Statistical code: 10725759-2016-114-05
Company registration number: 05-10-000065

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep,
TVK Központi Irodaház, 2119/3. hrsz. 136. épület

2010

Annual Report
(with dividend)

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság

1.) We have audited the accompanying 2010 annual financial statements of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság ("the Company"), which comprises the balance sheet as at 31 December 2010 - showing a balance sheet total of HUF 194,134 million and a loss for the year of HUF 5,496 million -, the related profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's annual financial statements as at 31 December 2009 on 11 March 2010.

Management's Responsibility for the Financial Statements

3.) Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these financial statements based on the audit and to assess whether the business report is consistent with the financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work regarding the business report is restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

6.) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

7.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság as at 31 December 2010 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

8.) Without qualifying our opinion, we draw the attention to Note 40.4 to the financial statements that describe the environmental aspects of the Company's operations and highlights the risk of additional significant decontamination expenses that might incur over the current amount of the provision in relation to past environmental damage as may be identified by future environmental surveys.

Budapest, 17 March 2011
Except for the effect of the HUF 1.992 million dividend approved at the shareholders' meeting relating to the year ended 31 December 2010, which is dated 14 April 2011.

(The Hungarian original version has been signed)

Ernst & Young Kft.
Registration No. 001165

Szilágyi Judit
Registered Auditor
Chamber membership No.: 001368

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Assets for the year ending on 31 December 2010

(All amounts in millions of HUF, unless otherwise indicated)

Statistical code: *10725759-2016-114-05*
Company registration number: *05-10-000065*

	Description	Notes	Prior year	Current year
A.	NON-CURRENT ASSETS		123,425	117,715
A/I	INTANGIBLE ASSETS	6	2,903	2,554
A/I/1	Capitalized value of foundation and restructuring		0	0
A/I/2	Capitalized value of research and development		0	0
A/I/3	Property rights		0	0
A/I/4	Intellectual property		2,903	2,554
A/I/5	Goodwill		0	0
A/I/6	Advances for intangible assets		0	0
A/I/7	Revaluation of intangible assets		0	0
A/II	TANGIBLE ASSETS	7	116,308	110,961
A/II/1	Real estate and related property rights		28,503	27,829
A/II/2	Technical machines and equipment		81,483	77,551
A/II/3	Other machines and equipment		4,329	4,249
A/II/4	Livestock		0	0
A/II/5	Assets in the course of construction		1,992	1,332
A/II/6	Advances for construction		1	0
A/II/7	Revaluation of tangible assets		0	0
A/III	FINANCIAL INVESTMENTS	14	4,214	4,200
A/III/1	Non-current investments in associates	11	3,977	3,967
A/III/2	Non-current loans to associates		0	0
A/III/3	Other non-current investments		0	0
A/III/4	Non-current loans to other related parties		0	0
A/III/5	Other non-current loans	12	6	2
A/III/6	Non-current debt securities	13	231	231
A/III/7	Revaluation of financial investments		0	0

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

The accompanying notes are an integral part of this balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Assets for the year ending on 31 December 2010

(All amounts in millions of HUF, unless otherwise indicated)

Statistical code: *10725759-2016-114-05*
Company registration number: *05-10-000065*

	Description	Notes	Prior year	Current year
B	CURRENT ASSETS		71,568	76,245
B/I	INVENTORIES	15, 16	9,385	11,932
B/I/1	Materials		4,273	5,265
B/I/2	Work in process		1,041	1,150
B/I/3	Breeding stock		0	0
B/I/4	Finished products		3,923	5,220
B/I/5	Merchandises		129	287
B/I/6	Advances for inventories		19	10
B/II	RECEIVABLES	20	57,555	61,499
B/II/1	Trade receivables	17	35,587	39,563
B/II/2	Receivables from associates	18	7,699	9,037
B/II/3	Receivables from other related parties		0	0
B/II/4	Bill receivables		0	0
B/II/5	Other receivables	19	14,269	12,899
B/III	MARKETABLE SECURITIES		0	0
B/III/1	Securities in related parties		0	0
B/III/2	Other securities		0	0
B/III/3	Treasury shares, participations		0	0
B/III/4	Debt securities held for trading		0	0
B/IV	CASH AND BANK	21	4,628	2,814
B/IV/1	Petty cash		3	3
B/IV/2	Bank accounts		4,625	2,811
C	PREPAYMENTS	22	317	174
C/1	Accrued income		245	100
C/2	Prepaid expenses		72	74
C/3	Deferred expenses		0	0
	TOTAL ASSETS		195,310	194,134

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

The accompanying notes are an integral part of this balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Liabilities for the year ending on 31 December 2010

(All amounts in millions of HUF, unless otherwise indicated)

Statistical code: *10725759-2016-114-05*
Company registration number: *05-10-000065*

	Description	Notes	Prior year	Current year
D	SHAREHOLDERS' EQUITY	23	140,231	132,743
D/I	Share capital		24,534	24,534
	- of which redeemed treasury shares at face value		0	0
D/II	Issued unpaid capital		0	0
D/III	Capital reserve		4,624	4,624
D/IV	Retained earnings		120,970	109,081
D/V	Allocated reserve		0	0
D/VI	Revaluation reserve		0	0
D/VII	Profit for the year		(9,897)	(5,496)
E	PROVISIONS	24	9,108	6,804
E/1	Provision for expected liabilities		9,098	6,794
E/2	Provision for future expenses		0	0
E/3	Other provisions		10	10
F	LIABILITIES		44,459	51,411
F/I	SUBORDINATED LIABILITIES		0	0
F/I/1	Subordinated liabilities due to associates		0	0
F/I/2	Subordinated liabilities due to other related parties		0	0
F/I/3	Subordinated liabilities due to third parties		0	0

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

The accompanying notes are an integral part of this balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Liabilities for the year ending on 31 December 2010

(All amounts in millions of HUF, unless otherwise indicated)

Statistical code: *10725759-2016-114-05*
Company registration number: *05-10-000065*

	Description	Notes	Prior year	Current year
F/II	NON-CURRENT LIABILITIES		0	4,169
F/I/1	Non-current loans		0	0
F/I/2	Convertible bonds		0	0
F/I/3	Non-current bonds		0	0
F/I/4	Investment and development loans		0	0
F/I/5	Other non-current loans		0	0
F/I/6	Non-current liabilities to associates	25	0	4,169
F/I/7	Non-current liabilities to other associates		0	0
F/I/8	Other non-current liabilities		0	0
F/III	SHORT-TERM LIABILITIES		44,459	47,242
F/III/1	Short-term debt		0	0
F/III/2	Short–term loans		0	0
F/III/3	Advances from customers		129	281
F/III/4	Trade payable	26	6,076	6,282
F/III/5	Bill of exchange		0	0
F/III/6	Current liabilities to associates	27	37,877	35,405
F/III/7	Current liabilities to other associates		0	0
F/III/8	Other current liabilities	28	377	5,274
G	ACCRUED EXPENSES	22	1,512	3,176
G/1	Deferred income		40	27
G/2	Accrued expenses		1,449	3,107
G/3	Deferred negative goodwill and extraordinary revenues		23	42
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		195,310	194,134

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

The accompanying notes are an integral part of this balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY
Income Statement for the year ending on 31 December 2010

(All amounts in millions of HUF, unless otherwise indicated)

Statistical code: *10725759-2016-114-05*
Company registration number: *05-10-000065*

	Description	Notes	Prior year	Current year
1	Net domestic sales		127,175	183,467
2	Net export sales		128,562	173,150
I	NET SALES	29	255,737	356,617
3	Change in self-produced stocks		(302)	1,406
4	Capitalised value of self-produced assets	30	847	1,183
II	CAPITALIZED VALUE OF OWN PERFORMANCE		545	2,589
III	OTHER INCOME	31	5,305	4,072
	-of which reversed impairment loss		495	11
5	Material costs		215,625	304,351
6	Material type services	32	12,784	13,255
7	Other services	33	1,366	1,552
8	Cost of goods sold		13,116	15,459
9	Cost of services sold		2,016	3,223
IV	MATERIAL TYPE EXPENSES		244,907	337,840
10	Wages and salaries	35	5,828	5,873
11	Other personnel expenses	35	888	972
12	Payroll related contributions		1,955	1,781
V	PERSONNEL COSTS		8,671	8,626
VI	DEPRECIATION	8	11,072	11,004
VII	OTHER EXPENDITURES	31	17,238	15,980
	-of which impairment loss		280	449
A	OPERATING PROFIT		(20,301)	(10,172)

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

The accompanying notes are an integral part of this income statement.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Income Statement for the year ending on 31 December 2010

(All amounts in millions of HUF, unless otherwise indicated)

Statistical code: *10725759-2016-114-05*
Company registration number: *05-10-000065*

	Description	Notes	Prior year	Current year
13	Dividend received		817	465
	-of which received from related parties		817	465
14	Capital gain on financial investments sold		0	0
15	Interest income and capital gains on financial investments		19	15
16	Other received interest and similar income		433	83
	-of which received from related parties		338	29
17	Other financial income	36	8,851	8,150
VIII	FINANCIAL INCOME		10,120	8,713
18	Foreign exchange loss on financial investments		0	0
19	Interest payable		387	559
	-of which received to related parties		384	534
20	Impairment loss of participations, securities and bank deposits		69	10
21	Other financial expenditures	36	8,745	7,651
	-of which received to related parties		1,642	1,315
IX	FINANCIAL EXPENDITURES		9,201	8,220
B	FINANCIAL RESULT		919	493
C	PROFIT FROM ORDINARY ACTIVITIES		(19,382)	(9,679)
X	EXTRAORDINARY REVENUES	37	9,582	4,184
XI	EXTRAORDINARY EXPENDITURES	37	97	1
D	EXTRAORDINARY PROFIT/LOSS		9,485	4,183
E	PROFIT BEFORE TAXATION		(9,897)	(5,496)
XII	Taxation	41	0	0
F	PROFIT AFTER TAXATION		(9,897)	(5,496)
22	Retained earnings used for dividends		0	1,992
23	Dividends approved, paid		0	1,992
G	PROFIT FOR THE PERIOD		(9,897)	(5,496)

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

The accompanying notes are an integral part of this income statement.

Statistical code: 10725759-2016-114-05
Company registration number: 05-10-000065

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep
TVK Központi Irodaház, 2119/3. hrsz. 136. épület

2010

Supplementary Notes
(with dividend)

Tiszaújváros, 17 March 2011

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

Table of Contents

1. Background and General Information

Tiszavidéki Vegyi Kombinát, TVK Plc's legal predecessor was founded in 1953. In 1961 it was transformed into a state-owned company called Tiszai Vegyi Kombinát (the "state-owned company"). Prior to its privatisation, the state-owned company was incorporated as a public limited liability company on 31 December 1991 (the "Company").

As at 31 December 1995, the Company was 99.92% owned by the Hungarian State Privatisation and Holding Company ("ÁPV Rt.") and the remaining 0.08% was owned by local municipalities.

In 1996, the Company was privatised through an offering shares owned by ÁPV Rt. to foreign and domestic institutional and private investors. Following this privatisation, shares of the Company were listed on the Budapest Stock Exchange and Global Depository Receipts ("GDRs") representing the shares were listed on the London Stock Exchange.

