

**TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY  
TISZAÚJVÁROS  
Cg. 05-10-000065**

**BUSINESS REPORT ON THE YEAR 2012  
BASED ON THE TISZA CHEMICAL GROUP  
PUBLIC LIMITED COMPANY'S  
ANNUAL REPORT PREPARED IN ACCORDANCE  
WITH HUNGARIAN ACCOUNTING STANDARDS**



Tiszaújváros, 13 March 2013

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# 1 INTRODUCTION

## 1.1 ECONOMIC ENVIRONMENT

### Macroeconomic Processes

#### World economy: Eurozone is still the weakest link

2012 was characterised by high market volatility and economic uncertainty as the aftershocks of the global financial crisis continued. Global growth remained subdued as a result of this uncertainty and because of austerity policies, with the slow-down increasingly spreading to emerging markets as well. Global growth averaged 3.2% in 2012; it is forecasted by the IMF to reach 3.5% in the coming year, an increase driven primarily by developing countries.

The Eurozone, however, is still mired in recession, and remains the “weakest link” in the chain of global growth. The immediate risk of a Eurozone meltdown has decreased because of solid central bank intervention. This, however, is only a temporary solution: uncertainty over the Eurozone bail-outs, and over the future of European integration, will cloud the region’s growth outlook over the coming years.

#### Central and Eastern Europe: Diverse performance continues

The performance of CEE economies remained rather diverse in 2012. Slovakia and Poland outperformed some of the strongest Eurozone economies, despite some slowdown in the pace of growth. Meanwhile, GDP dropped in countries of the region which face a debt-problem, including Croatia, Hungary as well as Slovenia. Austerity measures, deleveraging and the troubles of the European banking sector constrain growth in the entire Central and Eastern European (CEE) region.

## **Economy tendencies in Hungary**

### **Hungary: Improving external-internal balances, but the outlook is still cloudy**

Hungary's external and internal balances have improved significantly since the start of the global financial crisis. The fiscal deficit is around 3% of GDP (among the lowest in the region). However, the low investment level, subdued internal demand and the high level of public debt overshadow economic prospects; potential growth therefore remains low. Improvements in international risk sentiment resulted in a massive decline in sovereign financing costs. Nevertheless, austerity measures and poor external conditions suggest Hungary's economic performance will remain weak over the coming year.

### **Petrochemical Trends**

In 2012, the average quoted (FOB med) price of naphtha was 909 USD/t, the average quoted price (CIF med) of gasoil was 956 USD/t. The naphtha did not show significant change year on year while the price of gasoil increased by 2% (Enclosure 5).

In 2012, the prices quoted in the European markets for the polymer products produced by TVK (ICIS' lor fd NWE low spot, EUR/t) showed a fluctuate tendency (Enclosure 4). For the year as a whole, the average quoted price of LDPE was higher by 1%, while HDPE price increased by 9%, and that of polypropylene were lower by 1% year on year. In 2012, the average quoted price of LDPE was 1,259 EUR/t, the blown HDPE grade was 1,269 EUR/t, whilst PP homopolymer raffia and copolymer grades were 1,209 and 1,258 EUR/t.

The HUF strengthened by 4% against the EUR and 12% against the USD, while the EUR decreased by 8% against the USD.

## 1.2 STOCK EXCHANGE SITUATION

### TVK Shares on the Budapest Stock Exchange (BSE)

In 2012 the Budapest Stock Exchange (BSE) still remained one of the region's most liquid markets however BSE also suffered from the globally dwindling capital market activity. 2012 brought a major milestone in the life of BSE the replacement of security market trading system was launched. The Xetra trading system is expected to be introduced on the Hungarian market in the second half of 2013. As a result, the Hungarian securities market will be more easily accessible for foreign investors, which will encourage market activity.

Expansion of the product range continued, on the BETa Market another 13 foreign securities and also futures contracts on foreign shares were made available for investors. Furthermore, in order to provide liquidity another new market maker joined trading in 2012. The number of very popular certificates available for trading also increased, and additional underlying products were added to the selection. Aiming to improve the transparency of the stock market, BSE restructured its category system and created Category "T" for companies entering the market via technical listing. As a result, it became easier to make a distinction between the different categories as regards risks, and the more transparent structure enhanced the prestige of Categories "A" and "B".

Giving more importance to raising funds on the capital market, encouraging domestic companies to be listed on the stock exchange is considered as a primary aim, and BSE pays special attention to facilitating the SMEs' financing on the capital market.

The year 2012 was internationally characterized by a decline of stock exchange turnover and activity, besides that the uncertainty regarding the future of the Eurozone still remained. This negative tendency was also felt on BSE's markets, but at the same time, the value of the BUX index, which indicates the changes on the equities market, increased by 7.1% as regards the whole year. The index reached its highest value at 19,996 points on February 7, 2012. It reached its lowest value on January 5 at 15,947 points, while it closed the year at 18,173 points.

The share turnover velocity fell to 52.7% in 2012, however, this value is still the best in the region; therefore BSE remained one of the most liquid markets compared to its neighbouring countries. In 2012, there was a 40.6% decrease in the turnover of BSE's spot market compared to the previous year, almost all (99.7%) of the cash market turnover was accounted for by the equities section. There was a continued, significant trading activity in certificates, which remained highly popular in spite of the negative atmosphere. 98% of the equities market turnover is concentrated in the five blue-chips.

During the year of 2012 the share price of TVK decreased by 24%. The closing value of the 1<sup>st</sup> day of the year was HUF 2,215, while the closing value was HUF 1,705. This share price is the lowest of the former ten years. During the year, share price continuously decreased. In 2012, the minimum value was HUF 1,610, while the maximum value amounted to HUF 2,300 (Enclosure 3.).

In 2012, the yearly turnover of the TVK shares was HUF 259.7 million and 131,261 pcs, while the average daily turnover was HUF 1.2 million. The market capitalization of the TVK shares amounted to HUF 41.4 billion, down by 24% compared to the last year (HUF 54.4 billion). TVK was the 7th among the listed companies in terms of market capitalization. The TVK shares did not really belong to the liquid papers, as a consequence of the low free float.

## Ownership Structure

There was a change in the person and share of those shareholders having more than 5 % of shares during 2012.

