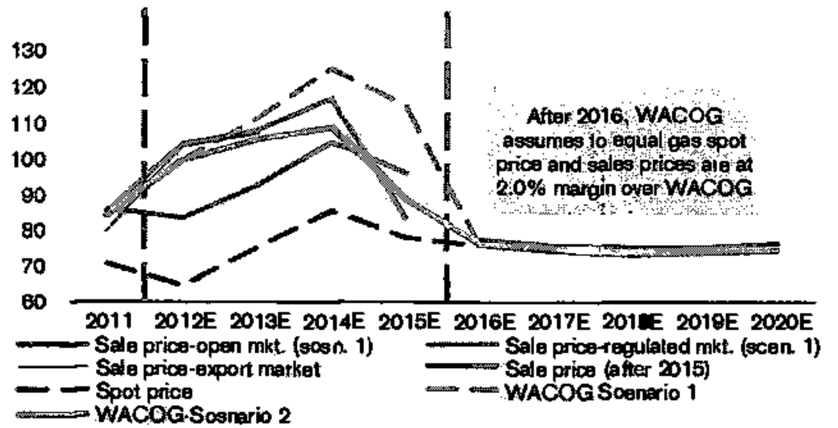
Source: Company information, KPMG forecasts, IHS Global Insight, EIU.
Notes: (1) Excluding TOP impact
(2) Subsidies provided by the Government to compensate EFT for the operating losses caused by the abolishment of the regulated market.

EFT (recurring underlying business)

Key assumptions and summary financials

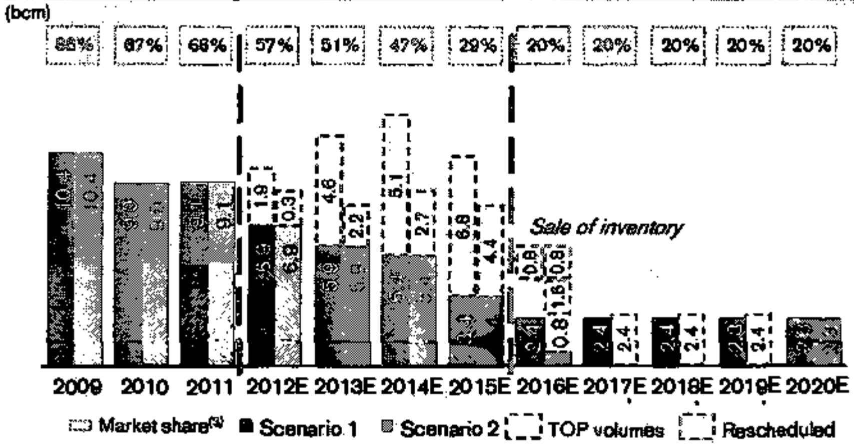
Gas purchase and sale prices

(HUF/m3)



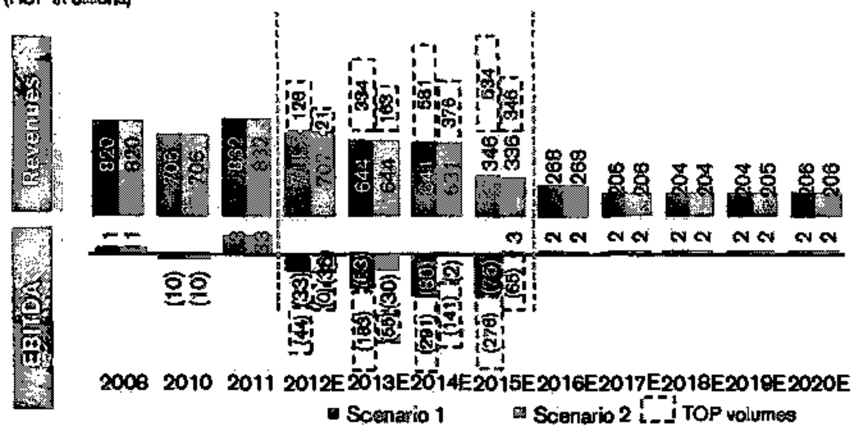
Sales volumes(1,2)

(bcm)



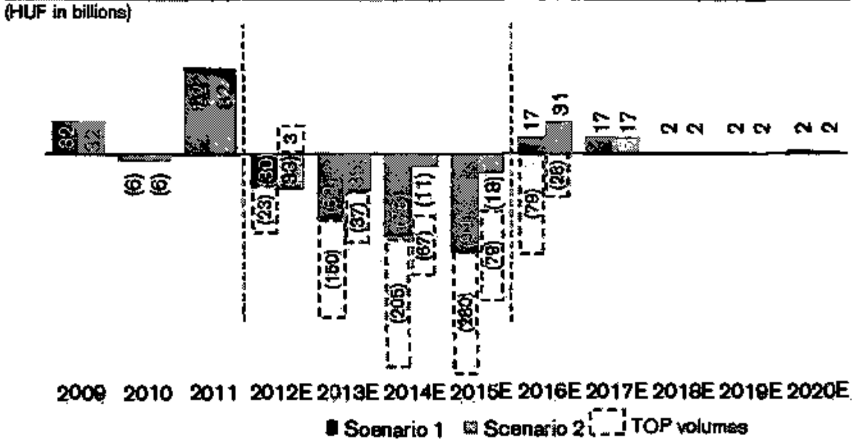
Revenue and EBITDA(3)

(HUF in billions)



Cash flow from operating activities(3,4)

(HUF in billions)



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Source: KPMG, Company information, CS analysis.