In accordance with the Act on Companies (1997/CXLIV.) the Company's name was changed to Tisza Chemical Group Public Limited Company by 23 June 2006.

As at 31 December 2010, MOL Plc. owns the majority of the shares (See Note 3).

The Company, with its registered seat in Tiszaújváros produces chemical raw materials including ethylene, propylene and polymers of these products for both domestic and foreign markets.

The registered seat of the Company is Tiszaújváros (H-3581 Tiszaújváros, TVK-Ipartelep TVK Központi Irodaház, 2119/3. hrsz. 136. épület), web-site: http://www.tvk.hu.
The Company has no seats in abroad.

The persons entitled to sign the company's financial statement are:

Árpád Olvasó, Chief Executive Officer,
Address: H-2440 Százhalombatta, Nyárfa u. 4., Hungary

Gyula Hodossy, Deputy CEO, Management and Finance
Address: H-3587 Tiszapalkonya, Mátyás u. 32., Hungary

Person responsible for managing accounting services:
Attila Kmetti, accounting manager
Address: H-3532 Miskolc, Tátra u. 27., Hungary
PM (Ministry of Finance) registration number in the name register of person entitled to deal with accounting services: 128302

2. Accounting Policy of the Company

2.1. Method of bookkeeping, report format

Based on *Act C of 2000 on accounting* (hereinafter: Accounting Act) as amended, TVK Plc. uses double entry bookkeeping and prepares an annual report with a balance sheet date of 31 December. As required by the Accounting Act it consists of the balance sheet, income statement and supplementary notes including cash flow. At the time of the annual report, the Company also prepares a business report.

Based on the Accounting Act, the Company is deemed to be a parent company, so starting from the year 1994 it has been obliged to prepare a consolidated annual report as well, which consists of a consolidated balance sheet, a consolidated income statement and consolidated supplementary notes. In connection with the consolidated annual report, it also prepares a consolidated business report. According to Accounting Act gave, from year 2005 company prepares its consolidated annual report pursuant to the International Accounting Standards.

Between 1 October 1999 and 15 October 2007, TVK Plc. used the BPCS, an integrated information system for large companies with a modular structure. From 15 October 2007 led new version, it is SSA ERP LX 8.3.02 of BPCS.

Based on the 155. § (2) of the Accounting Act, the audit of books is compulsory for the Company, year-end financial statements are audited. In 2010, TVK Plc. paid HUF 35 million for the auditing of annual reports and interim financial reports, and HUF 4 million for other auditing services to the Auditor.

The Company, as a subsidiary, was fully consolidated in the financial statements of MOL Hungarian Oil and Gas Public Limited Company (H-1117 Budapest, Október huszonharmadika u. 18., Hungary).

2.2. Method and time schedule for report preparation

The preparation of the report is built on the annual closing process. Business events of the current period are completed, checked and summarised in the framework of annual closing, and the accounting of any corrective adjustment necessary pursuant to the consequences of business events incurred between the balance sheet date and the balance sheet preparation date and to the changes in the market conditions.

In line with the scheduling of processes for closing the year of 2010, the date for preparing the balance sheet of the Company was specified for 14 January, 2011. The audit closed on 11 February, 2011.

2.3. The form of Balance Sheet and Income Statement

Form of balance sheet

In line with Article 20 section (1) of the Accounting Act, TVK Plc. compiles a balance sheet linked to the annual report, according to variation “A” required by Annex No. 1 to the Accounting Act.

Form of the income statement

TVK Plc. compiles its income statement based on the total cost method, according to variation "A" included in Annex No. 2 to the Accounting Act.

2.4. Valuation methods and procedures used in the preparation of annual report

Change in accounting policy

Implementing of the Accounting Act's modification

In line with Article 81 section (5) of the Accounting Act, which was modified during 2010, the contract value of payable discount (which belongs to the business year, based on contract, relates indirectly to concrete product, material, goods and service, furthermore it isn't invoiced) must be shown as other expenditure.
The amount of liability, which was resulted from this payable discount, must be shown as other current liability.

During the preparation of annual report of 2010, the Company used the modification of Accounting Act, while in 2009 the payable discounts were shown as provision and as accrued expense (if their payment realized until the preparation of balance sheet).

2.4.1. Valuation methods applied

According to the Accounting Act, TVK Plc. evaluates assets and liabilities individually.

For *tangible assets,* individual valuation is based on individual and group records. Assets that may be deemed to be identical in terms of type, purpose of use, date of putting into operation, purchase cost or production cost, cost centre and responsible owner consist of a group.

The detailed rules for the method of depreciation and impairment, the reversal of impairment and the depreciation rates applicable to each tangible asset are set out in the depreciation policy.

The company values *the inventories* individually. The valuation of assets booked in groups having the same parameters at average purchase price is also deemed to be individual valuation.
In case of purchased inventories, purchase value was determined as the weighted average price method, as according to the Hungarian Accounting Standards. The value of inventories produced in house equals to the value of calculated production cost.

The purchase or production cost of inventories purchased and produced is reduced if:

- do not comply with the requirements applicable to inventories (standards, terms of shipping, professional requirements, etc.) or are damaged. Inventories in this group are continuously written-off to the value of waste or utility materials throughout the year. Write-off is always accounted for regardless of the amount of the difference. This type of impairment means a final reduction in inventory value that cannot be reversed later even if such inventories are sold at a price higher than book value.
- for other inventories – including those that have become unnecessary or are not fit for their purpose -, the cost is considerably higher than the market price known at the time of preparing the balance sheet. In this case, impairment is accounted for up to the market value known at the time of preparing the balance sheet or the expected sales price. The expected sales price must be reduced by the costs expected to be incurred in order for sale.
  The difference between the carrying amount and the value determined as recoverable value is deemed to be significant if it reaches 10% of the book value by individual inventory or homogeneous inventory group.

As from 2005, the Company creates impairments also for the strategic and security spare parts relating to production units. The amount of impairment was determined based on the expected useful life of the production facilities.

Considering the characteristics of inventories, the Company does not apply reversal, but impairment may be reversed if the amount of reversal by individual inventories or by homogenous inventory group reaches HUF 10 million, based on individual evaluation, in order to present a fair and true picture.

The Company does not make use of impairment and its reversal for industrial, construction industrial, other work in progress on products and services, mediated services and packaging materials, considering their amount not significant.

The Company records the emission rights (CO2 quota) granted by the State of Hungary as goods.
Acquisition cost of carbon dioxide emission units in the case of the CO2 quota granted by the State of Hungary free of charge, it is the market price valid on the credit date in the emission unit register, in case of quotas purchased, it is the actual equivalent sum paid with agency fee added. Evaluation of carbon dioxide quotas is being done individually. While there is group registration evaluation is done on an individual basis using the FIFO method.
The acquisition cost of emission units shall be reduced by the depreciation expenses if the book value of the emission units is consistently and significantly higher than the quota trading market value registered on date for preparing the balance sheet. Depreciation expenses are qualified as significant if the amount adds up to 10 million HUF.
If the reason for accounting depreciation expenses no longer exists, the depreciation shall be retrieved to the market value but to no more than the amount of the depreciation expenses accounted.

Foreign currency put into the foreign currency petty cash, *foreign exchange* transferred to the foreign exchange account, *receivables, non-current financial instruments, securities and liabilities* denominated in foreign currency are converted to HUF at the official FX exchange rate published by the National Bank of Hungary for the date of receipt or for the date of settlement.

The Company converts foreign exchange purchased against HUF, received to the FX account, to the selected NBH exchange rate everyday, pursuant to the fair valuation of financial instruments.

In the confines of year-end foreign exchange revaluation, that is set out in Article 60 section (2) of the Accounting Act the Company revaluates its assets and liabilities, linked directly to investments and property rights and denominated in foreign currency and foreign exchange – irrespective of their amount – except for FX liabilities, not covered by FX assets and the assets included in fair valuation, so determines the significant limit at HUF 0.

The Company recognises exchange rate differences realised during the year and not realised at the end of the year on FX loans and FX liabilities, not covered by FX assets, which relates to investments as part of the value of the investment.

The direct costs of the test run carried out in the interest of safe operation (at least until the date of authority inspections) increase the self-costs of the assets. The Company decreases the test operation cost accounted as capital expenditures with the sales of the sold products and services produced and performed during the test operation and with the calculated production costs of stored products and performed services (maximum its market value and sales price decreased with the expected costs).

Non-current Investments are valued individually, based on a weighted average price.

The Company accounts for impairment on the balance sheet cut-off date, if:

- for investments listed in the stock exchange and other capital markets – in the case of a sufficiently active market – the quoted prices drop significantly below the average book price for the long run (impairment to the average quote price valid at the balance sheet preparation date),
- for investments not listed in the stock exchange, the value of the Company's equity share in the investment decreases significantly below the book value in the long-term (impairment is account for up to the amount of equity for the investment),
- the company is liquidated or wound up (the difference between the book value and the amount expected to be recovered is accounted for as impairment).

If the stock exchange price does not reflect the fair market price of the given company, TVK Plc. determines the market value that serves as the basis of the comparison in individual valuation, based on the information available (analytical studies, plans for the future).
For unquoted investments, if the price paid on acquisition is higher than the equity share in the investment, TVK Plc. analyses the Company's operating efficiency, the trend of its profitability and the durability of this trend to determine the amount of impairment loss to be accounted for.

The Company values *long-term credit securities* based on weighted average price.
It accounts for impairment on the balance sheet cut-off date for stock exchange securities if the stock exchange price less interest decreases significantly below the average book price in the long-term. The reduction is deemed to be a reduction in the long-term if it exists for a period exceeding one year and is not expected to recover within one year. The Company performs the impairment to the average stock exchange price valid at the balance sheet preparation date, less interest, irrespective of the amount.

The Company accounts for impairment on over-the-counter securities if the issuer's (debtor's) evaluation deteriorates in the long-term, i.e. for over one year. In connection with this, the Company investigates the over-the-counter price less interest, the market value, the long-term trend of the market value as well as the issuer's (debtor's) market position, i.e. whether the issuer is expected to pay the nominal value plus accumulated interest on maturity, at redemption, or what proportion of this amount the issuer will pay. In this case, the amount of impairment to be accounted for is the difference between the book value and the market price determined as above, if the difference is significant.

For *securities with maturity within one year and in one year,* the over the counter price is used for evaluation at the balance sheet date. TVK Plc. performs evaluation based on the expected recovery of the nominal value plus accumulated interest. If recovery of the nominal value plus interest becomes uncertain, it accounts for the difference between the book value and the amount expected to be recovered as impairment.

In respect of investments and securities, the amount of impairment to be accounted for is deemed to be significant if it reaches HUF 10 million. If the impairment to be accounted for reaches 50 % of the book value, it must be accounted for regardless of the amount

If the circumstances that give raise to impairment cease to exist in whole or in part – if this trend is not expected to be reversed within one year – the impairment accounted for will be reversed in the framework of qualification on the balance sheet date if the change is significant. Reversal may take place up to the original purchase price but may not be more than the nominal value. The changes deemed to be significant if it reaches HUF 10 million.
It is also possible to reverse the market-based impairment accounted for before 1 January 2001.