MOL Hungarian Oil and Gas Public Limited Company shareholding in TVK's Share Register increased from 86.79% to 94.86% as of December 27, 2012. The stake of Slovnaft, a.s. (subsidiary of MOL Plc.) decreased from 8.07% to 0% as of December 27, 2012. The direct and indirect influence of MOL Plc. in TVK Plc. remained 94.86%.

The above mentioned changes also had an effect on the shareholder structure. At the end of the year stake of the domestic institutional investors grew to 96%, while the stake of the foreign investors fall to 1%. The ownership share of private investors was not significant, reaching 1.2% at the end of the year. The company had no treasury shares in 2012 either.

### Ownership Structure as per the Share Register

Description of owner	December 31, 2011			December 31, 2012		
	Owner-ship ratio (%)	Voting ratio (%)	Holdings (of shares)	Owner-ship ratio (%)	Voting ratio (%)	Holdings (of shares)
Domestic institution/company	88.10	88.10	21,401,032	95.93	95.93	23,301,477
Foreign institution/company	9.20	9.20	2,231,796	1.13	1.13	275,353
Domestic individual	1.29	1.29	314,443	1.21	1.21	294,718
Foreign individual	0.03	0.03	7,227	0.02	0.02	4,571
Treasury shares	-	-	-	-	-	-
Shares held by unidentified parties	1.38	1.38	336,345	1.71	1.71	414,724
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>24,290,843</b>	<b>100.00</b>	<b>100.00</b>	<b>24,290,843</b>

### Shareholders with more than 5% interest

On December 31, 2012, as per Share Register

Shareholder	Quantity (of shares)	Interest (%)	Voting ratio (%)
MOL Hungarian Oil and Gas Public Limited Company	23,042,385	94.86	94.86

Notes:

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

In accordance with the resolution of 2007 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.

## 1.3 SUBSIDIARIES

For the detailed list of the subsidiaries and associates of TVK Plc. see Enclosure no. 14.

Dissolution of TVK UK Ltd. closed on 9 November, 2012.

TVK Ukraina tov. was sold on 26 March, 2012.

Dissolution of TVK Polska Sp. Z.o.o started on 15 June, 2012.

## 2 ANALYSIS OF THE AUDITED BALANCE SHEET AND PROFIT AND LOSS DATA OF TVK PLC. FOR THE YEARS 2011 AND 2012

### 2.1 STRATEGIC FINANCIAL RATIOS

Financial Ratios	2011	2012
<b>EPS</b> – Earnings per share (HUF/share) (Profit after tax / number of ordinary shares)*	(383.64)	(564.41)
<b>OCF/Shares</b> – Operating cash-flow per share (HUF/share) (Operating cash flow / number of ordinary shares)*	(138.53)	(318.23)
<b>Net debt/equity</b> – Net debt to equity (%) ((Long-term and short-term loans less cash and bank less securities, except repurchased employee shares) /equity)*100	6.72	22.88

\*The total number of ordinary shares was 24,290,843 in 2011 and in 2012.

### 2.2 PROFITABILITY AND PROFITS

HUF million

	2011	2012
Net domestic sales	219,142	206,766
Net export sales	197,166	177,293
<b>Net sales</b>	<b>416,308</b>	<b>384,059</b>
Capitalized value of own performance	4,146	6,216
Other income	3,340	2,166
Material type expenses	405,320	377,750
Personnel costs	8,605	8,991
Depreciation	11,452	11,932
Other expenditures	14,470	10,950
<b>Operating profit</b>	<b>(16,053)</b>	<b>(17,182)</b>
<b>Financial result</b>	<b>1,967</b>	<b>(71)</b>
<b>Ordinary result</b>	<b>(14,086)</b>	<b>(17,253)</b>
<b>Extraordinary result</b>	<b>4,767</b>	<b>3,543</b>
<b>Profit before taxation</b>	<b>(9,319)</b>	<b>(13,710)</b>
<b>Profit after taxation</b>	<b>(9,319)</b>	<b>(13,710)</b>
<b>Net income</b>	<b>(9,319)</b>	<b>(13,710)</b>

In 2012, the net sales of TVK Plc. came to HUF 384,059 million which is 7.7% lower than in the previous year. Due to the unfavourable external circumstances and the periodic maintenance overhaul, which was completed during the year, the volume of production and sales was lower, which was only partly mitigated by higher product prices and weaker HUF compared to previous year's average.

Net domestic sales amounted to HUF 206,766 million after a 5.6% decrease. Net export sales amounted to HUF 177,293 million after a 10.1% decrease. Domestic sales represented 53.8% of the net sales of the Company compared to 52.6% a year earlier.

Enclosure no. 8 presents the net sales of the Company by region. In 2012, TVK Plc. realized 46.2% of its sales income from exports.

The capitalised value of own production amounted to HUF 6,216 million in 2012. The change in self-manufactured inventories was a positive amount of HUF 4,699 million (that includes HUF 4,858 million positive effect of volume changes, and HUF 159 million negative effect of price changes) as compared to HUF 2,255 million a year earlier. The capitalised value of self-manufactured assets was HUF 1,517 million.

Other income decreased by HUF 1,174 million as compared the previous year, because the released amount of provisions decreased by HUF 1,548 million, as well as received default interests and compensations by HUF 343 million, while reversal of impairment grew by HUF 838 million.

Material type expenses amounted to HUF 377,750 million, 7% lower than in 2011.

The Company's raw material costs decreased by HUF 28,788 million (8%) to HUF 333,236 million year on year mainly due to the significant drop of the quantity of purchased raw materials, furthermore the reduction of prices of raw materials, which were used to the production of monomer. On the contrary, the weakening forint against the dollar increased the costs. The lower volume caused lower energy consumption, but the energy costs grew further by 16%, because of the increase of the price of natural gas, electric energy and steam.

The value of services used declined by HUF 359 million to HUF 12,248 million. The main reason for the variance is the fall of sales costs by HUF 835 million compared to previous year, which was balanced by the growth of outsourced service costs (HUF 227 million) and the increase of services provided by Petroszolg Kft. (HUF 226 million).

In 2012, the value of other services reached HUF 1,344 million, increased by 3% compared to the previous year, due to the drop of bank expenses and the growth of regulatory fees.