Notes: (1) Excludes TOP volumes. 2012E volume sold includes 0.3bcm of exports (export volumes assumed to be nil after 2012).
(2) Market share does not take into consideration sale of TOP/make-up volumes and export volumes.
(3) Excludes TOP/make-up volumes impact.
(4) Includes net income (incl. interest), depreciation, and change in working capital items.

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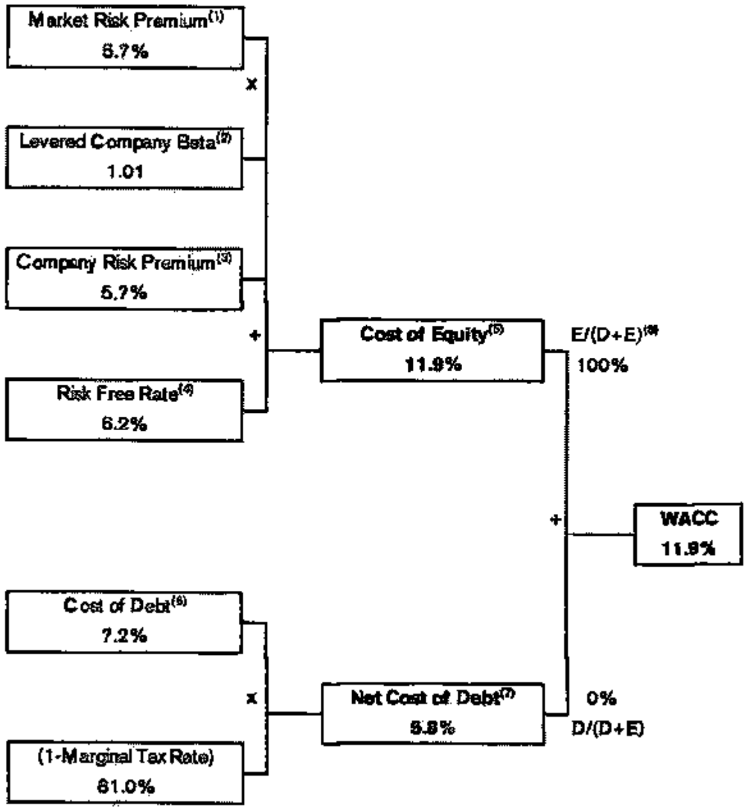
EFT
Implied WACC

WACC breakdown



Commentary

- (1) Market risk premium (Rm) reflects the risk associated with the country in which the company operates
  - Market risk premium calculated as an average of values assumed by equity research analysts
- (2) Levered company beta reflects the correlation of the company's equity performance with the broader equity market performance
  - Beta is calculated based on an average of historical and forward-looking betas of comparable companies, including Crosstex Energy, Petrovietnam Northern Gas, Och-Ziff, Fortress, Glencore and Man Group
- (3) Company risk premium reflects the premium associated with the equity of the company over the relevant risk free rate
- (4) Risk free rate reflects the yield on a risk-free investment in the country
  - Average of current 10-year and 15-year HUF Government bond yields
- (5) Cost of equity theoretically reflects the return required by a company's shareholders on their capital invested
- (6) Cost of debt reflects an estimation of the effective cost of raising new debt for the company
  - The cost of debt is calculated as the current Hungarian 10-year swap rate (5.7%) + 150bps
- (7) Net cost of debt reflects the effective net cost to the borrower as it takes the tax shield of debt interest expense into consideration
- (8) 0% debt in the target capital structure assumed as business is not deemed to be leverageable

The assumed parameters result in an estimated WACC for EFT of 11.9%

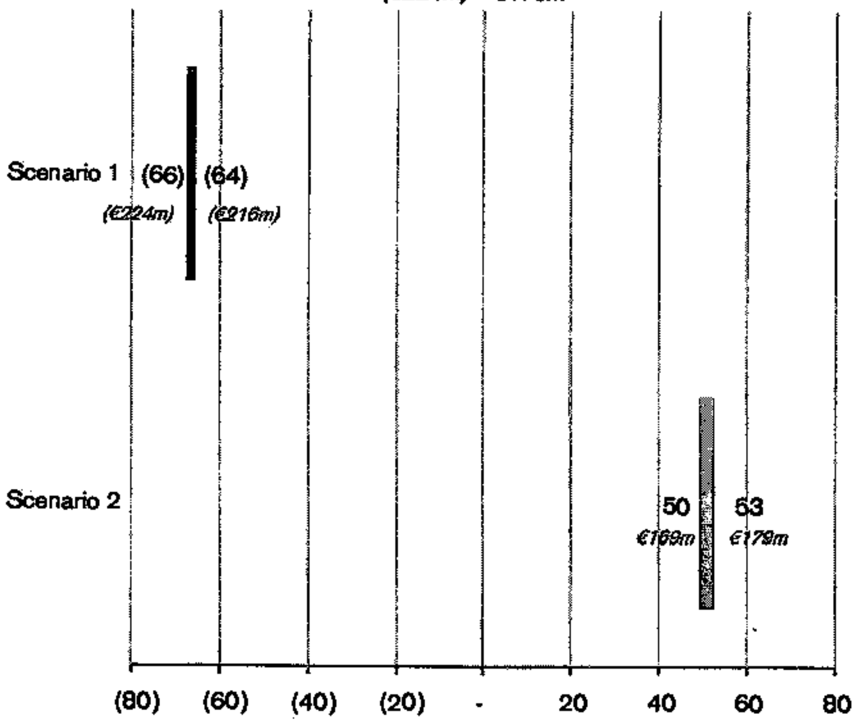
EFT (recurring underlying business)