Based on the individual rating of *customers* and *debtors,* TVK Plc. accounts for impairment on receivables outstanding on the balance sheet date that are not settled by the date of preparing the balance sheet, if the book value of the receivable is significantly exceeds the amount expected to be recovered from the receivable. Rating is made based on the information available at the time of preparing the balance sheet. The difference shall be significant if it reaches 20% of the value of the receivable for a customer or a debtor. If the amount of the difference exceeds HUF 1 million, impairment is always accounted for.
Rating is done at company level, and the expected percentage of collection of the receivable is estimated. The rating shall set out in the criteria that serve as the basis for determining the percentage of expected collection.

Major criteria for debtor rating:

- bankruptcy or liquidation proceedings have been launched against the debtor,
- foreclosure proceedings have been launched against the debtor,
- the due date of the receivable from the debtor has been passed,
- written statement or information issued by a receiver or administrator,
- collection of the receivable is not likely due to the debtor’s financial position (e.g. indebtedness, bad solvency, etc.).

If the amount expected to be recovered out of the receivable based on the rating of the customer or debtor on the balance sheet date considerably exceeds the book value of the receivable (criteria for write-off are not in place or are in place only in part) the Company will reverse all or a part of the impairment accounted for earlier. The book value of the receivables following the reversal may not exceed the book value of the original receivable that is not yet settled. The amount will be deemed to be significant if it exceeds HUF 100 thousand.

NBH official rate is used for the HUF translation of new foreign exchange following the exchange of foreign exchanges on account. The difference between the book value of old and the initial book vale of new foreign exchange is recognised as other financial expense or income. The Company applies the above mentioned procedure in case of transfers between foreign exchange and foreign currency accounts and between accounts with same foreign exchange.

In case of exchange of liabilities denominated in foreign exchange, the new liability is converted into HUF by using NBH official FX rate applicable on the settlement date of the agreement of the new liability. In case of loan exchange transactions, when only the foreign exchange in which the loan is denominated is modified, the new FX loan is converted into HUF by using NBH official FX rate applicable on the date of agreement.

(All amounts in millions of HUF, unless otherwise indicated)

For *assets denominated in foreign currency or foreign exchange,* both impairment and its reversal shall be determined in foreign exchange. The amount of impairment determined is converted to HUF at the book exchange rate of the given asset. The amount determined as reversal is converted to HUF at the weighted average exchange rate of the impairments reduced by any reversal. Impairment and reversal are accounted for before the year-end total foreign exchange revaluation.

2.4.2. Depreciation policy

TVK Plc. interprets depreciation in accordance with the regulations of the Accounting Act, with the following additions

In respect of Property, Plant and Equipment, TVK Plc. usually applies a linear depreciation based on the gross value.

The depreciation time and the depreciation rates were chosen based on the expected economic life of the given asset, determined by technical evaluation.
Straight line depreciation rates are as follows:

Software	20-33%
Buildings and infrastructure	2-10%
Production machinery and equipment	5-14.5%
Office and computer equipment	14.5-50%
Vehicles	10-20%

No further depreciation may be recognised if the carrying value of the asset has already reached its residual value.
The residual value is not nil if it is clearly decided at the time of acquiring the asset that the asset's useful life for the Company will not reach 75 % of the asset's technical-economical useful life and the residual value expected to be significant at the end of its useful life.

The residual value may be determined in respect of individual asset or asset groups required to undertake the core activities, representing a significant value at company level. The residual value is subject to yearly revision, modification should be made if the expectations significantly differ from previous expectations. The residual value is significant if the value that can be realized, reaches 30% of the gross value of the individual asset or group of assets, but at least HUF 10 million.

The Company will change the depreciation for Property, Plant and Equipment significant assets if there was a substantial change (if the amount of annual depreciation for an individual asset changes by at least 20% but minimum HUF 10 million) in the circumstances taken into account in determining the depreciation to be accounted for every year (gross value, useful life, proper use). The useful life of the asset is subject to yearly revision.

Cause of reconstruction, the useful life of assets was revised in 2009 and in 2010, which resulted a reduction of HUF 109.8 million in the recognized yearly depreciation in 2009, while in 2010 there was a growth in an amount of HUF 31 million.

The assets should be divided into main parts in the accounting records, if the technical useful life of the main parts differs from the useful life of the assets determined by the Company, and the depreciation should be applied for each main part. The definition of main part (component) is the smallest identifiable unit, that has a different useful life compared to that of other components and it has a significant value compared to the whole value of the asset.

TVK Plc. accounts for impairment if a rights and titles can be enforced only in a limited manner or not at all within the expected depreciation period, if the intellectual product and the Property, Plant and Equipment are missing, damaged or destroyed, or if the market value of intangible goods and Property, Plant and Equipment is significantly lower than their carrying value for the long term. If the market value of an individual asset cannot be determined, the Company will create the smallest asset group for which market evaluation is applicable.

For an individual asset or asset groups where individual market evaluation is not possible or does not reflects the real value in use of the asset or asst group, the comparative basis for impairment and reversal purposes will be determined by cash flow calculation based on profit-generating ability. The Company has created the asset groups in its Accounting policy for determining the profit generating ability.

Impairment based on market valuation will be reversed if the reasons for impairment do not exist any more or exist only in part. The Company will account for reversals only in connection with the end-of-year valuation of assets.

In the Accounting policy, the significant amounts of impairment and reversal purposes have been for each asset group.

2.5. Rules for provisions

As a charge on the profit before taxation, the Company recognises provisions for contingent liabilities. The Company doesn’t recognise provisions for future expenses.

Provision for expected liabilities

The Company makes provisions for liabilities that may be expected due to severance payment and early retirement in the event that it has an accepted plan for redundancies applicable to the coming years, which is elaborated in detail and has a significant financial impact, further, if the decisions regarding lay-offs were documented in detail and communicated to those concerned. The Company confirms the accumulation of provisions by individual calculations in every case.

According to the collective agreement, the Company provides the employees with service recognition awards in the following way. Every 5 years, TVK Plc. pays a single sum bonus to each of their employees who had worked at least 10 years in the Company. It accumulates provisions to cover the future amounts to be paid out as service recognition awards to current employees of the Company as calculated by actuary.

TVK Plc. makes provisions for retirement bonuses granted to employees. The amount of provision is determined considering maximum two months’ personal base salary on the retirement of employees as set out in the Collective Agreement, and taking into account financial assumptions and actuarial calculations. It includes the discounted values that occur as actual liabilities in the future.

Provision is recognised for guaranties and securities granted by the Company if there is a probability of more than 50% that a part of, or all the guarantee or security amount will be drawn. When determining this probability, it takes into account the financial and liquidity position of the company benefiting from the guarantee or surety, its willingness to pay in the normal course of business with TVK Plc. as well as any information obtained about its operation. The amount of provision is determined based on the possible draw downs weighted by probabilities.

The Company recognises provisions for future liabilities related to environmental protection. The amount of the provision is the discounted present value of the future liabilities expected to be incurred.

The Company is shall accumulate provisions if, at the end of the year, the emission units owned by the company do not cover the CO2 emission of the company for that year. The value of the provisions to be accounted is the value established on the basis of the amount of CO2 emitted and the market price at balance date.

As from 2005, the Company creates provisions for the amount of quantity discounts based on the contractual conditions, if it is not financially performed until the balance sheet date. Because of the modification of Accounting Act, the Company shows the unpaid quantity discounts in short term liabilities from 2010.

(All amounts in millions of HUF, unless otherwise indicated)

3. The shareholder's structure of the Company

Share capital as of 31 December 2009 and 2010 is summarized as follows:

Shareholder	Number of Shares		Total Nominal Value (HUF million)		Ownership percentage (%)	
	2009	2010	2009	2010	2009	2010
Domestic institutional investors	21,484,808	21,690,707	21,700	21,908	88.44	89.30
International institutional investors	2,391,740	2,237,133	2,416	2,260	9.85	9.21
Domestic private investors	406,187	288,245	410	291	1.67	1.19
Foreign private investors	6,680	6,190	7	6	0.03	0.02
Unregistered investors	1,428	68,568	1	69	0.01	0.28
Total	24,290,843	24,290,843	24,534	24,534	100.00	100.00

Note: In accordance with the resolution of 2010 Annual General Meeting, every ordinary share with a par value of HUF 1,010 (i.e. one thousand ten forint) entitles the holder thereof to have one and one hundredth vote.

Owners with investment above 5 % as of 31 December 2009 and 2010 based on the Share Register:

Owners	Location	Ownership percentage (%)	
		2009	2010
MOL Hungarian Oil and Gas Public Limited Company	Budapest	86.79	86.79
Slovnaft a.s.	Bratislava	8.07	8.07

MOL Plc. is the parent company of Slovnaft a.s., and as a result it is the ultimate parent company of TVK Plc.

On February 27 and 28, 2007, MOL Plc. purchased TVK shares that represent 42.24% of TVK Plc's share capital.
Subsequent to the transaction, MOL Plc's direct and indirect influence over the Company increased to 94.86%.

Please note that in Hungary, the Share Register does not fully reflect the ownership structure, as registration is not mandatory.

(All amounts in millions of HUF, unless otherwise indicated)

4. The Company's true asset, financial and earning position

4.1. Analysis of the assets

4.1.1 Changes of the Company's structure of assets

Description	2009	2010	Percentage (%)		Change (%)
			2009	2010	
Non-current Assets	123,425	117,715	63.20	60.64	(4.63)
Current Assets	71,568	76,245	36.64	39.27	6.54
Prepayments and accrued income	317	174	0.16	0.09	(45.11)
Total	195,310	194,134	100.00	100.00	(0.60)

Total assets decreased by HUF 1,176 million, compared to last year. This decrease was caused by two contrary changes: within non current assets – in consequence of depreciation – mainly tangible assets decreased, while in case of current assets the increase of receivables was determinant.

4.1.2. Equity structure

Structure of sources of assets

Description	2009	2010	Percentage (%)		Change (%)
			2009	2010	
Shareholders' Equity	140,231	132,743	71.80	68.38	(5.34)
Provisions	9,108	6,804	4.66	3.50	(25.30)
Liabilities	44,459	51,411	22.76	26.48	15.64
Accrued expenses and deferred income	1,512	3,176	0.78	1.64	110.05
Total	195,310	194,134	100.00	100.00	(0.60)

In 2010, the equity changed in a small extent, due to the facts that shareholders' equity and provisions decreased, while liabilities, accrued expenses and deferred income increased compared to previous year.

(All amounts in millions of HUF, unless otherwise indicated)

Internal structure of shareholders' equity

Description	2009	2010	Percentage (%)		Change (%)
			2009	2010	
Share capital	24,534	24,534	17.49	18.48	0.00
Capital reserve	4,624	4,624	3.30	3.48	0.00
Retained earnings	120,970	109,081	86.27	82.18	(9.83)
Allocated reserve	0	0	0.00	0.00	0.00
Profit of the period	(9,897)	(5,496)	(7.06)	(4.14)	-
Total	140,231	132,743	100.00	100.00	(5.34)

The decrease in shareholders' equity is mainly due to the negative net profit in 2010.