The cost of goods sold was HUF 26,660 million compared to the value of HUF 25,323 million in 2011. The cost of services sold was up by HUF 199 million to reach HUF 4,262 million in 2012.

Personnel costs increased by HUF 386 million, despite the salary increase, due to the staff reduction and the variance of the accrual of bonuses and wages.

Depreciation increased by HUF 480 million compared to previous year, to come to HUF 11,932 million.

Other expenses amounted to HUF 10,950 million, which represent a decrease of HUF 3,520 million, year on year. The variance is the result of two contrary effects: on one hand the given bonuses reduced by HUF 1,776 million, furthermore the surrender of GHG emission unit reduced by HUF 1,804 million.

Operating loss amounted to HUF 17,182 million in 2012 according to the above, while in the same period of 2011 it reached HUF 16,053 million.

Financial loss amounted to HUF 71 million, despite the previous year's profit (HUF 1,967 million). Financial income of the Company decreased by HUF 1,024 million, financial expenses rose by HUF 1,014 million as compared to the previous year. The reason for the decline of incomes is that the received dividends reduced by HUF 589 million, as well as the FX gain on interests by HUF 526 million. The growth of expenses came from on one hand the FX volatility of monetary assets and liabilities denominated in foreign exchange, on the other hand payable interests increased by HUF 507 million.

Loss on ordinary activities was HUF 17,253 million, which is HUF 3,167 million lower than in 2011.

The extraordinary profit amounted to HUF 3,543 million, compared to the value of HUF 4,767 million in the preceding year.

In 2012, profit before taxation was a negative amount of HUF 13,710 million, which is HUF 4,391 million lower than in the preceding year.

No corporate income tax liability was arisen.

The loss for the period amounted to HUF 13,710 million in 2012.

### Ratios that Measure Profitability

	2011	2012
Return on Assets (%) (Profit after tax / Total assets)*100	(4.74)	(6,78)
Return on Equity (%) (Profit after tax / Equity)*100	(7.55)	(12,50)
Return on Sales (%) (Operating profit / Net sales income)*100	(3.86)	(4,47)

Due to the negative variance of loss after taxation and operating loss in 2012, all three ratios decreased.

### 2.3 NET ASSET POSITION

On December 31, 2012, the balance sheet value of assets and liabilities was HUF 202.4 billion, HUF 5,603 million higher than in preceding year. (Enclosure No. 7)

### Ratios that Measure Net Assets

	2011	2012
Ratio of Fixed Assets (%) (Fixed assets/Total assets)*100	56.58	53.26
Ratio of Current Assets (%) (Current assets/Total assets)*100	43.42	46.74
Ratio of Owner's Equity (%) (Owner's Equity/Total equity and liabilities)*100	62.73	54.22
Gearing (%) (Liabilities/Total equity and liabilities)*100	37.27	45.78
Debt to Equity (%) (Liabilities/Owner's Equity)*100	59.41	84.43

Current assets include prepayments. Liabilities include provisions and accrued expenses.

Fixed assets decreased by HUF 3,550 million. The net value of intangible assets decreased by HUF 345 million. The net value of tangible assets decreased by HUF 2,950 million due first of all to the lower value of assets attributable to recognized depreciation. The amount of depreciation came to HUF 11,932 million and the amount of capital expenditure came to HUF 8,771 million in 2012.

Current assets amounted to HUF 93,617 million by year-end 2012 after increasing by HUF 8,546 million, including a 34% year-on-year increase in inventories mainly due to the increased inventory level compared to the very low inventory of polymer finished goods in 2011, and in line with the positive market expectations in the beginning of 2013 we increased our inventory levels.

The value of accounts receivable decreased with a small extent to HUF 50,426 million by year-end 2012.

Other current assets increased by 26%, due to mainly the significant growth of VAT receivables. The value of cash and bank amounted to HUF 3,555 million in 2012, fell by HUF 292 million compared to the previous year's same value.

## 2.4 CHANGES IN FINANCIAL POSITION

### Ratios that Measure Financial Position

	2011	2012
<b>Liquidity ratio</b> Current assets/Short term liabilities	1.42	1.42
<b>Acid test ratio</b> (Current assets-Stocks)/Short term liabilities	1.16	1.10

The value of short-term liabilities increased by 10% to HUF 65,851 million between December 31, 2011 and December 31, 2012.

Enclosure no. 9 shows the changes in financial assets and loans.

## 2.5 CHANGES IN THE REGISTERED CAPITAL, CAPITAL RESERVED RETAINED EARNINGS AND ALLOCATED RESERVE

	HUF million		
	Opening balance	Change	Closing balance
Registered capital	24,534	0	24,534
Capital reserves	4,624	0	4,624
Retained earnings	103,585	(9,319)	94,266
Allocated reserve	0	0	0

The retained earnings was decreased by the loss of year 2011 (HUF 9,319 million).

### 3 PRODUCTION AND SALES BY BUSINESS DIVISION

#### 3.1 OLEFIN PLANTS

Key figures Description	Unit	2011	2012	Variance (%) 2012/2011
Use of naphtha*	kt	1,506.7	1,335.5	88.6
Use of gas oil	kt	121.3	25.2	20.8
Ethylene purchase	kt	6.0	4.0	66.7
Propylene purchase	kt	1.8	14.1	783.3
Ethylene production (gross)	kt	587.8	490.0	83.4
Propylene production (gross)	kt	306.8	253.0	82.5
Capacity utilization (for ethylene)	%	89.1	74.2	83.3
Ethylene sales	kt	126.4	115.9	91.7
Propylene sales	kt	19.6	0.7	3.6
Net sales	HUF million	148,943	138,286	92.8
Domestic	HUF million	133,767	120,307	89.9
Export	HUF million	15,176	17,979	118.5

\*includes the usage of light hydrocarbons.

The two most important olefin products are ethylene and propylene.

In 2012, due to the general overhaul in Olefin-1 and the unfavourable polymer market circumstances, the capacity utilization was lower in Olefin plants, which resulted that the monomer (ethylene and propylene together) production dropped to the 83.1% of previous year's same value.

The Company sold 111.9 kt ethylene from own production and 4 kt from purchased from BorsodChem Zrt.