Valuation summary

Enterprise value (100%) as of 30 September 2013 – Excluding impact from TOP/make-up volumes

(HUF in billions)

Enterprise value
(HUF66bn) – HUF53bn[1]
(€224m) – €179m



Comments

- WACC of 11.9% +/- 1.0%; TGR of 2.1%[2]
- 5.4bcm average sales in the 2012-2015 period (excl. TOP volumes); 20% market share post 2015
- WACOG based on the proxy formula in 2012-2015 and competitive (spot) level post 2015
- Implied terminal exit multiple is 9.8x of 2025E EBITDA

- WACC of 11.9% +/- 1.0%; TGR of 2.1%[2]
- 5.4bcm average sales in the 2012-2015 period (excl. TOP volumes); 20% market share post 2015
- WACOG is assumed to gradually reach competitive level by 2016
- Terminal value represents 10.6% of total EV; implied exit terminal multiple is 9.8x based on 2025 EBITDA

EFT's enterprise value excluding TOP volumes impact is assumed to amount to -HUF66bn (-€224m) to HUF53bn (€179m), assuming a reference net working capital of HUF113bn[3] including 1.0bcm of working gas in storage

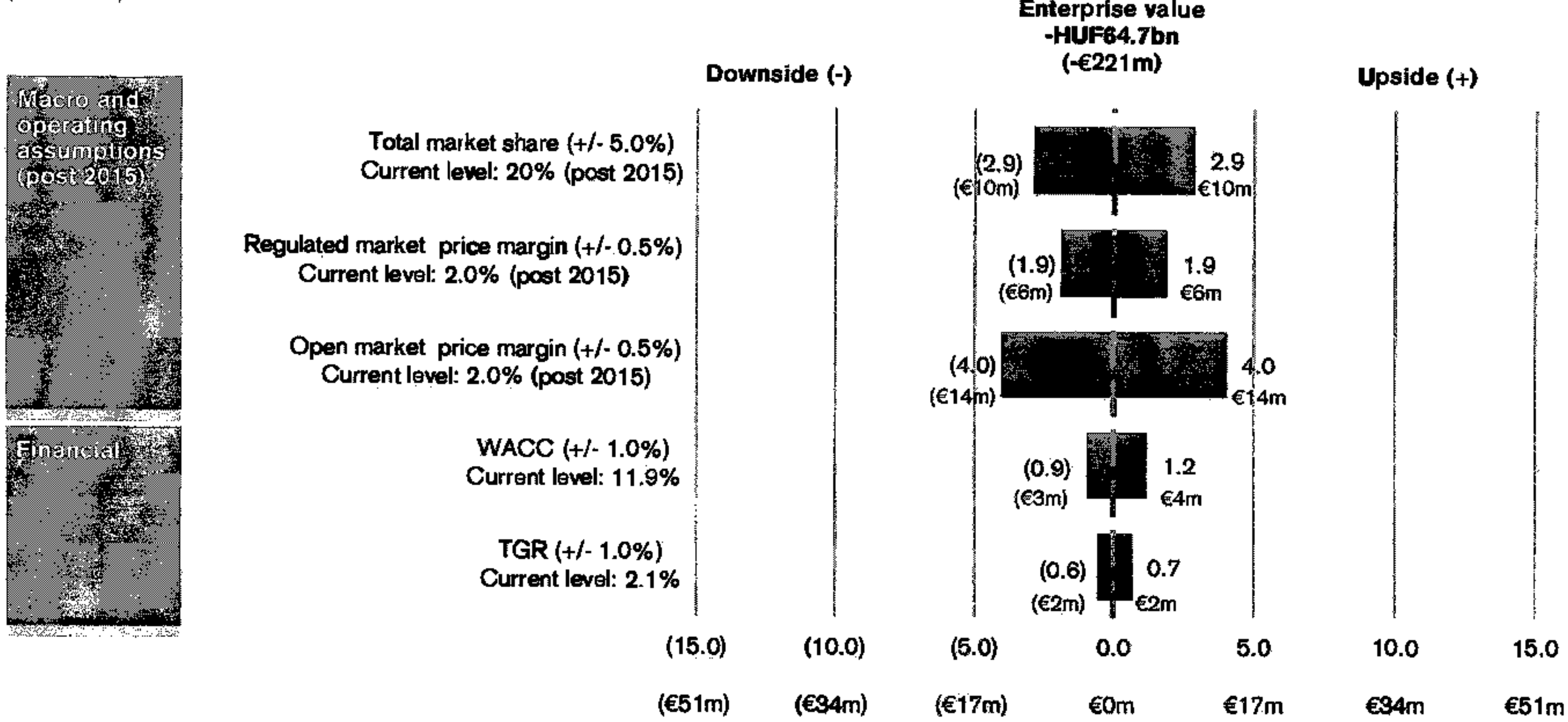
Source: CS analysis.
Notes: Net debt of HUF36.4bn as of June 2012 (KPMG). Assumes reference net working capital of HUF113bn as of September 2013. Exchange rate: HUF293/€.
(1) Valuation range based on the minimum value for Scenario 1 and the maximum value for Scenario 2.
(2) Based on long term inflation assumption of 2.1% after 2025.
(3) Including TOP related prepayments and payables as of December 2012.