4.1.3. Equity Ratios

	2009	2010
Equity ratio		
$\frac{\text{Shareholders' Equity}}{\text{Total Liabilities and Shareholders' Equity}}$ * 100	$\frac{140,231}{195,310}$ *100 = 71.80 %	$\frac{132,743}{194,134}$ *100 = 68.38%
Liabilities ratio		
$\frac{\text{Debt}}{\text{Total Liabilities and Shareholders' Equity}}$ * 100	$\frac{55,079}{195,310}$ *100 = 28.20 %	$\frac{61,391}{194,134}$ *100 = 31.62%
Debt/equity ratio		
$\frac{\text{Debt}}{\text{Shareholders' Equity}}$	$\frac{55,079}{140,231}$ = 0.39	$\frac{61,391}{132,743}$ = 0.46

(All amounts in millions of HUF, unless otherwise indicated)

Indebtedness

$$\frac{\text{Non-current debt and loans + Short term debt and loans — Marketable Securities — Cash and Bank}}{\text{Non-current debt and loans + Short term debt and loans — Marketable Securities — Cash and Bank + Shareholders' Equity}} *100$$

$$\frac{4,841}{145,072} *100 = 3.34\ \% \qquad \frac{1,641}{134,384} *100 = 1.22\ \%$$

4.1.4. Current assets

	2009	2010
$\frac{\text{Current Assets + Prepayments}}{\text{Non-current Assets}}$ * 100	$\frac{71,885}{123,425}$ *100 = 58.24 %	$\frac{76,419}{117,715}$ *100 = 64.92 %

The change in the working capital / fixed asset ratio was due to an increase in inventories and in receivables.

4.2. Changes in the financial position

	2009	2010
Cash liquidity ratio		
$\frac{\text{Cash and Bank}}{\text{Short-Term Liabilities + Accrued expenses}}$	$\frac{4,628}{45,908}$ = 0.10	$\frac{2,814}{50,349}$ = 0.06
Liquidity quick ratio		
$\frac{\text{Cash and Bank + Receivables + Marketable Securities}}{\text{Short-Term Liabilities + Accrued expenses}}$	$\frac{62,183}{45,908}$ = 1.35	$\frac{64,313}{50,349}$ = 1.28
Liquidity ratio		
$\frac{\text{Current Assets + Accrued income}}{\text{Short-Term Liabilities + Accrued expenses}}$	$\frac{71,813}{45,908}$ = 1.56	$\frac{76,345}{50,349}$ = 1.52

The quick ratio of the company decreased in a small extent between these two periods, because increase in the current assets was less, than increase in short-term liabilities.

(All amounts in millions of HUF, unless otherwise indicated)

	2009	2010

Maturity of receivables

$$\frac{\text{Average amount of receivables}}{\text{1 day sales}} \qquad \frac{55{,}826}{701} = 79.64 \qquad \frac{59{,}527}{977} = 60.93$$

Ratio of accounts receivables to accounts payables

$$\frac{\text{Accounts receivables}}{\text{Accounts payable}} \qquad \frac{42{,}146}{34{,}407} = 1.22 \qquad \frac{48{,}600}{39{,}006} = 1.25$$

4.3. Changes in the profitability

ROAA

	2009	2010

$$\frac{\text{Profit Before Taxation + Interest payable}}{\text{Average total assets}} *100 \qquad \frac{(9{,}510)}{194{,}883} *100 = (4.88)\ \% \qquad \frac{(4{,}937)}{194{,}722} *100 = (2.54)\ \%$$

ROAE

	2009	2010

$$\frac{\text{Profit After Taxation}}{\text{Average shareholders' equity}} *100 \qquad \frac{(9{,}897)}{145{,}183} *100 = (6.82)\ \% \qquad \frac{(5{,}496)}{136{,}487} *100 = (4.03)\ \%$$

The ROA indexes changed in a small extent, mainly due to the change of negative profit after tax.

4.4. Yield and performance indices

Profit per number of employees

	2009	2010

$$\frac{\text{Profit After Taxation}}{\text{Average number of employees}} \qquad \frac{(9{,}897)}{1{,}158} = (8.55) \qquad \frac{(5{,}496)}{1{,}138} = (4.83)$$

Profit per total assets and wages

$$\frac{\text{Profit After Taxation}}{\text{Total Assets + Wages and salaries}} * 100 \qquad \frac{(9{,}897)}{201{,}138} *100 = (4.92)\ \% \qquad \frac{(5{,}496)}{200{,}007} *100 = (2.75)\ \%$$

(All amounts in millions of HUF, unless otherwise indicated)

Equity proportionate profit

		2009	2010
$\frac{\text{Profit After Taxation}}{\text{Total Assets}}$	* 100	$\frac{(9,897)}{195,310}$ * 100 = (5.07) %	$\frac{(5,496)}{194,134}$ * 100 = (2.83) %
$\frac{\text{Personnel Costs}}{\text{Profit After Taxation}}$	* 100	$\frac{8,671}{(9,897)}$ *100 = (87.61) %	$\frac{8,626}{(5,496)}$ *100 = (156.95)%

The yield and performance indices improved, because the loss after tax decreased.

Labour cost

		2009	2010
$\frac{\text{Personnel Costs}}{\text{Net Sales Income}}$	* 100	$\frac{8,671}{255,737}$ *100 = 3.39 %	$\frac{8,626}{356,617}$ *100 = 2.42 %

The fall of labour cost was caused by the significant increase in net sales income.

ROACE

		2009	2010
$\frac{\text{After-tax operating profit}}{\text{Average capital employed}}$	* 100	$\frac{(20,301)}{155,214}$ *100 = (13.08) %	$\frac{(10,172)}{141,815}$ *100 = (7.17) %

The return on average capital employed increased, due to the lower after-tax operating loss.

EBITDA ratio

		2009	2010
$\frac{\text{EBITDA}}{\text{Net Sales Income}}$	* 100	$\frac{(9,229)}{255,737}$ *100 = (3.61) %	$\frac{832}{356,617}$ *100 = 0.23 %

The rise in profitability ratios is due to the decrease of the operating loss.

(All amounts in millions of HUF, unless otherwise indicated)

4.5. Changes in the Sales Revenues

Description	2009	2010	Division (%)		Change (%)
			2009	2010	
Net domestic sales	127,175	183,467	49.73	51.45	44.26
Net export sales	128,562	173,150	50.27	48.55	34.68
Net sales income	255,737	356,617	100.00	100.00	39.45

The net sales increased by 39.45%, because domestic turnover enlarged with HUF 56,292 million, as well as international turnover (HUF 44,588 million).

(All amounts in millions of HUF, unless otherwise indicated)

5. Cash-flow

The table contains the summarized cash-flow information for the years 2009 and 2010:

Description	2009	2010
Profit before taxation	(9,897)	(5,496)
Dividends received	(817)	(465)
Unrealised foreign exchange gains/losses	(293)	(154)
Research expenses	420	413
Corrected profit before taxation	*(10,587)*	*(5,702)*
Depreciation and extraordinary depreciation	11,243	11,172
Impairment and reversal , scrap	(326)	310
Provisions made and used, net	2,497	(2,304)
Gain or loss of the sale of non-current	0	(60)
Change of liabilities to suppliers (incl. related parties)	15,177	5,127
Changes of other short-tem liabilities	(182)	6,939
Change of deferrals	(247)	1,664
Changes of receivables (incl. related parties)	(5,291)	(6,219)
Change of current assets (excluding trade receivables and cash)	(7,717)	(1,451)
Change of accruals and prepayments	(58)	143
Tax payable	0	0
Dividend payable	0	(1,992)
Cash-flow from operating activities	4,509	7,627
Purchases of non-current assets	(7,183)	(5,620)
Sale of non-current assets	76	84
Sale of financial investments	0	0
Other changes of non-current assets	0	0
Research expenses	(420)	(413)
Changes of given loan	9,478	1,140
Cash contribution free of charge	(6)	0
Dividend and profit share received	817	465
Cash used in investing activities	2,762	(4,344)
Long-term credits and loans received	0	42,924
Repayment of long-term credits and loans	0	(56,261)
Change of short-term credits	(6,234)	8,247
Change of liabilities towards founders and other long term liabilities	88	0
Cash flow from financing activities	(6,146)	(5,090)
Net change in cash	1,125	(1,807)
Cash at the beginning of the year	3,521	4,628
Cash at the end of the year	4,646	2,821

(All amounts in millions of HUF, unless otherwise indicated)

6. Intangible assets

The following table contains a summary of intangible asset movements during the years ended 31 December 2009 and 2010:

Gross Value

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2009	191	6,961	7,152
Increase due to purchases	0	52	52
Other decrease	0	(1)	(1)
Scrapping	0	0	0
Closing balance as of 31 December 2009	191	7,012	7,203
Increase due to purchases	0	64	64
Other decrease	0	0	0
Scrapping	0	(13)	(13)
Closing balance as of 31 December 2010	191	7,063	7,254

Accumulated Amortisation

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2009	191	3,561	3,752
Ordinary amortisation	0	548	548
Scrapping	0	0	0
Other changes	0	0	0
Closing balance as of 31 December 2009	191	4,109	4,300
Ordinary Amortisation	0	413	413
Scrapping	0	(13)	(13)
Other changes	0	0	0
Closing balance as of 31 December 2010	191	4,509	4,700

Net Value as of 31 December 2009	0	2,903	2,903
Net Value as of 31 December 2010	0	2,554	2,554

(All amounts in millions of HUF, unless otherwise indicated)

7. Tangible Assets

The following table contains a summary of tangible asset movements during the years ended 31 December 2009 and 2010:

Gross Value

Movements	Real estate and related property rights	Technical machines and equipment	Other machines and equipment	Assets under construction	Advances for construction	Total property, plant and equipment
Opening balance as of 1 January 2009	38,528	145,380	16,142	2,279	0	202,329
Increase due to purchases	0	0	0	7,089	0	7,089
Capitalisation	1,099	5,676	573	(7,348)	0	0
Other increase	0	0	3	0	1	4
Scrapping	(64)	(1,746)	(134)	(7)	0	(1,951)
Sales	(194)	0	(1)	0	0	(195)
Other changes	(1)	(20)	0	(21)	0	(42)
Closing balance as of 31 December 2009	39,368	149,290	16,583	1,992	1	207,234
Increase due to purchases	0	0	0	5,439	0	5,439
Capitalisation	561	4,638	900	(6,099)	0	0
Other increase	0	0	0	0	0	0
Scrapping	(14)	(499)	(90)	0	0	(603)
Sales	(32)	0	(13)	0	0	(45)
Other changes	0	(1)	(1)	0	(1)	(3)
Closing balance as of 31 December 2010	39,883	153,428	17,379	1,332	0	212,022

(All amounts in millions of HUF, unless otherwise indicated)

Depreciation

Movements	Real estate and related property rights	Technical machines and equipment	Other machines and equipment	Assets under construction	Advances for construction	Total property, plant and equipment
Opening balance as of 1 January 2009	9,830	61,187	11,284	0	0	82,301
Ordinary Depreciation	1,209	8,214	1,101	0	0	10,524
Extraordinary depreciation	8	155	1	7	0	171
Scrapping	(64)	(1,746)	(134)	(7)	0	(1,951)
Sales	(118)	0	(1)	0	0	(119)
Other changes	0	(3)	3	0	0	0
Closing balance as of 31 December 2009	10,865	67,807	12,254	0	0	90,926
Ordinary Depreciation	1,203	8,428	960	0	0	10,591
Extraordinary depreciation	9	141	18	0	0	168
Scrapping	(14)	(499)	(90)	0	0	(603)
Sales	(9)	0	(12)	0	0	(21)
Other changes	0	0	0	0	0	0
Closing balance as of 31 December 2010	12,054	75,877	13,130	0	0	101,061