We sold 0.7 kt purchased propylene to Slovnaft Petrochemicals.

Export sales of C4 fraction amounted to 61.5 kt to Polish Synthos Kralupy and to Basell Polyolefine GmbH, furthermore the Company sold 9 kt to Novochem Kereskedelmi és Szolgáltató Kft. in domestic market.

The raw material for pyrolysis was supplied only by MOL Group.

## 3.2 POLYMER PLANTS

### 3.2.1 LDPE

Key figures Description	Unit	2011	2012	Variance 2012/2011 %
Volumes produced	kt	65.5	43.6	66.6
Capacity utilisation	%	100.7	67.1	66.6
Sales	kt	78.4	55.3	70.5
Domestic	kt	33.7	27.1	80.4
Exports	kt	44.7	28.2	63.1
Net sales revenues	HUF million	27,895	21,189	76.0
Domestic	HUF million	12,246	10,590	86.5
Exports	HUF million	15,649	10,599	67.7
Sales structure				
Domestic	HUF million	12,246	10,590	86.5
Europe	HUF million	15,312	10,326	67.4
Outside Europe	HUF million	337	273	81.0

### 3.2.2 HDPE

Key figures Description	Unit	2011	2012	Variance 2012/2011 %
Volumes produced*	kt	388.4	321.7	82.8
Capacity utilisation**	%	92.3	76.6	83.0
Sales	kt	393.2	312.7	79.5
Domestic	kt	40.9	34.0	83.1
Exports	kt	352.3	278.7	79.1
Net sales revenues	HUF million	127,056	112,826	88.8
Domestic	HUF million	13,740	12,758	92.9
Exports	HUF million	113,316	100,068	88.3
Sales structure				
Domestic	HUF million	13,740	12,758	92.9
Europe	HUF million	110,932	97,198	87.6
Outside Europe	HUF million	2,384	2,870	120.4

\* Volumes produced: non-accumulated granulate

\*\* Capacity utilisation: dust production/nominal capacity

### 3.2.3 PP

Key figures Description	Unit	2011	2012	Variance 2012/2011 %
Volumes produced*	kt	280.7	257.3	91.7
Capacity utilisation**	%	100.3	91.9	91.6
Sales	kt	280.3	259.0	92.4
Domestic	kt	133.1	127.0	95.4
Exports	kt	147.2	132.0	89.7
Net sales revenues	HUF million	99,365	93,889	94.5
Domestic	HUF million	46,605	45,417	97.5
Exports	HUF million	52,760	48,472	91.9
Sales structure				
Domestic	HUF million	46,605	45,417	97.5
Europe	HUF million	50,944	46,739	91.7
Outside Europe	HUF million	1,816	1,733	95.4

\* Volumes produced: non-accumulated granulate

\*\* Capacity utilisation: dust production/nominal capacity

The total polymer production amounted to 622.6 kt in 2012 that is lower than in the previous year by 112.0 kt. In this year, production was lower in case of all product segments than in 2011. One of its reasons is that in all polymer plants, planned preventive maintenance was fulfilled in 2012. Because of a fire accident in October, the LDPE plant didn't produced in the last two months of the year, thus the production of LDPE dropped significantly compared to previous year. Because of the market circumstances the HDPE production capacity was reduced.

2012 sales amounted to 627.0 kt, which is lower than in the previous year by 124.9 kt. Due to the unfavourable extern circumstances and the periodic maintenance overhaul, accomplished during the year, furthermore the fire accident, happened in LDPE-2, the produced and sold quantity decreased in every polymer product segments.

70% of total sales, or 438.9 kt, were realised on export markets, while 30%, or 188.1 kt were sold on domestic markets.

The net income from polymer sales amounted to HUF 228 billion in 2012, which is lower than in 2011 (HUF 254 billion) by HUF 26 billion. Higher quoted polymer prices had a favourable impact on the revenue of the Company.

In 2012 export sales continued to focus onto the European markets, which mean that 97% of the export sales income was realized in Europe and 3% was realized outside Europe.

Appendix no. 12 gives a comprehensive overview of the production and capacity utilization in the polymer segment furthermore about the sales revenues.

## 4 CAPITAL AND DEVELOPMENT PROJECTS

### 4.1 CHANGES IN CAPITAL EXPENDITURE

Changes in capital expenditure of TVK's Group in 2012

Description	HUF million
	Value of Capital expenditures and Development Projects
<b>Grand total:</b>	<b>8,771</b>
<b>I. Individual projects</b>	<b>2,757</b>
Olefin-1 reconstruction	1,196
Hydrocarbon recovery	17
Energy efficiency increase in Olefin-1	468
Utilization of inert gas	158
Reduction of CO2 emission	130
Butadiene recovery	140
Installation of OMMS system	57
Replacement of quench-coolers in Olefin-1	40
Installation of TEAL/TEB metering system in HDPE1	8
Industrial water supplies to TVK and TIFO	60
Propylene tank revamp	32
Installation of ACP in LD-2	20
DCS migration in Olefin-1	244
DCS migration in HDPE-1	114
Preparation of new projects	4
Air pre-heater in F8001 furnace in Olefin-1	69
<b>II. Maintenance projects and refurbishments</b>	<b>5,672</b>
Capital expenditures into and refurbishment of operating assets	3,574
Capital expenditures and refurbishments to support operations	1,353
Infrastructure projects and renovations	280
Safety engineering development	322
Environmental projects	143
<b>III. Other development projects</b>	<b>342</b>
Purchase of catalyst	190
Information technology and other projects related to the management segment	152

Our Company concentrates more on making careful preparations for the overhaul programs and for the butadiene recovery project planned for 2012, than on the accomplishment of the current year's planned general overhaul and the launch of the implementation of strategic project.

The major parts of investments were the maintenance projects renovations in amount of HUF 5,672 million and the efficiency improvement individual projects in a value of HUF 2,757 million. From the projects and renovations initiated in 2012 the value of production and production supporting projects was the highest: HUF 4,927 million, which represented 87% of the total maintenance project value. HUF 280 million was spent on infrastructural projects and HUF 465 million was expenditure on environment and safety engineering projects. We spent HUF 342 million on other development projects, within which value of Olefin-1 and PP3 catalyst purchase was HUF 190 million.