EFT (recurring underlying business)

Sensitivity analysis

Enterprise value (Scenario 1) – Excluding impact from TOP/make-up volumes

(HUF in billions)



Source: CS analysis.
Notes: HUF/EUR exchange rate of 293.

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EFT TOP volumes impact

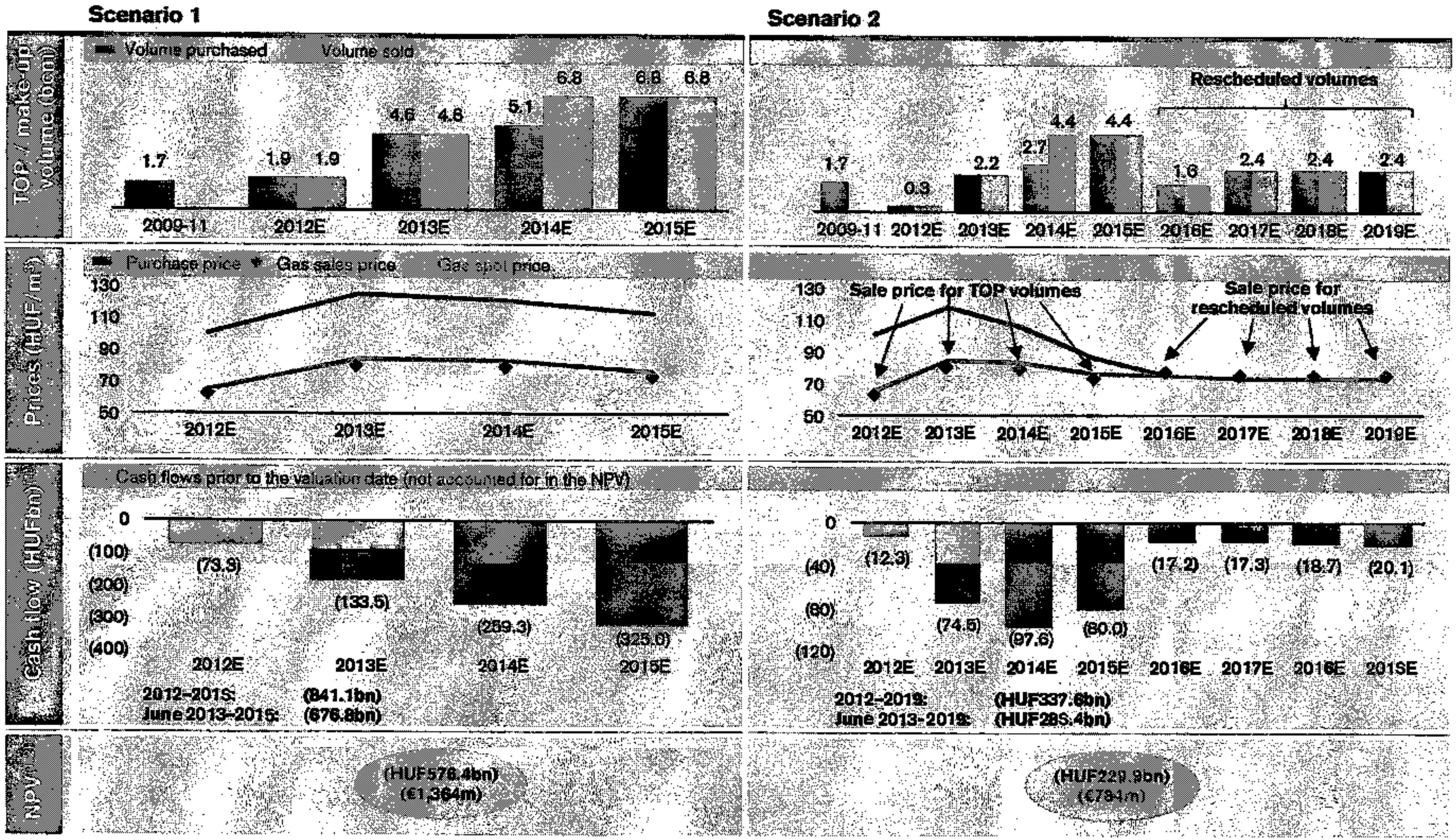
Introduction to the valuation scenarios

	Current contractual position	Assumes renegotiation of contract
	Scenario 1	**Scenario 2**
Methodology	■ Current contractual position of EFT ■ TOP volumes to be sold immediately	■ Assumes contract renegotiation with Gazprom to reschedule part of TOP volumes (without prepayment) and reduce WACOG ■ TOP volumes to be sold immediately
Volumes	■ Total 2009–2015 TOP volumes of 20.1bcm (incl. 1.7bcm related to 2009 and 2011) ■ 2009 and 2011 make up volume sold in 2014	■ Total 2009–2015 TOP volumes of 11.3bcm (incl. 1.7bcm related to 2009 and 2011) ■ 2009 and 2011 make up volume sold in 2014 ■ In addition, 8.8bcm TOP volumes rescheduled to 2016–2019
Prices	■ TOP/make-up volumes are sold at a 5% discount to gas spot prices (c. 27% discount to average of open market and regulated market gas sales price)	■ TOP/make-up volumes are sold at a 5% discount to gas spot prices (c. 26% discount to average of open market and regulated market gas sales price) ■ Rescheduled volumes sold at a 2% margin (over WACOG) in 2016-2019