Net Value as of 31 December 2009	28,503	81,483	4,329	1,992	1	116,308
Net Value as of 31 December 2010	27,829	77,551	4,249	1,332	0	110,961

Leased assets

Property, plant and equipment includes machinery under finance leases:

Title	31 December 2009	31 December 2010
Gross value	478	478
Accumulated depreciation	429	441
Net book value	49	37

(All amounts in millions of HUF, unless otherwise indicated)

8. Description of Depreciation

Ordinary Depreciation

Title	Straight line		Lump sum		Unit of production		Total	
	2009	2010	2009	2010	2009	2010	2009	2010
Property rights	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Intellectual property	548	413	0	0	0	0	548	413
Capitalized value of research and development	0	0	0	0	0	0	0	0
Capitalized value of foundation and restructuring	0	0	0	0	0	0	0	0
Intangible Assets	548	413	0	0	0	0	548	413
Real estate and related property rights	1,209	1,203	0	0	0	0	1,209	1,203
Technical machines and equipment	8,214	8,428	0	0	0	0	8,214	8,428
Other machines and equipment	1,100	954	1	6	0	0	1,101	960
Tangible Assets	10,523	10,585	1	6	0	0	10,524	10,591
Total	11,071	10,998	1	6	0	0	11,072	11,004

(All amounts in millions of HUF, unless otherwise indicated)

Extraordinary Depreciation and rebooking of extraordinary depreciation

Title	Extraordinary depreciation based on market evaluation		Extraordinary depreciation based on scrapping, damages, losses		Reversal of extraordinary depreciation		Total	
	2009	2010	2009	2010	2009	2010	2009	2010
Property rights	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Intellectual property	0	0	0	0	0	0	0	0
Capitalized value of research and development	0	0	0	0	0	0	0	0
Capitalized value of foundation and restructuring	0	0	0	0	0	0	0	0
Intangible Assets	0	0	0	0	0	0	0	0
Real estate and related property rights	0	0	8	9	0	0	8	9
Technical machines and equipment	0	0	155	141	0	0	155	141
Other machines and equipment	0	0	1	18	0	0	1	18
Assets under construction	0	0	7	0	0	0	7	0
Tangible Assets	0	0	171	168	0	0	171	168
Total	0	0	171	168	0	0	171	168

In 2010 impairment expense was recorded in amount of HUF 168 million. Significant part of it related to the accounted part scrapping, which belonged to olefin reconstruction.

9. Research and development

Research and development areas	2009			2010		
	Current year expenses	Of which		Current year expenses	Of which	
		Current year assets under construction	Expensed		Current year assets under construction	Expensed
Product development	229	-	229	237	-	237
Environment	3	-	3	2	-	2
Other (studies)	191	3	188	174	-	174
Total	423	3	420	413	-	413

(All amounts in millions of HUF, unless otherwise indicated)

10. Property, plant and equipment used for environmental protection

Gross Value

Movements	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2009	128	356	84	141	709
Increase	123	95	35	15	268
Decrease and reclassification	0	0	0	(140)	(140)
Closing balance as of 31 December 2009	251	451	119	16	837
Increase	41	12	33	153	239
Decrease and reclassification	0	0	0	(16)	(16)
Closing balance as of 31 December 2010	292	463	152	153	1,060

Accumulated Amortization

Movements	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2009	3	98	23	0	124
Increase	8	35	14	0	57
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2009	11	133	37	0	181
Increase	6	48	21	0	75
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2010	17	181	58	0	256

	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total
Net Value as of 31 December 2009	240	318	82	16	656
Net Value as of 31 December 2010	275	282	94	153	804

(All amounts in millions of HUF, unless otherwise indicated)

11. Non-current investments in related parties

As of 31 December 2009 and 2010, the Company's non-current investments are summarized as follows:

Description	Share (%)	Net book value		Proportionate amount of equity	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010
Subsidiaries:					
TVK Ingatlankezelő Kft.	100.0	2,970	2,970	2,913	3,029
TVK Inter-Chemol GmbH.	100.0	151	151	357	557
TVK UK Ltd.*	100.0	31	21	31	21
TVK Italia S.r.l.	100.0	26	26	47	88
TVK-France S.a.r.l.	100.0	20	20	7	17
TVK Polska Sp. z o.o.	100.0	6	6	196	343
TVK Ukraina tov.	100.0	2	2	80	154
Associates:					
VIBA-TVK Kft.**	-	0	-	0	-
TMM Tűzoltó és Műszaki Mentő Kft.	30.0	1	1	123	132
TVK-Erőmű Kft.	26.0	770	770	887	1,035
Total		3,977	3,967	4,641	5,376

The current book value of the above investments is net of devaluation, if any, and in the case of foreign currency investments it also contains the amount of the year-end exchange differences.

* Dissolution started on July 01, 2009.
** Dissolution process finished on February 8, 2010.

(All amounts in millions of HUF, unless otherwise indicated)

The location and the range of activity of the Company's investments, which are shown in financial investments, are summarized as follows:

Description	Location	Range of activity
Subsidiaries:		
TVK-Ingatlankezelő Kft.	Tiszaújváros	Property leasing, management
TVK Inter-Chemol GmbH.	Frankfurt am Main	Wholesale and retail trade
TVK UK Ltd.	London	Wholesale and retail trade
TVK Italia S.r.l.	Milan	Wholesale and retail trade
TVK-France S.a.r.l.	Paris	Wholesale and retail trade
TVK Polska Sp. Z o.o.	Warsaw	Wholesale and retail trade
TVK Ukraina tov.	Kiev	Wholesale and retail trade
Associates:		
TMM Tűzoltó és Műszaki Mentő Kft.	Tiszaújváros	Fire prevention, technical rescue, technical supervision
TVK-Erőmű Kft.	Tiszaújváros	Electricity production and distribution

Shareholders' equity of the Company's investments as of 31 December 2009:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK Ingatlankezelõ Kft.	HUF million	2,913	2,970	(225)	168
TVK Inter-Chemol GmbH.	EUR thousand	1,317	615	0	702
TVK UK Ltd.	GBP thousand	103	200	2	(99)
TVK Italia S.r.l.	EUR thousand	172	100	19	53
TVK-France S.a.r.l.	EUR thousand	25	76	(95)	44
TVK Ukraina tov.	EUR thousand	295	6	133	156
TVK Polska Sp. z o.o.	PLN thousand	2,971	109	236	2,626
Associates:					
TMM Tűzoltó és Műszaki Mentõ Kft.	HUF million	409	3	391	15
TVK-Erőmű Kft.	HUF million	3,412	2,963	338	111

(All amounts in millions of HUF, unless otherwise indicated)

Shareholders' equity of the Company's investments as of 31 December 2010:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK Ingatlankezelõ Kft.	HUF million	3,029	2,970	(57)	116
TVK Inter-Chemol GmbH.	EUR thousand	1,618	615	2	1,001
TVK UK Ltd.	GBP thousand	65	200	(97)	(38)
TVK Italia S.r.l.	EUR thousand	315	100	72	143
TVK-France S.a.r.l.	EUR thousand	61	76	(51)	36
TVK Ukraina tov.	EUR thousand	551	6	289	256
TVK Polska Sp. z o.o.	PLN thousand	4,868	109	236	4,523
Associates:					
TMM Tűzoltó és Műszaki Mentõ Kft.	HUF million	440	3	406	31
TVK-Erőmű Kft.	HUF million	3,981	2,963	449	569

Changes of the non-current investments in associate companies in 2009:

Name	Gross value of investments			Write-off			Year-end Reva-luation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK Ingatlankezelõ Kft.	2,970	0	0	0	0	0	0	2,970
TVK Inter-Chemol GmbH.	151	0	0	0	0	0	0	151
TVK UK Ltd.	74	0	0	0	43	0	0	31
TVK Italia S.r.l.	26	0	0	0	0	0	0	26
TVK-France S.a.r.l.	20	0	0	0	0	0	0	20
TVK Polska Sp. z o.o.	6	0	0	0	0	0	0	6
TVK Ukraina tov.	2	0	0	0	0	0	0	2
Associates:								
Tiszai Hulladékégetõ Kft.	82	0	0	0	82	0	0	0
TMM Tűzoltó és Műszaki Mentõ Kft.	1	0	0	0	0	0	0	1
TVK-Erőmű Kft.	858	0	(88)	0	0	0	0	770
Total	4,190	0	(88)	0	125	0	0	3,977

(All amounts in millions of HUF, unless otherwise indicated)

Changes of the non-current investments in associate companies in 2010:

Name	Gross value of investments			Write-off			Year-end Reva-luation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK Ingatlankezelõ Kft.	2,970	0	0	0	0	0	0	2,970
TVK Inter-Chemol GmbH.	151	0	0	0	0	0	0	151
TVK UK Ltd.	74	0	0	43	10	0	0	21
TVK Italia S.r.l.	26	0	0	0	0	0	0	26
TVK-France S.a.r.l.	20	0	0	0	0	0	0	20
TVK Polska Sp. z o.o.	6	0	0	0	0	0	0	6
TVK Ukraina tov.	2	0	0	0	0	0	0	2
Associates:								
VIBA-TVK Kft.	82	0	(82)	82	0	(82)	0	-
TMM Tűzoltó és Műszaki Mentõ Kft.	1	0	0	0	0	0	0	1
TVK-Erőmű Kft.	770	0	0	0	0	0	0	770
Total	4,102	0	(82)	125	10	(82)	0	3,967

12. Non-current loans

Other non-current loans as of 31 December 2009 and 2010:

Title	31 December 2009	31 December 2010
Loan to Plastico S.A.*	575	575
Write-off of loan to Plastico S.A.*	(575)	(575)
House-building loan	6	2
Total	6	2

* In 2002, TVK Plc. sold its investment in Plastico S.A. In 2006, based on a legal opinion, the Company reassessed the recoverability of its outstanding loan receivable from Plastico S.A. and decided to fully write it off. Net of write-off of loan was HUF 575 million as of 31 December 2009 and 2010, respectively. (See Note 19)

(All amounts in millions of HUF, unless otherwise indicated)

13. Non-current debt securities

The Company's securities as of 31 December 2009 and 2010 are summarized as follows:

Title	Maturity	31 December 2009	31 December 2010
2013/C government bond *	20.12.2013.	231	231
Total		231	231

* Non-current securities include type 2013/C government bonds with variable interest rates maturing in December 2013. Government bonds were shown at cost at both yearend.