### **Our strategic project started in 2012**

One of the objectives of our continued efforts is to further process olefin by-products and increase added values. As part of this intention, we worked out the details of a strategic project named Butadiene Recovery from C4 Fraction, closely cooperating with MOL Business Development. In order to implement the main process of the project we have signed the letter of intent with the consortium LURGI/OTF (selected on the basis of tendering) on October 27, 2012 and the final agreement on November 15. From 2015 the new plant will play an important role in improving our product portfolio and profitability.

## **5 ENVIRONMENT, ENVIRONMENT TECHNOLOGY**

### **5.1 PROTECTION OF THE ELEMENTS OF ENVIRONMENT**

#### **Protection of the cleanliness of the air**

##### **Emission**

The process related pollutant emission of the plants complied with the valid emission limits on the basis of the emission measurements.

We spent HUF 3.2 million on the monitoring of air pollution point sources in 2012. We paid HUF 0.03 million as an authority administration service fee in order to obtain authority licences for the operation of the air pollution point sources.

We check up the static point sources with periodic measurements made according to the legal regulations and with a frequency required by the authorities. We involve accredited laboratories to perform these measurements.

Our company has obtained a permit N° UHG5479 for the emission of green house gases. In 2012, our CO<sub>2</sub> emissions subject to ETS came to 0.917 million tons, thus our emissions remained below the quantities allocated to us by the National Allocation Plan. Related to commercial period 2 of green house gases, we repurchased a EUA quota equivalent to 600 thousand tons.

As a cooling circuit registration fee, TVK Plc. paid HUF 0.28 million on operating the conditioning units on its site on gases decomposing more than 3 kg ozone layer. With the involvement of our business partners having authorisations for testing, we performed the specified tests in order to check up the conditioning units for tightness as is required by the relevant legal and authority provisions.

In 2012, the authority performed three inspections concerning air protection measures in TVK Plc. The inspections did not explore any non-conformity. No fine is expected to be charged to TVK Plc because of its emissions in 2012.

##### **Immission**

The National Air Pollution Measurement Network regularly measures and analyses the quality of the air in the environment of TVK. The emission measurement stations located in the surrounding villages record air pollution the degree of which is checked and established by the North Hungarian Environmental Protection, Nature Preservation and Water Inspectorate (ÉMIKTVF).

Immission from the operation of the Company exceeded the given limit value once in 2012. We reported this extraordinary event (OKT10001, 3 February, 2012) to the authority, fine wasn't arisen.

##### **Waste handling**

The opening stock of hazardous wastes was 40 tons in 2012. The quantity of the hazardous wastes generated in the course of the year was 3,461 tons.

In case of non-hazardous wastes the same indices are: opening inventory 205 tons, total annual quantity produced: 2,268 tons.

The quantity of (hazardous and non-hazardous) wastes produced during normal operation was 2,700 tons. In the course of the investment, maintenance activities some 3,030 tons of wastes were produced. These wastes were partly utilized, and partly decontaminated. The Company realized approx. HUF 9.5 million from the take-over of investment and maintenance wastes for handling, which was provided by licensed partners.

In case of every type of waste, cost-effectiveness and followableness of wastes' course of life were ensured by the requisition of our active and passive partners' services.

No fines can be expected in connection with the waste management activity of TVK Plc. in 2012.

### **Protection of the water quality**

Neither the wastewater tests performed during the year by the authorities nor the self-tests identified higher concentration of pollutants in the treated effluents discharged in River Tisza than allowed therefore no fine is expected regarding the effluents discharged in 2012.

An amount of HUF 427 million was spent on the treatment of contaminated water.

## **5.2 MANAGEMENT OF ENVIRONMENT PROTECTION OBLIGATIONS RESULTING FROM PAST ACTIVITIES**

The Technical Response Plan Documentation submitted in order to meet the requirements of the authority concerned has been prepared in line with the effective legal regulations and included the short- and medium-term practical steps of the strategy and their planned scheduling required for the compliance with environment law and for the standardized management of environment responsibility all over the area of TVK-TIFO. The Company and MOL Plc. provide, within the frame of an integrated project, for the management of obligations resulting from past activities. TVK Plc. and MOL Plc. stipulated the joint responsibility in the Cooperation Agreement signed July 2006.

The followings are the environment protection related obligations that we are aware of:

- ongoing landscape rehabilitation tasks,
- ongoing soil and ground water decontamination tasks,
- implementation of the complementary examinations,
- monitoring activity,
- follow-ups after completed decontamination activities.

### **5.2.1 Ongoing landscape rehabilitation tasks**

At present the following landscape rehabilitation projects are in progress:

- Re-cultivation and landscape integration of areas (caustic sludge storages, wastewater emergency reservoirs) located south of the Sajó channel.

For the landscape rehabilitation of area, that located south of the Sajó channel - which includes the recultivation of the lime sludge storages until 2014 - we have foreseen provisions in the amount of HUF 211,5 million.

In the year 2012 the water rights implementation licensing procedure related to the recultivation of the former lime sludge basins has been completed. On the basis of

resolution No. 12078-7/2012 we have received the water rights implementation permit for the implementation of the rainwater system. Later TVK wishes to carry out waste recycling activity on the area.

The reintegration of the area south from the Sajó channel into the landscape implies the emptying and elimination of the settling compartments. For this task, we made contract with Elgoscar 2000 Kft. Based on the technical scope of the tender, the pulling down of the settling and desiccation compartments will be completed until the end of 2013. In the year 2012 the SE-desiccation facility and the emergency reservoir desiccation basin in the tank park have been dewatered. According to the technical plan the slurry has been removed from the longitudinal desiccation basin. The slurry is being treated in the settlement cassettes.

- The recultivation of the slag and ash deposit

Concerning the closing actions required for the slag and ash deposit built in 2000, the Company raised a special reserve worth HUF 170 million. To cover the costs of after-management actions, a yearly budget of HUF 3 million shall be separated as a special reserve for the subsequent 30 years.

### **5.2.2 Ongoing soil and ground water decontamination tasks**

At present the following soil and ground water decontamination tasks are in progress:

- Decontamination of the tank yard of the olefin plant and of the area of the emergency reservoirs,
- Technical response in the railway loading – unloading area.