Source: Seller, KPMG, Company information.
Notes: Financing cost of 7.2% (10y Hungarian swap rate plus 150bps company premium).
Valuation date for all scenarios: 30 September 2013.

EFT TOP volumes impact

Key assumptions and summary valuation



Source: Seller, KPMG, Company information, CS analysis.

Notes: Exchange rate: HUF293/€.

(1) Includes financing costs of 7.2% (10y Hungarian swap rate plus 150bps company premium).

(2) Discounted cash flows are considered from 30 June 2013 to 31 December 2019 for Scenario 2 and from 30 June 2013 to 31 December 2015 for Scenario 1. Valuation date: 30 September 2013. WACC of 11.9%.

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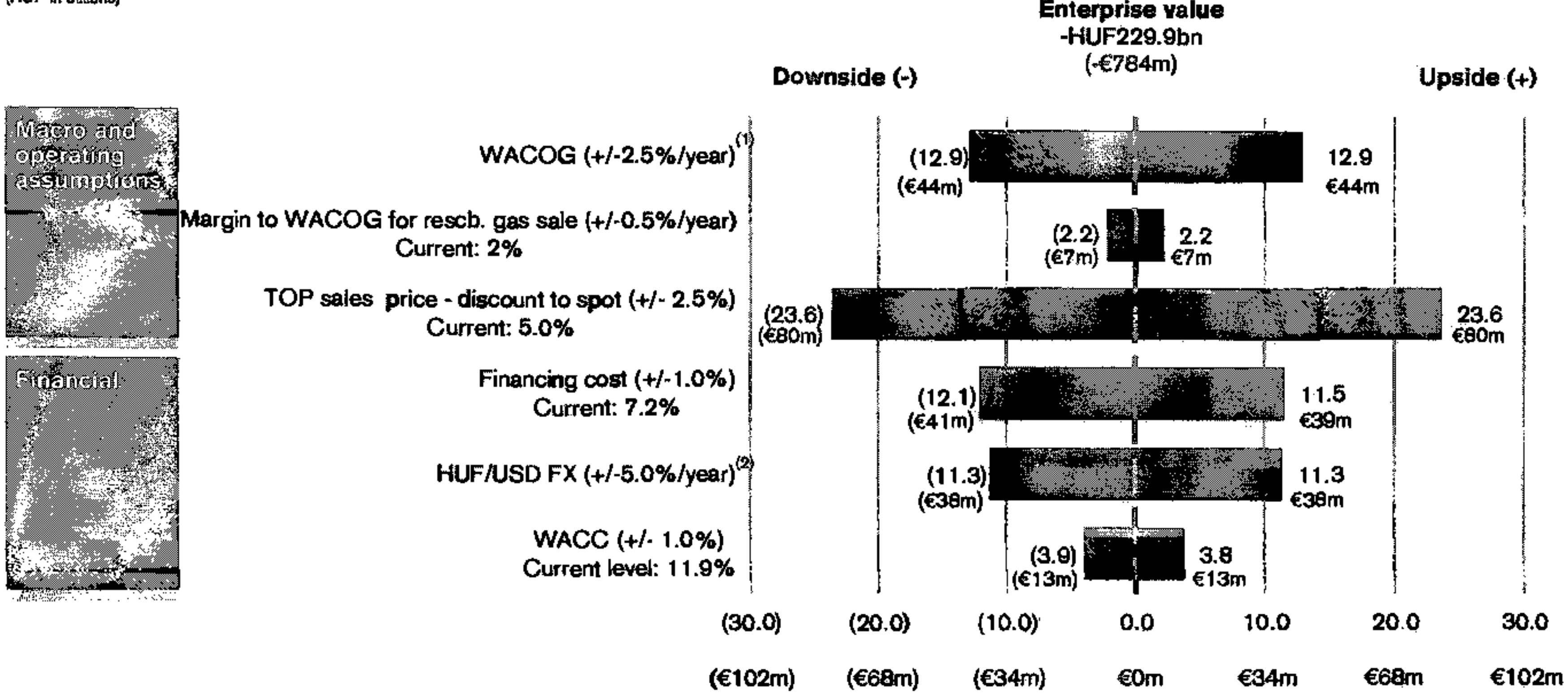
EFT TOP volumes impact

Sensitivity analysis

Enterprise value (100%) - Scenario 2 (as of 30 September 2013)

(HUF in billions)



Source: CS analysis.
Notes: EUR/HUF exchange rate of 293 (as of 16 January 2013).
(1) WACOG sensitivity analysis built by adding/subtracting 2.5% to the yearly procurement price projected from 2012 to 2026.
(2) Exchange rate sensitivity analysis built by adding/subtracting 10% to the yearly exchange rate projected by IHS Global Insight. An increase of 10% means a HUF depreciation. Assumes no hedging arrangement in place.