14. Impairment of non-current financial assets

Impairment loss of non-current financial assets recognised in 2009 and 2010 by balance sheet item:

Description	Non-current investments	Other non-current loans	Non-current securities	Total
Opening balance as of 1 January 2009	0	575	56	631
Increase of impairment	125	0	0	125
Decrease of impairment	0	0	0	0
Reversal of impairment	0	0	(56)	(56)
Closing balance as of 31 December 2009	125	575	0	700
Increase of impairment	10	0	0	10
Decrease of impairment	(82)	0	0	(82)
Reversal of impairment	0	0	0	0
Closing balance as of 31 December 2010	53	575	0	628

(All amounts in millions of HUF, unless otherwise indicated)

15. Inventories

Inventories as of 31 December 2009 and 2010 were as follows:

Description	31 December 2009	31 December 2010
Self-produced inventories	4,964	6,370
Purchased goods*	4,402	5,552
Advances for inventories	19	10
Total	9,385	11,932

As of 31 December 2009, the Company had slow-moving inventories aged over one year (mainly spare parts) amounting to HUF 2,619 million, and totalling HUF 2,610 million in 2010.
In 2009, the net amount of recognised impairment was HUF 5 million, while the reversal of impairment amounted to HUF 495 million. The net amount of recognised impairment was HUF 281 million in 2010.

*The Company records the carbon dioxide emission units as commodities.

Change of carbon dioxide emission units

Description	Quantity (pc)	Value (million HUF)
2008 yearly CO2 quotas	1,224,945	4,737
2009 yearly CO2 quotas	1,224,945	4,737
Total of quotas granted free of charge	2,449,890	9,474
2008 yearly surrender for GHG emission	(1,024,574)	(3,962)
Purchase of quota	123,000	415
Surrender of purchased quota	(122,494)	(413)
2008 yearly sales of quota	(194,100)	(750)
2009 yearly sales of quota	(1,231,000)	(4,761)
Closing balance as of 31 December 2009	722	3
2010 yearly CO2 quotas	1,224,945	4,202
Total of quotas granted free of charge	1,224,945	4,202
2009 yearly surrender for GHG emission	(1,056,046)	(3,623)
Surrender of purchased quota	(506)	(2)
2010 yearly sales of quota	(163,508)	(561)
Closing balance as of 31 December 2010	5,607	19

(All amounts in millions of HUF, unless otherwise indicated)

16. Impairment of Inventories

Impairment loss of inventories recognised in 2009 and 2010 by balance sheet item:

Description	Materials	Work in process	Finished products	Commodities	Advances for inventories	Total inventories
Opening balance as of 1 January 2009	1,663	0	227	0	0	1,890
Increase of impairment	5	0	0	0	0	5
Decrease of impairment	(5)	0	0	0	0	(5)
Reversal of impairment	(268)	0	(227)	0	0	(495)
Closing balance as of 31 December 2009	1,395	0	0	0	0	1,395
Increase of impairment	153	0	128	0	0	281
Decrease of impairment	(6)	0	0	0	0	(6)
Reversal of impairment	0	0	0	0	0	0
Closing balance as of 31 December 2010	1,542	0	128	0	0	1,670

17. Trade receivables

Receivables as of 31 December 2009 and 2010 were as follows:

Description	31 December 2009	31 December 2010
Foreign receivables	22,347	21,938
Domestic receivables	13,432	17,806
- of which: BorsodChem Zrt.	2,005	3,222
Impairment	(192)	(181)
Total	35,587	39,563

(All amounts in millions of HUF, unless otherwise indicated)

18. Receivables from related parties

As of 31 December 2009 and 2010 accounts receivables from related parties are the following:

Description	31 December 2009	31 December 2010
MOL Group	7,358	8,718
Accounts receivable from Subsidiaries	89	48
Accounts receivable from Associate companies	252	271
Impairment	0	0
Total	7,699	9,037

19. Other Receivables

The Company's other receivables as of 31 December 2009 and 2010 are summarized as follows:

Description	31 December 2009	31 December 2010
Reclaimable VAT	11,117	12,413
Receivables from Plastico S.A due in 360 days *	323	323
Write-off of receivables from Plastico S.A due in 360 days*	(323)	(323)
Innovation fee	190	222
Prepayments for services	23	42
Receivables due to house-building loans	19	18
Local tax	427	9
Corporate income tax	2,273	0
Other	220	195
Total	14,269	12,899

*The long-term part of the loan receivable from Plastico S.A. reduced by the proportionate impairment loss has been disclosed among other fixed assets (See Note 12.)
In 2006, based on a legal opinion, the Company reassessed the recoverability of its outstanding loan receivable from Plastico S.A. and decided to fully write it off. Net of write-off of loan was HUF 323 million as of 31 December 2009 and 2010, respectively.

(All amounts in millions of HUF, unless otherwise indicated)

20. Impairment of Receivables

In 2009 and 2010, the following impairments of receivables were accounted:

Original historical cost

Description	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Closing balance as 2009	35,779	7,699	0	0	14,592	58,070
Closing balance as 2010	39,744	9,037	0	0	13,222	62,003

Impairment

Movements	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Opening balance as 2009	88	0	0	0	323	411
Increase	104	0	0	0	0	104
Decrease	0	0	0	0	0	0
Closing balance as 2009	192	0	0	0	323	515
Increase	0	0	0	0	0	0
Decrease	(11)	0	0	0	0	(11)
Closing balance as 2010	181	0	0	0	323	504

Net book value

Description	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Closing balance as 2009	35,587	7,699	0	0	14,269	57,555
Closing balance as 2010	39,563	9,037	0	0	12,899	61,499

(All amounts in millions of HUF, unless otherwise indicated)

21. Cash and Bank

The Company's cash at bank balances as of 31 December 2009 and 2010 are summarized as follows:

Description	31 December 2009	31 December 2010
Bank accounts	4,625	2,811
Cash in hand, cheques	3	3
Total	4,628	2,814

22. Prepayments, accruals and deferrals

Prepayments as of 31 December 2009 and 2010 are summarized as follows:

Description	31 December 2009	31 December 2010
Dividend receivables*	230	97
Interest receivables	2	2
Other deferred income	13	1
Deferred income	245	100
Software follow-up	36	42
Subscription fees	2	1
Other deferred expenses	34	31
Prepayment of costs and expenses	72	74
Total	317	174

* Includes the proportional part of dividend due to the Company as approved by the general meeting of TVK-Erőmű Kft.

(All amounts in millions of HUF, unless otherwise indicated)

Accrued expenses and deferred income as of 31 December 2009 and 31 December 2010 are as follows:

Description	31 December 2009	31 December 2010
Deferred revenues	40	27
Deferred revenues	40	27
Accrued energy costs	221	1,531
Accrued performance incentives	312	412
Expected carriage	333	299
Accrued share-based payment plans	110	222
Accrued agent's fees	130	151
Interest payable	14	82
Other accrued costs and expenses	329	410
Accrued costs and expenses	1,449	3,107
Book value of assets received free of charge, found as a surplus, or received as a gift or legacy	23	42
Deferred income	23	42
Total	1,512	3,176

23. Shareholders' Equity

Shareholders' equity consisted of the following during 2009 and 2010:

Description	Share capital	Capital reserve	Retained earnings	Allocated reserve	Net income	Total
31 December 2008	24,534	4,624	120,976	0	0	150,134
Appropriation of 2008 net income	0	0	0	0	0	0
Dividends	0	0	(6)	0	0	(6)
Profit for 2009	0	0	0	0	(9,897)	(9,897)
31 December 2009	24,534	4,624	120,970	0	(9,897)	140,231
Appropriation of 2009 net income	0	0	(9,897)	0	9,897	0
Dividends	0	0	(1,992)	0	0	(1,992)
Profit for 2010	0	0	0	0	(5,496)	(5,496)
31 December 2010	24,534	4,624	109,081	0	(5,496)	132,743

(All amounts in millions of HUF, unless otherwise indicated)

24. Provisions

The Company's provisions as of 31 December 2009 and 2010 are summarized as follows:

Description	Environ-mental **	Other ***	Total
Opening balance as of 1 January 2009	2,563	4,048	6,611
Provisions made in 2009 and reassessment of previous year's estimate	298	6,766	7,064
Provisions used during the year and reassessment of previous year's estimate	(890)	(3,687)	(4,577)
Closing balance as of 31 December 2009	1,971	7,127	9,098
Provisions made in 2010 and reassessment of previous year's estimate *	277	926	1,203
Provisions used during the year and reassessment of previous year's estimate *	(218)	(3,289)	(3,507)
Closing balance as of 31 December 2010	2,030	4,764	6,794

* Provisions made in the current year are disclosed within other expenses (See Note 31), provisions used in the current year are disclosed within other incomes (See Note 31), while FX revaluation is disclosed within other financial incomes.

** The information on environmental provision is disclosed in Note 40.4

*** Includes provisions for early retirement payments, to service recognition awards, retirement, volume discounts and emission quota.

Environmental provision
The amount of provision contains the discounted value of amounts estimated for 12 years. The environmental provision might further increase subject to the completion of an ongoing environmental survey. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates.

Provision for long term employee early-retirement benefits
As of 31 December 2010 the Company has recognised a provision of HUF 112 million to cover its obligation regarding to early-retirement benefits.

Provision for long term employee retirement benefits
As of 31 December 2010 the Company has recognised a provision of HUF 150 million to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire from group entities. TVK Plc. operates benefit schemes that provide lump sum benefit to all employees at the time of their retirement. TVK Plc's employees are entitled for maximum of 2 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds. The value of provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the TVK Plc. Principal actuarial assumptions states an approximately 2% difference between the discount rate and the future salary increase.

(All amounts in millions of HUF, unless otherwise indicated)

Provision for Old Team benefits
On 31 December 2010, based on actuarial calculations, the Company made a HUF 193 million provision for the future Old Team benefits of current employees. Every five years, TVK Plc. pays a fix set amount to all employees who had worked at least 10 years for the Company.

Provision for the amount of quantity discounts
As from 2005, the Company creates provisions for the amount of quantity discounts based on the contractual conditions, if it is not financially performed until the balance sheet date. The value of provisions for the amount of quantity discounts HUF 3,179 million, include the quantity discounts pays due but not yet paid as at 31 December 2009. Because of the modification of the Accounting Act, unpaid quantity discounts were shown in short term liabilities on 31 December 2010.

Provision for emission quota
The 2010 year's emission quantity of CO2 quota of the Company exceeded the owned quota quantity; therefore a provision was recognised in amount of HUF 4,309 million on 31 December, 2010 for the deficit.

Other provision
The Company made other provision in amount of HUF 10 million on 31 December, 2009 and 2010.

25. Long-term liabilities to related parties

Short-term liabilities to related parties consisted of the following as of 31 December 2009 and 2010:

Description	31 December 2009	31 December 2010
Liabilities to MOL Group	0	4,169
Total	0	4,169

On 21 December 2009, a revolving loan contract was made between TVK Plc. and MOL Plc. in an amount of EUR 100 million. The Company transferred the whole amount of short term loan into long term loans in April, 2010, then modified the loan contract and divided the credit line into long term part (EUR 80 million) and short term part (EUR 20 million) on 12 November 2010.