On the area situated south of the Sajó channel (area of the tank farm and emergency storages) the decontamination is going on also at the present, with the technical content of the operating instructions accepted by the authority. Safe operation can be ensured along the old pipe routing with a daily water withdrawal of 400-500 m<sup>3</sup>/day. The groundwater produced by the decontamination system is drained directly into the wastewater plant of TVK.

In 2012 the technical intervention was going on as a test of an innovative technology and for the operation of the decontaminating system of the railway loading and unloading station.

### **5.2.3 Implementation of the complementary examinations**

The main emphasis is on the localization of the groundwater contamination: within the battery limits of the Company, on the south, the prevention of the propagation of further contamination is being prevented.

The standardized management of the environment responsibility of the industrial sites of TVK-TIFO continued with involving an external expert, based on a risk-based strategic concept that was required by the dimensions of the contaminated area and the size of the problem. Significant steps have been made in order to get to know further quantitative and qualitative parameters of the contamination, its geographic propagation, and the dynamics of the dissolved plume.

December 2012 the fact-finding documentation regarding the TVK-TIFO site has been prepared.

The fact-finding investigations in the area and around the TVK-TIFO industrial complex have produced both horizontally and vertically and also in the time dimension numerous new results. Based on the results, beyond the previous knowledge about the limited area and the shallow water reservoir, the distribution of polluting components in the complex sedimentary soil structure, the function of the system of hydrodynamic flows, and the transport processes of pollutants as well became known.

On the basis of the aforementioned information the corresponding treatment strategy of the subsurface pollution identified on the area examined ensures the handling of risks resulting from the existence of the pollution, the all-comprehensive safety of those exposed to the effects, the handling of environmental responsibility and the attainment of the compliance with environmental law, while considering (environmental, economic and social) aspects of sustainability.

In the area of the industrial complex TVK-TIFO and in its surroundings, in the course of the risk-based management of the subsurface pollution the paramount strategic goals are:

- the protection of humans and ecology exposed to the effects by keeping risks on acceptable level
- the prevention of the pollution of the environment not yet polluted (prevention of the propagation of pollution)
- launching the quality improvement processes on the polluted areas.

To prevent any pollution from escaping from the area, the Company spent HUF 119 million in 2012 and HUF 92 million in 2011 on actions associated with monitoring and the exploration of the facts performed as part of the additional tests.

TVK Plc. and MOL Plc., in order to select potential technical interventions, have involved external expert companies, set up a research project, called MOLTVKBA, and as a consortium successfully participated in the tender "For a liveable environment" published by the National Research Technological Agency.

In the year 2012 the following soil and groundwater decontamination tasks were completed:

- Technical intervention on the area located south of the TVK Sajó channel
  - Decontamination of the area of the tank farm and emergency storages of the Olefin plant
- Technical intervention and testing of the innovative technology in the area of the railway loading and unloading station (air sparging system)
- Other projects planned in connection with the implementation of the TRP:
  - Exposure of facts, realization of IV. stage, isolation of contamination (sampling from temporary sampling points, diagnostic analysis)
  - Continue of hydro-geologic research detection program
  - To continue the assessment of quantitative risks – to study industrial and public water intakes
  - To enlarge a subsurface water monitoring system – approval process
  - Analysis of possible mechanic intervention scenario (optimal decontamination scenario for the contamination brand handling, which takes into consideration the human, ecological risks and economic, efficient factors with the use of calibrated transport-model)
  - The preparation of the technical intervention necessary to prevent the eastern brand front from propagating – to determine the exact spread of the contamination in order to find out the positions of the hydraulic localisation points
  - Review of innovative environmental remediation technologies
  - Investigation of possibilities to utilize hydrocarbon phase that is more heavy than water and its realization, test of the in-situ handling of DNAPL area
  - Supplementary plume front analysis
  - Preparation of the facts' exposure closing document

- Technical inspection of decontamination projects by external experts.
- Monitoring activity
  - Decontamination monitoring (subsurface water)
    1. Plume dynamics monitoring
    2. Monitoring of the area of the railway loading-unloading station and of the north-west plume
    3. Monitoring of the tank yard of the Olefin plant and of the emergency storage area
  - Soil-gas monitoring
  - Biomonitoring.

#### **5.2.4 Follow-ups after completed decontamination activities**

- Follow-up of the area of the new water softener,
- Inspection of the area of AKZO Nobel

We have received the resolution about the approval of the area of the new water softening plant. The follow-up monitoring program specified in the resolution was integrated into the monitoring program.

We implemented the monitoring program applying to the area of AKZO Nobel according to the schedule.

ÉMI-KTVF ordered a partial assessment of pollution in the surrounding area of well T-15 at AKZO's premises. The area was decontaminated in 2002 and the situation has been regularly followed-up ever since. An increased concentration of contaminants led us to conclude that AKZO has re-contaminated the area.

We prepared a closing report on the follow-up process and sent it to both the authority and AKZO. In response to the report, the authority issued decision N° 10431-14/2011 and required both TVK Nyrt. and AKZO NOBEL Co., under several and joint liability, to make a factual assessment of the situation. Parties have started the contractual negotiations to be stipulated in a cooperation agreement.

On the basis of the cooperation agreement parties will split the costs by 50%-50%. TVK generated provisions in the amount of HUF 10 million for the fact-finding works and for the documentation for the year 2013.

## 6 QUALITY MANAGEMENT

QUALITY is more for us than the quality of our products, fulfillment of our customers' needs, expectations against our suppliers. At our Company quality is one of the pillars of corporate management and process-based operation which determines our relationship with the external and internal partners, for we continuously develop our efficiency and productivity on every segment of our operation.

We pay special attention to according the control, business and supporting processes. In line with the process-oriented requirements we update our regulation system on an ongoing basis thus ensuring measurability and verifiability accordantly with the expectation of MOL Group at every time.

We continuously keep track of changes happening in the area of quality management and integrated them into our business process. We are seeking to apply in wider scale the instruments, technologies and best practices available on a broad scale. Our costumers are standing in the focus of our activity. We offer solutions with our products and relating services for our costumers, which achieve their satisfaction.