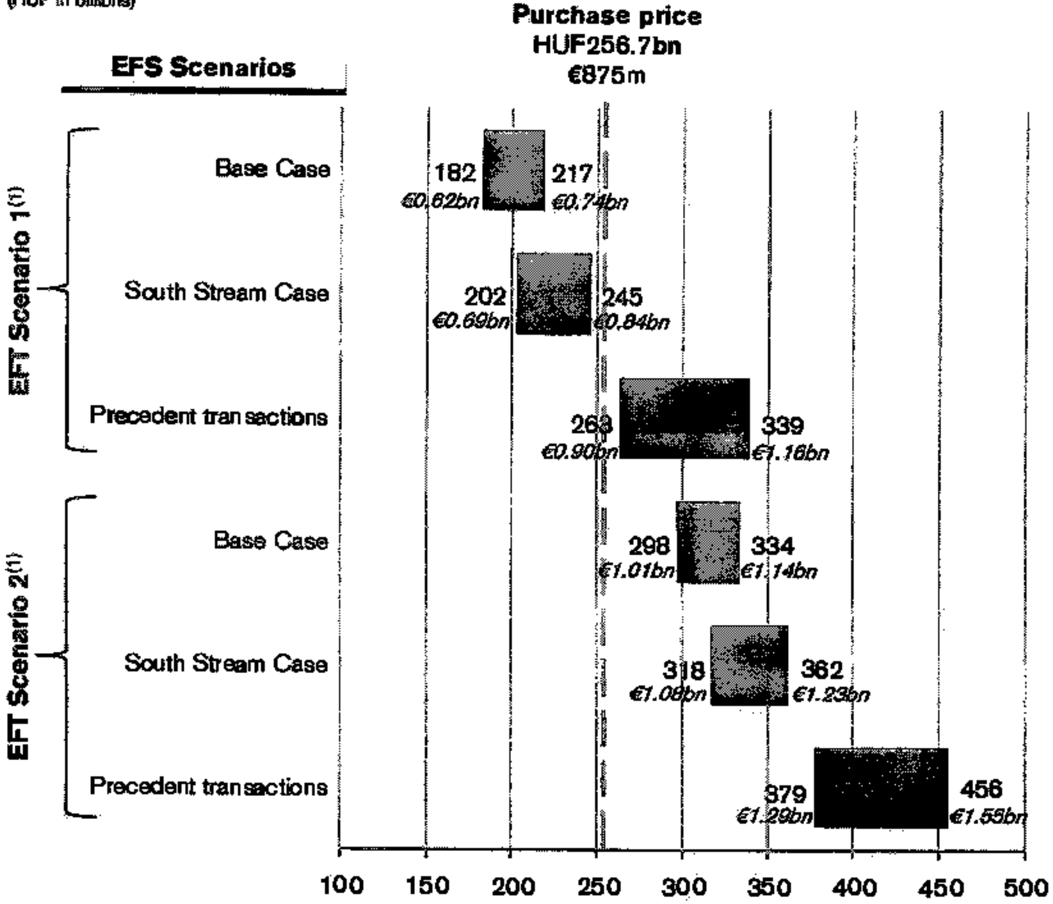
c) Combined valuation

EFS + EFT

Valuation summary (excluding TOP risks and liabilities)

Enterprise value (100%) – as of 30 September 2013

(HUF in billions)



Comments

- WACC of 9.2% +/- 0.5% for EFS and 11.9% +/-0.5% for EFT
- TGR of 2.1%[2]
- **Net present value of TOP obligations expected to be -HUF576.4bn (-€1,964m) for Scenario 1 and -HUF229.9bn (-€784m) for Scenario 2; not taken into account in the shown enterprise value**

Potential upsides not yet accounted for

- MVM indicated
  - EFT was able to achieve lower TOP/make-up volumes in 2012 vs. assumptions which are the basis of this valuation and has already rescheduled 1.2bcm of gas in relation to H1 2013 to 2017. Gazprom expressed willingness to discuss shift of further gas volumes to future periods
  - In addition, share of spot gas in the WACOG formula may be higher vs. assumed c. 30% which implies lower WACOG price
- These items have to be considered as part of the confidential EFT contracts review and may lead to the reduction of the TOP liabilities of EFT

Assuming the DCF valuation in the Base Case for EFS and in Scenario 2 for EFT as key reference points, the combined enterprise value would amount to HUF298bn (€1.01bn) to HUF334bn (€1.14bn) excluding TOP liabilities

Source: CS analysis.
Notes: EUR/HUF exchange rate of 293.
(1) Excludes TOP impact.
(2) Based on long term inflation assumption of 2.1%.