(All amounts in millions of HUF, unless otherwise indicated)

26. Trade payables

Accounts payable consisted of the following as of 31 December 2009 and 2010:

Description	31 December 2009	31 December 2010
Domestic creditors	4,794	4,136
Foreign creditors	1,282	2,146
Total	6,076	6,282

27. Short-term liabilities to related parties

Short-term liabilities to related parties consisted of the following as of 31 December 2009 and 2010:

Description	31 December 2009	31 December 2010
Liabilities to MOL Group*	36,487	33,797
Liabilities to Subsidiaries	143	432
Liabilities to associated companies	1,247	1,176
Total	37,877	35,405

*On 21 December 2009, the Company made contract about a revolving loan facility of EUR 100 million granted by MOL Plc., of which it drew HUF 13,805 million (EUR 50 million), and repaid HUF 4,152 million (EUR 15 million). After the year-end revaluation, the credit portfolio amounted to HUF 9,469 million (EUR 35 million) on 31 December, 2009. The Company transferred the whole amount of short term loan into long term loans in April, 2010, then modified the loan contract and divided the credit line into long term part (EUR 80 million) and short term part (EUR 20 million) on 12 November 2010. After the year-end revaluation, the credit portfolio amounted to HUF 286 million (EUR 1 million) on 31 December, 2010.

*It contains HUF 1,890 million dividend on December 31, 2010, which is payable to MOL Group.

(All amounts in millions of HUF, unless otherwise indicated)

28. Other current liabilities

Other current liabilities as of 31 December 2009 and 2010 are summarized as follows:

Description	31 December 2009	31 December 2010
Quantity discounts*	0	4,687
Payables to employees, and related contributions	265	279
Taxes and similar charges	37	93
Corporate tax	0	39
Personal income tax	15	18
Dividends payable**	8	110
Liabilities from conversion of employees' shares	4	4
Other	48	44
Total	377	5,274

* Unpaid quantity discounts were shown as provision and as accrued expense (if their payment realized until the preparation of balance sheet) on 31 December 2009, while because of the modification of the Accounting Act, they were transferred into short term liabilities on 31 December 2010.
** Dividend payable in 2010 is related to 2005's, 2007's and 2008's dividend (HUF 8 million), which hasn't been paid yet, furthermore it contains the dividend payable for 2010 (HUF 102 million).

(All amounts in millions of HUF, unless otherwise indicated)

29. Net sales

Sales in 2009 and 2010 are summarized as follows:

Market segment description	2009		2010	
	Net sales	Rate %	Net sales	Rate%
Europe	119,489	46.72	164,096	46.01
America	7,641	2.99	6,413	1.80
Asia	1,068	0.42	1,410	0.39
Africa	3	0.00	23	0.01
Other areas	361	0.14	1,208	0.34
Total foreign sales	128,562	50.27	173,150	48.55
Total domestic sales	127,175	49.73	183,467	51.45
Total	255,737	100.00	356,617	100.00

(All amounts in millions of HUF, unless otherwise indicated)

Foreign sales by geographical area in Europe in 2009 and 2010 are summarized as follows:

Market segment description	2009		2010	
	Net sales	Rate %	Net sales	Rate%
European Union	103,485	86.61	144,712	88.19
Germany	23,013	19.26	30,791	18.76
Poland	20,924	17.51	28,922	17.63
Italy	20,877	17.47	25,321	15.43
Slovakia	6,361	5.32	11,876	7.24
Czech Republic	5,042	4.22	9,740	5.94
Austria	4,139	3.46	7,469	4.55
Rumania	4,515	3.78	7,427	4.53
France	3,666	3.07	4,567	2.78
United Kingdom	2,855	2.39	3,324	2.03
Cyprus	1,632	1.37	3,049	1.86
Netherlands	2,223	1.86	2,801	1.71
Greece	3,079	2.58	2,762	1.68
Lithuania	1,534	1.28	2,351	1.43
Slovenia	1,734	1.45	1,826	1.11
Spain	813	0.68	1,134	0.69
Latvia	449	0.38	514	0.31
Finland	302	0.25	346	0.21
Sweden	93	0.08	205	0.12
Belgium	68	0.06	99	0.06
Denmark	39	0.03	79	0.05
Portugal	72	0.06	74	0.05
Bulgaria	55	0.05	33	0.02
Malta	0	0.00	2	0.00
Without European Union	16,004	13.39	19,384	11.81
Ukraine	4,910	4.11	6,650	4.05
Switzerland	3,413	2.85	4,921	3.00
Turkey	575	0.48	2,125	1.29
Other	7,106	5.95	5,688	3.47
Total	119,489	100.00	164,096	100.00

(All amounts in millions of HUF, unless otherwise indicated)

Sales in 2009 according to operational segments are as follows:

Operational segments	Domestic sales	Foreign sales	Total sales
Petrochemical	126,734	128,405	255,139
Corporate and other	441	157	598
Total	127,175	128,562	255,737

Sales in 2010 according to operational segments are as follows:

Operational segments	Domestic sales	Foreign sales	Total sales
Petrochemical	182,976	172,899	355,875
Corporate and other	491	251	742
Total	183,467	173,150	356,617

30. Change in self-produced assets

Title	2009	2010
Change in self-produced assets	847	1,183

The items capitalized in 2009 and 2010 include those capitalized due to the improvements carried out during the planned general overhaul.

(All amounts in millions of HUF, unless otherwise indicated)

31. Other income and other expenses

Other income for 2009 and 2010 is summarized as follows:

Other operative income	2009	2010
Provisions used*	4,577	3,505
Received compensation from credit insurance of trade receivables	0	284
Received default interests, penalties, compensations	89	110
Revenues from the disposal of tangible and intangible assets, sold assigned receivables	76	97
Reversed write-off of trade receivables, loans and inventories	495	11
Received amount from bad debts and written-off receivables	9	0
Other profit increasing items	59	65
Total	5,305	4,072

Other expenses for 2009 and 2010 are summarized as follows:

Other operative expenses	2009	2010
Retrospective discount**	4,473	8,997
Surrender of GHG emission unit	4,376	3,624
Provisions*	7,072	1,203
Local taxes	610	775
Impairment and extraordinary depreciation	280	449
Tax payables connecting to previous years	74	300
Book value of compensated trade receivables	0	284
Paid compensation, fines, default interest	47	123
Assistance, benefits	86	69
Book value of disposed tangible assets, intangible assets and sold assigned receivables	76	38
Bad debt write-off	0	30
Expenses related to damages and losses	55	17
Shortage of tangible assets, inventories	15	0
Other profit decreasing items	74	71
Total	17,238	15,980

* The provision is disclosed in Note 24. The environmental provision might further increase subject to the completion of an ongoing environmental survey. (See Note 40.4)
** It contains also the amount of unpaid quantity discounts in 2010.

(All amounts in millions of HUF, unless otherwise indicated)

32. Material type services

Material type services in 2009 and 2010 are as follows:

Description	2009	2010
Maintenance costs	4,014	4,085
Sundry sales costs	2,793	3,276
Fee of outsourcing service	1,697	1,696
Rental fee cost	691	677
Services provided by Petrolszolg Kft.	563	545
Transportation, loading, storage	402	453
PR, advertisement expenses, telecommunication	309	301
Software development	229	281
Fire protection service	250	250
Technical development cost	234	230
Public sanitation	248	227
Information technology service	245	221
Security service	171	172
Waste material utilization, cost of elimination	141	140
Environmental expenses	193	138
Training cost	82	77
Travel and accommodation expenses	49	58
Health care service	43	44
Fees paid to non natural entities	49	41
Audit expenses	46	39
Hiring cost of labour	71	38
Payroll	36	35
Advisory and consultant expenses	63	23
Translation	13	6
External data processing	3	1
Leasing	2	1
Other	147	200
Total	12,784	13,255

(All amounts in millions of HUF, unless otherwise indicated)

33. Other services

Other services in 2009 and 2010 are as follows:

Description	2009	2010
Insurance fees	939	1,027
Authority charges	261	318
Bank charges	166	207
Total	1,366	1,552

34. Remuneration of the Board of Directors and Supervisory Board

The remuneration of the members of the Board of Directors and Supervisory Board of the Company for 2009 and 2010 is summarized below:

Description	2009	2010
Board of Directors	90	86
Supervisory Board	41	40
Total	131	126

No loans or advance payments were granted to the members of the Board of Directors or the Supervisory Board and the Company did not undertake guarantees in their names.

(All amounts in millions of HUF, unless otherwise indicated)

35. Employees

In 2009 and 2010 the average number of employees per profit centres or service units was the following:

Description	2009			2010		
	Blue collar (persons)	White collar (persons)	Total (persons)	Blue Collar (persons)	White collar (persons)	Total (persons)
Petrochemical	576	390	966	554	391	945
Corporate and other	2	190	192	2	191	193
Total	578	580	1,158	556	582	1,138

Functional dividing of wages and salaries, furthermore the other personnel expenses for 2009 and 2010 are detailed below:

Description	2009			2010		
	Blue collar	White collar	Total	Blue collar	White collar	Total
Wages and salaries						
Petrochemical	1,988	2,615	4,603	1,999	2,628	4,627
Corporate and other	7	1,218	1,225	6	1,240	1,246
Wages and salaries total	1,995	3,833	5,828	2,005	3,868	5,873
Other personnel expenses	413	475	888	466	506	972

(All amounts in millions of HUF, unless otherwise indicated)

36. Other financial income and other financial expenses

Other financial income for 2009 and 2010 are summarized as follows:

Other financial income	2009	2010
FX gain on monetary assets and liabilities denominated in foreign exchange	8,834	8,138
Other	17	12
Total	8,851	8,150

Other financial expenses for 2009 and 2010 are summarized as follows:

Other financial expenses	2009	2010
FX loss on monetary assets and liabilities denominated in foreign exchange	8,499	7,398
Other	246	253
Total	8,745	7,651

(All amounts in millions of HUF, unless otherwise indicated)

37. Extraordinary revenues and expenditures

Extraordinary revenues for 2009 and 2010 are summarized as follows:

Extraordinary revenues	2009	2010
Sales value and market value of assets received free of charge	9,480	4,184
Income on withdrawal of capital	87	0
Surplus of finished products	15	0
Total	9,582	4,184

Extraordinary expenditures for 2009 and 2010 are summarized as follows:

Extraordinary expenses	2009	2010
Book value of receivables remitted	2	1
Withdrawal of capital (TVK-Erőmű Kft.)	87	0
Contract value of debt assumption	8	0
Total	97	1

(All amounts in millions of HUF, unless otherwise indicated)

38. Hazardous waste (non audited)

The following table shows the movement of hazardous waste at the Company in 2009 and 2010 (data in tons):

EWC code	Dangerous waste	2009	2010
201035	Scrapped electric and electronic equipments	0.0	0.0
	Total	0.0	0.0

Dangerous wastes codes and classifications are compliant with relevant EU regulations and standards. The value of dangerous waste is not recorded.

The following table shows the movement of hazardous waste at the Company in 2009 and in 2010 (data in tons):

	Opening value	Increases	Decreases	Closing value
2009	0	2,461	2,461	0
2010	0	2,447	2,447	0

In connection with the management of hazardous waste HUF 62 million and HUF 47 million expenses incurred for 2009 and 2010, respectively.

(All amounts in millions of HUF, unless otherwise indicated)

39. Related party transactions

Related party transactions are carried out on an arm's length basis.

MOL Group has been the Company main raw material supplier and buyer products ever since the Company was established. Partner connection is based on long term supply contracts. In 2001, the Company signed a long-term contract with MOLTRADE-Mineralimpex Rt. on supplying raw materials and on buying back secondary product for the period between 2004 and 2013. The Company signed a contract with MOL Plc. on supplying raw materials and secondary products for the period of November and December of 2010.