In March 2012, SGS Hungária Kft. successfully audited the integrated management system operating at our company (this was a novatory/supervisory audit according to ISO 9001, ISO 14001 and OHSAS 18001 standards). Our certified, standard control systems contribute to the improvement of our credibility and to strengthening the trust of our business partners.

In the course of the operation of our accredited laboratories the supervisory audit of the Testing Laboratory of the Technical Inspectorate and the Central Laboratory according to standard MSZ EN ISO/IEC 17025:2005 performed by National Accreditation Corporation (NAT) was a significant task. The audit was successful in both cases. We continuously make sure that our laboratories are independent and impartial.

The operation of the integrated management system, the accredited laboratories, was regularly checked by internal planned and ad-hoc audits. We lay special emphasis on the improvement and development of processes. At the audits prevention and the propagation of "best practices" were emphasized.

We endeavor to establish and maintain good relationship. We build on the remarks, opinion, proposals of our clients and suppliers. The most important inputs of our development projects were the information provided by them. In 2012 we have carried out the customer satisfaction survey in a way different from the previous practice. In order to obtain a deeper understanding of demands typical for the various market segments and the trends of customer expectations we joined a customer satisfaction survey carried out among European polymer producers. The study closing the survey, in addition to the analysis of the satisfaction of the polymer customers of the MOL Group,

- has placed us among the other polymer producers, by providing benchmark information,
- and has identified the competitive factors that are mostly influencing the polyolefin market in Europe.

We count on the loyalty of our colleagues; we turn high attention to the continuous development of their knowledge and skills. We support their innovative initiations, whose main objective to recognize, unveil ideas, proposals of employees, workers for a more efficient and safe operation. In order to maintain and increase the related activities we have renewed the information technology platform of the Support System of Ideas that has been functioning successfully for more than 10 years, both in terms of its process and efficiency. Resulting from the system we realized significant savings year-by-year as well.

## 7 HUMAN RESOURCES MANAGEMENT

In order to achieve the strategic goals of the company it is vital to attract, keep and further develop highly-qualified manpower. The goal of the company is to improve employee commitment, and to continuously develop its human capital and to give challenging tasks to its employees in all areas under the best working conditions and for the best remuneration available.

The company uses HAY system, which means, that the basis of the benefits package is the job in every cases, which ensures on corporate and MOL Group level the evaluation and classification of jobs on the basis of identical criteria. The biggest advantage of this system is that it makes comparable the benefits package systems of different companies easily.

In the year 2012 the top management of the company dedicated special attention to the career management system (CMS) among managers and specialists.

The main objectives of the career management system are formal, targeted succession planning repeated on annual basis, the determination of development needs on individual and organizational level and the planning of rotations. Accordingly assessments and career planning were carried out in 2012 as well, with the involvement of 115 employees and workers in that year. The result of the process is the creation of an internal "talent group" to provide a young generation of employees and to ensure a strategy of growth.

In 2012, continued also the STAFÉTA program, aiming at ensuring the accorded succession of foremen and leading system operators. Electric network and energy service plants joined to the polymer and olefin plants in 2011. The system operators and leading system operators participating in the program are rotated in the various plants of the TVK Plc. and take part in trainings which help them in their carrier advancement. 12 people continued the program in 2012. In the first four class of STAFÉTA totally 75 people finished their studies.

In 2012 a new management succession program was started at the company. The goal of the program is to move the business thinking of the whole company and to bring forward a management succession that can be deployed any time. The essence of the training is to combine the attainment of theoretic managerial skills and the experience of real life challenges. Within this framework the participants, in addition to the development of standard managerial competences, take part in the elaboration of real efficiency improvement projects, with the involvement of the heads and experts of the organisational units concerned. A further important asset of the program is mentoring, where participants have already attended regular meetings with experienced leaders, discussing issues and problems occurring in real life. The program helps them deepen managerial thinking and approach. 20 pre-selected colleagues have started the program this year.

The Company continued to operate the Employee Performance Evaluation System in 2012 which aims at assessing and stimulating uniform and transparent performance which is accountable also in the implementation. This system evaluates the performance of the employees according to mostly objective, partly subjective points of view. The related payment based on 9% of the annual base wage of the employees in 2012.

For managers and sales staff we operate a separate performance evaluation system based on numeric indicators so that the financial and efficiency indicators of the company are more emphasized and to further strengthen the commitment of employees.

In 2012, within the frame of the MOL Group level program (Growww) 10 new university graduates started to work in the trainee program running at the Company. Coaches help their integration, who follow and support their personal and professional development in the

course of the year. In the year 2012 the Group level “Induction days” program was organized again, where program participants had the chance to become familiar with the divisions, managers of the MOL Group, and with other new colleagues who just graduated from the university.

At the same time career starters had the chance to participate in the “Business Education Program” as well, where they could listen to presentations given in English about the function, results, vision and strategy of various divisions. Young professionals could become familiar with the processes, organizational units and function of the company in rotation.

As regards training, our strategic aim continues to be to ensure skilled staff. In line with the strategic focal points professional trainings and trainings required by the authorities complement complex training programs created according to the target groups, supporting competence development and knowledge sharing. Rotations and specific case studies presented by the members of the management facilitate the cooperation of colleagues and the sharing of experiences.

We spent HUF 66 million on the training of our colleagues.

In cooperation with the Erdey-Grúz Tibor Chemical Secondary School the education of general chemical technicians continued. At the present 15 employees attend the training. Theoretical training and the practical training takes at the Company.

TVK wishes to make sure that there are sufficient number of young professionals in the long run and therefore we lay special emphasis on the relationship with universities and secondary schools. The target of the Company is to popularize the technological positions, to develop and facilitate education of professionals for the chemical industry in the region and to support chemical research and development.

In the year 2012, within the New Downstream program of the company MOL Group decided to implement efficiency improvement and cost saving measures, including the downsizing of the headcount as well.

The relevant instructions of the Labour Code that took effect on July 1, 2012 have been successfully integrated into the regulations and employment documents of the company. Changes necessitated also the revision of the Collective Agreement (CA) of TVK Plc. and the changes have been implemented by the Human Resources Organisation in the course of discussions with the interest representations.