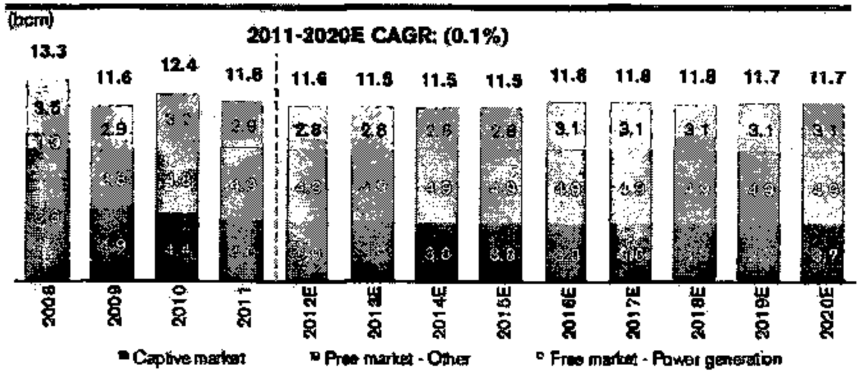
Appendix

Key macroeconomic/market assumptions and capital markets considerations

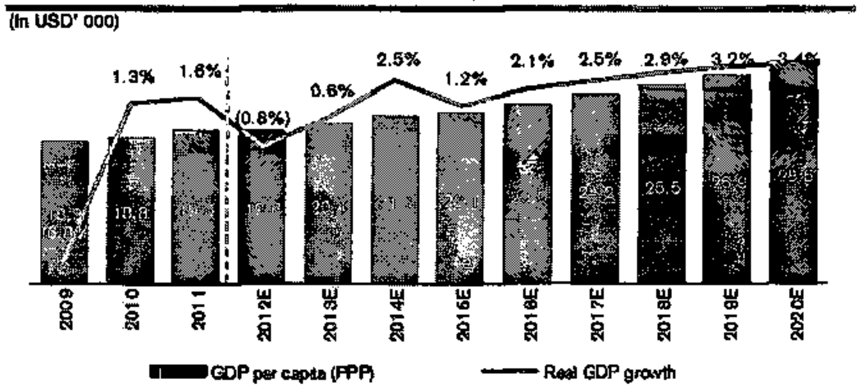
Macroeconomic and market assumptions

Hungarian gas demand is the main driver of sales volumes for EFS and EFT

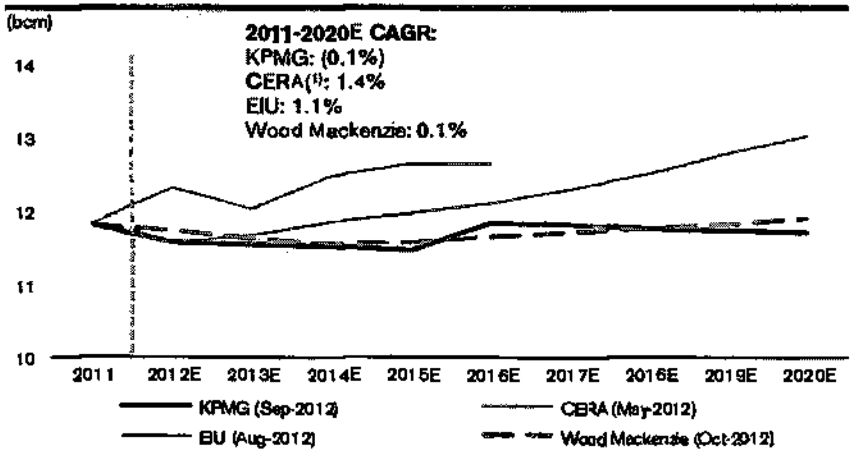
Hungarian gas consumption – KPMG forecast



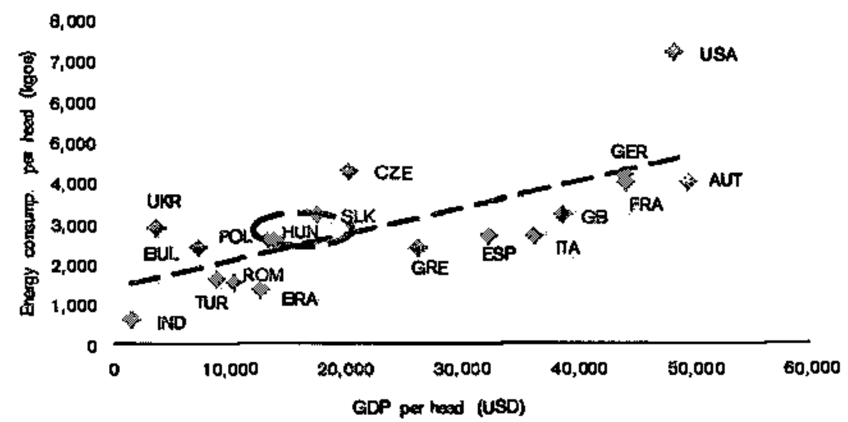
Hungarian GDP per capita and GDP growth



Hungarian gas consumption – Benchmarking



GDP per capita vs. energy consumption per capita (2011)



Strong correlation of GDP per capita and energy consumption indicates potential upside for future gas demand

Source: KPMG, CERA, EIU and Wood Mackenzie.
Notes: (1) Based on 2012E-2015E period.