39.1. Related party transactions

	2009 HUF million	2010 HUF million
Sales		
- of which: to MOL Group companies	52,778	77,946
of which : MOLTRADE- Mineralimpex Zrt.	40,432	52,786
MOL Plc.*	6,641	12,297
to related parties	3,752	4,933
Purchase		
- of which: from MOL Group companies	193,372	287,540
of which : MOLTRADE- Mineralimpex Zrt.	174,758	216,309
MOL Plc.*	4,809	52,969
from related parties	23,619	21,177

* TVK Plc. and MOL Plc. signed a bilateral transit general contract in October, 2010, regarding to the period of November and December of 2010.

39.2. Share-based payment plans

General Incentive Schemes for management

The incentive aim involves company and organizational level financial and operational targets, evaluation of the contribution to the strategic goals of the company and determined individual tasks in the System of Performance Management (TMR), and competencies.

Share-option incentive from 2006

The incentive system based on stock options and launched in 2006 ensures the interest of the management of the MOL Group in the long-term increase of MOL stock price.
The incentive stock option is a material incentive disbursed in cash, calculated based on call options concerning MOL shares, with annual recurrence, with the following characteristics:

- covers a 5-year period starting annually, where periods split into
  - a 3-year waiting period and a 2-year redemption period in case of managers staying in the previous system for 2009,
  - a 2-year waiting period and a 3-year redemption period in case of managers choosing the new system already for the year 2009, and it is valid for all of the entitled managers from the year 2010.
- its rate is defined by the quantity of units specified by MOL job category
- the value of the units is set annually (in each year since the initiation of the scheme, 1 unit equals to 100 MOL shares).

According to the new system it is not possible to redeem the share option until the end of the second year (waiting period); the redemption period lasts from 1 January of the 3rd year until 31 December of the 5th year.

The incentive is paid in the redemption period according to the declaration of redemption. The paid amount of the incentive is determined as the product of the defined number and price increase (difference between the redemption price and the initial price) of shares.

40. Off-balance sheet items

40.1. APEH revision

In 2008, the Hungarian Tax and Financial Control Administration (APEH) conducted a full scope tax audit at the Company with respect to the year 2004 to 2005. The result of the tax audit was tax difference of HUF 435.4 million, which generated HUF 153.4 million tax penalty and HUF 66.7 million default surcharges. The total amount of penalties recognized in January, 2009.

The Supreme Court, from the disposals of absolute judgement, which were impugned by a revisionary petition, left in force in case of impairment of strategic inventories, redemption of severance payment and purchase price of sport facilities, but overruled in case of accounting of research and development costs. The Supreme Court instructed the Metropolitan Court to start a new procedure to re-calculate the default surcharge and the tax penalty. Based on the judgement, the Company recorded which was left in force, and their estimated legal consequences (in 2009 HUF 35 million, in 2010 HUF 246 million) in its financial statements.

40.2. Contractual commitments related to capitalization projects

The total value of capital commitments as of 31 December 2010 is HUF 412 million, which is fully attributable to TVK Plc.

40.3. Other contractual liabilities

The Company and TVK-Erőmű Kft. concluded a contract valid until December 31, 2018 for booking the heat and electrical energy capacities of the power plant in long term, and to supply and purchase heat and electrical energy.
According to the contract, the heat and electrical energy capacity of TVK-Erőmű Kft. is at the Company's disposal, and the power plant supplies heat and electricity to the Company according to its claims.
The contract price includes disposability fee (which cannot be bounded to the real disposability of the power plant) and energy fees.

The Company and Tisza-WTP Kft. have concluded a contract with expiry on December 31, 2018 with regard to the supply and receipt of raw water and feed water supply.
Tisza-WTP Kft. supplies the water quantity and the flow rate/hour as agreed, in the quality specified in the agreement to the Company and the Company will receive this water quantity.
Tisza-WTP Kft. is obliged to receive the condensate water resulting from the processes of the Company. The unit price of the condensate water will be modified annually, according to the industrial production price index published by the Central Office for Statistics for the period of time preceding the period of time concerned.

40.4. Environmental protection

In 1996, before the privatisation of TVK Plc., an environmental audit of the Company had been carried out. Based on the findings of the audit, the restoration of the contaminated soil in the area of the Olefin plant was convened. The restoration on the area of the Paint Factory continued. The restoration of contaminated soil and water in other areas started in 1999, for which the Company contracted external consultants.

Based on the findings of this environmental audit, the Company recorded a provision for the estimated total environmental expenses to clean up existing pollution in 1996. As a full-scale assessment of the Company's potential environmental obligation is still outstanding, the amount of provision has been updated every year based on the results of the original study, the actual clean up work performed and on management estimation.

The management of the company regularly assessed the measures and/or investments necessary in order to meet new Hungarian environmental requirements issued based on applicable EU directives.

In connection with this, an assessment of underground pollution of areas under decontamination began in the second half of 2002. Further to the findings of an environmental review carried out by an external consultant, HUF 2,101 million additional environmental provisions were created for expected extra restoration costs in 2002. The amount of provisions covers only those expenses that could be assessed and properly quantified at the time of reporting.

In 2003 the Company continued the survey of the underground pollution in order to get sufficient information about extension of environmental pollution and determine the most applicable technology for environmental restoration. The surveys found extensive underground pollution caused in the past. The Company submitted the summary report on the environmental survey completed at the end of 2004 to the North-Hungary Area Environment Authority by the required deadline. The environmental authority requested further additions to the closing document. All the requested additions were prepared by TVK Plc. and have been submitted to the authority. Based on the documentation submitted, the North-Hungary Authority for the Environment (ÉMIKÖTEVIFE), Nature and Water issued a note to TVK Plc. to prepare and submit a technical action plan by 30 September 2005.

The submitted Technical Interference Plan has been prepared in accordance with relevant legislation in force and contains, in a scheduled manner, all the strategic measures and actions to be taken in the short and middle-term to achieve standard management of environmental responsibilities and to ensure compliance with environmental regulations with respect to the entire area of the TVK-TIFO industrial site.
The Company manages liabilities and commitments related to past operations as part of an integrated project in co-operation with MOL Plc. The joint liability was agreed to by both TVK Plc. and MOL Plc. in their Co-operation Agreement signed in July 2006.

In its decision dated in December 2006 in relation to the complex Technical Intervention Plan, the Authority issued a decontamination order to both TVK Plc. and MOL Plc. with respect to the entire area of the TVK-TIFO industrial site. The decision approved the companies' short and middle-term action plan that aims manage decontamination commitments on a risk and exposure basis while focusing on the continuous optimisation of environmental expenses and on decontamination solutions. As a major milestone, we drew a complete pollution risk map in 2009. The map will then be used to re-define middle-term environmental goals and to prioritise implementation.

The TVK-TIFO site's exploration of facts and its complementary information were prepared and submitted to ÉMIKÖTEVIFE by BGT Hungária Kft. in 2009. On the basis of these documents, the Authority prescribed the continuation of exploration and the actual technical tasks of restoration with joint responsibility. The lodging deadline of the exploration's closing documents is on December, 2012.
Within the TVK Plc's site, work is carried out to avoid further pollution on the southern part of the plant and the Company is making significant efforts to gauge the extent of the pollution as well as to identify and map the possible movement of pollutants.
In 2010 and in 2009 HUF 130 million and HUF 185 million was spent on this action. Resulted from the complexity and the measure of the polluted areas, beside this project there was also initiated the common risk based concept strategy approach of recognizing environmental liability at TVK-TIFO plant participating by contracted external consultants.

In line with strategic environmental planning, the highest priorities at the TVK-TIFO industrial site are to protect human ecological receptors and to minimise environmental exposures (i.e. to identify and prevent the both horizontal and vertical spread of pollution).

In order to gauge the deep pollutant towards the south-east of the Company's premises, the boundaries of the polluted area (both vertically and horizontally) was identified with a so called "pollutant dynamism monitoring system". Sampling and analyses already in progress need to be finalised in order to understand the pollutant's movement and dynamics.
Pollution is unchanged or is receding at the Emergency storage facility area of the Olefin container park.
The results of risk assessment reviews first started in 2006 have already limited the number of risks. Health hazards reviews of farmland in 2006 and 2007 found that crops produced in farmland at the eastern boundary of the TVK-TIFO site as reviewed in phase 1 and phase 2, did not represent over-the-limit health hazard for breeding stock or for humans.

We made a quantitative risk assessment in 2008 whose instantaneous findings showed that no agricultural, human exposure and ecological risks are expected to turn up that could be accounted for a contaminated subsoil under the industrial complex. Given that the information creating the input data for risk analyses need continuous updating, we added biological monitoring to our chemical analytical testing and monitoring programme in 2009 in order to explore any quantity of soil gas, which has a significant impact on human health and long-term impact on living organisms.

During 2009, the Company continued the mapping up of the resources, geological structure of the site and the water streams and it started to integrate them into the hydrodynamic transport model. On the basis of surveys, the original extension of environmental pollution was determined. By reason of joint responsibility, the extent of liability was revised. Henceforth, the costs of implementing of technical intervention will be divided between TVK Plc. and MOL Plc. in 50-50 %. In consequence of this, provision was released in amount of HUF 500 million in 2009.

TVK Plc. and MOL Plc., involving outsider specialists, set up a research project, which successfully applied for the tender „ For a Liveable Environment" invited by the National Technological Research Agency. The objective of the research programme is to prevent the transport of contaminants in the 16-32 m deep water-bearing zone and to study the methods of the reduction of their concentration. The Company received subsidy in the amount of HUF 42 million, of which it utilized HUF 15 million until 2010. For the remained amount, which was left at the end of 2010, the Company required re-arrangement petition in the annual project report.

(All amounts in millions of HUF, unless otherwise indicated)

The Company recognized– consideration of above-mentioned - an environmental provision based on the currently available quantifiable future expenses HUF 2,030 million as of 31 December 2010 (2009: HUF 1,971 million).

The aggregate of contingent environmental liabilities is expected to exceed the estimated HUF 4 billion. However, the probability of having these tasks completed is less than 50% due to the fact that the related environmental tasks are not mandatory and to uncertainties regarding the technical contents of these tasks.

41. Corporate tax

The differences between the profit before tax and the tax base for 2009 and 2010 are presented below:

Description	2009	2010
Profit before taxation	(9,897)	(5,496)
Inventory and fixed asset write-offs	(6,272)	(7,050)
Provisions	2,496	(2,302)
Contribution of foundations	94	0
Non-business related expenditure	0	44
Dividend received	(817)	(465)
Research and development costs according to the Act on accounting	(184)	(172)
Other	(121)	356
Tax base	(14,701)	(15,085)
Corporate tax (16% or 19%)	0	0
Taxation	0	0
Solidarity surplus tax	0	0
Profit after taxation	(9,897)	(5,496)

In 2009 and 2010 no tax income liability was arisen.

42. Subsequent events

The Board of Directors approved the Financial Statements on 17 March 2011.

Based on the Resolution of the Shareholders' Meeting held on 14 April 2011, HUF 1,992 million dividend will be paid.