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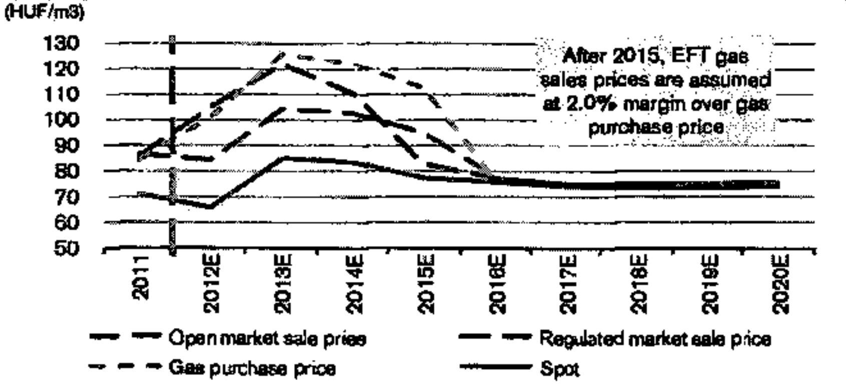
Macroeconomic and market assumptions

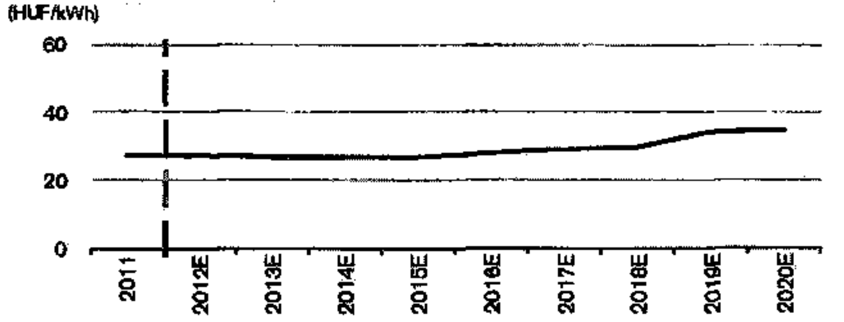
Gas and power prices, inflation and exchange rates

Gas price



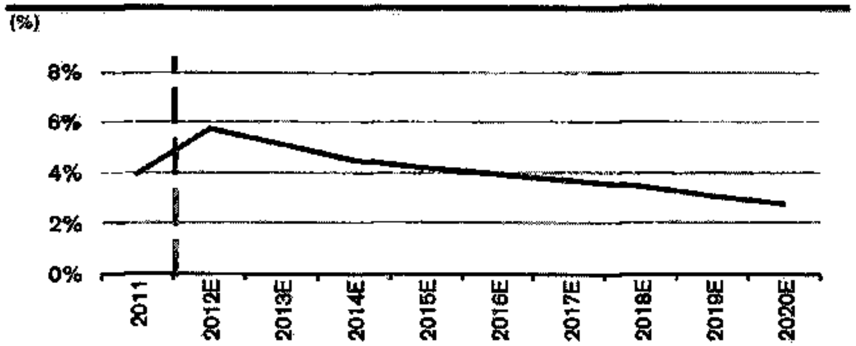
Source: KPMG, IHS Global Insight.
Note: EFS acquires gas for own consumption at open market price.

Power price



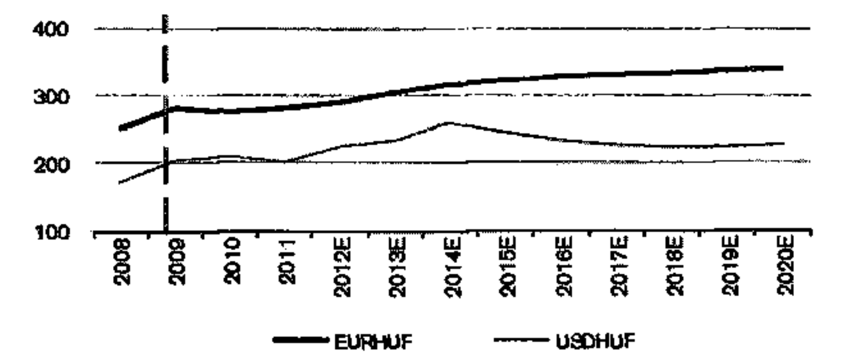
Source: Eurostat, KPMG .
Note: Price at which EFS acquires electricity for internal consumption.

Inflation



Source: Global Insight (Jan-2013).

Exchange rates



Source: Global Insight (Jan-2013).

Capital markets considerations
Long-term yield development

10-year Hungarian interest rate swap

Source: Bloomberg.
Note: 10 year annual Hungarian Swap.

10-year Hungarian Government bond yield

Source: Bloomberg.
Note: 10 year Generic Hungarian government bond yield.

10 year HUF swap is currently at 5.7% and 10-year government bond yield at 6.2%

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