In 2012, the average wage growth of the employees shows an increase of 0.7% compared to the previous year. In light of the impacts of the national and world economy, which materially affect the operation, in the wage agreement the employer concluded for 2012 didn't accomplish increase of the wages for all employees, because of the unfulfilled conditions, but it executed the “expected wage-growth” prescribed by the law, which was accomplished for the legally limited range.

Other elements of the benefits package stipulate performance related pay and optional fringe benefits were linked to the EBITDA ratio of Mol Group. The payment of optional fringe benefits was effected in accordance with the stipulations of the wage agreement of 2012.

Like in former years, the Company concluded a collective life and accident insurance covering every employee.

The average full-time corporate headcount was 1,097 people in the year 2012 (1,119 people in 2011), and the closing headcount was 1,032 people on December 31, 2012.

## 8 CORPORATE COMMUNICATION AND SOCIAL COMMITMENT

Our company regards its corporate social responsibility a strategic question. We implement all this integrated into and in line with the strategy of the MOL Group. While first of all our closer region, Tiszaújváros and the settlements of the South-Borsod region, is in the focus of our CSR programs, we communicate the results attained not only to the inhabitants and professionals of the region.

Our communication strategy embraces liaising with the representatives of the media, sponsoring and facilitation, supporting professional and training programs and the Company's presence on the supported events. Our tasks are to issue corporate publications, to operate our website and our intranet platform, to apply other communication tools that are most expedient for the purposes of the Company and to promote efficient information flow between the company and its stakeholder.

It is essential for the efficient operation of our social role support programs to obtain continuous feedbacks to know how our operation is judged by those concerned by our activities and to see the results and impacts our actions make on the public. There are many channels to gather feedbacks. On one hand, we organise yearly forums and meetings for our stakeholders where the social role players have the opportunity to voice their opinions personally. On the other hand, a market research company makes annual surveys for us to see how well the chemical industry including our Company is known and to get information of how our activity and its environmental impacts and our sponsorship are judged by the public.

Without the intention of completeness, here is a list of our achievements and tools we apply.

In case of sustainable development theme, we have created a menu group for this topic on our website in 2009, where we publish our reports about the achieved results, too. Here is another way for the participants to send us their opinions and reflections on an electronic way. Recognizing the importance of this area, in 2012 we have launched a new, twofold program. On one hand, by online questionnaire among our staff, on the other hand on printed questionnaire among those between 12-15 years living in South-Borsod we have surveyed the individual (family) footprint of the two groups. Among our colleagues we have collected 440, and at the school of the region 1,100 questionnaires. The analysis of the data, involving an external expert company, is in progress, after the evaluation we will elaborate proposals for both groups, which can help stakeholders reduce their individual ecological footprint. This several years long project can result in profits for the company too, according to international experiences employees and workers who are aware of ecology in their private lives, use the same approach to their work as well.

Our communication strategy gives a high attention to the proactive handling of the news and events concerning TVK. During the year, the printed and electronic media addressed our company 303 times, 35% of which was the result of our proactive approach.

In accordance with the long-term succession objectives of the Company, we successfully applied in 2012 as well, the communication methods and solutions (which were successfully implemented in 2009) with the pupils of the region who were to decide about their profession to choose. The experience of our traditional ongoing program "In One Day around TVK" show, that we successfully draw attention to the usefulness of the chemical industry and the social usefulness of TVK's activity.

We kept to our supporting and sponsoring traditions: we endeavour to build long-term relationships with the regional institutions and organisations, which demonstrate outstanding achievements in the area of education, culture, sciences, and sports. Under this scheme and fostering decades' long relationships, we continued supporting the Miskolc National Theatre, the Tiszadob Piano Festival, and the Miskolc International Opera Festival. By supporting these programs, we helped the high-level cultural programs survive in the region. In the field of sciences, we continued supporting the Hungarian Chemical Museum and the Herman Ottó Museum.

Our sponsoring programs to sports were also conducted on the basis of long-term relationships. We maintained our support to the TVK Triathlon World Cup, having become known worldwide by now, as well as to the 14<sup>th</sup> TVK Triathlon Week. In addition to these clubs, TVK-Mali Triathlon Club and TVSE Kayak-Canoe Association are worth mentioning.

Two foundations are in the centre of our supporting activity. These are "For the Future of Tiszaújváros" (founded and operated jointly with the local government of the town) and "TVK for the Development of the South Borsod Region". During the 12 years from their foundation in 2000, the former organisation has donated nearly HUF 900 million, while the latter has distributed more than HUF 100 million as donations until the end of 2012.

As an important factor in our social role is our programs aimed at the employees of the Company.

In the framework of these programs, our internal communication tools and practices support the creation of a multicultural company environment, and help both the continuous information to the employees and the information flow from below. The communication support to and the coordination of the Human Resources and Health, Safety and Environment, and of the Factory Council contribute to safe and responsible work and to a successful employee representation.

By organising company programs, we help maintain and enhance employees' satisfaction and commitment. As part of these programs, we organised the traditional TVK family day in June for the 17<sup>th</sup> time in 2012. In the same year, it was for the 7<sup>th</sup> occasion that we had arranged the Staff Night aimed to express the Company's appreciation to those having worked for it for long years. We organized and supported our employees' participation in traditional MOL Group grand events including the family day called MOL Summer Festival, the night program held in the Museum of Fine Arts, and MOL's Christmas Concert.

In the year 2012, in connection with the tragic accident in June and with the handling of fire occurring at several plants on one hand the support of internal crisis management, on the other hand the handling of the relationship with the press to preserve the good reputation of the company were emphasized. The handling of the relationship with the press when rationalizing headcount related to the efficiency improvement, on the other hand the support of the internal information purposes of the management in order to preserve the commitment of our employees towards our company.

## ELECTED OFFICERS OF TVK Plc.

### Board of Directors

#### **MOSONYI, György**

Chairman of the Board since April 26, 2002.

Member of MOL Supervisory Board since 1st May 2011 and Chairman since 8<sup>th</sup> June 2011

Chairman of the Sustainable Development Committee.

Chairman of the Supervisory Board of SLOVNAFT a. s.

Vice President of the Supervisory Board of INA d.d.

Member of the Board of Directors of Magyar Telekom Plc. since April 2012

From 1974 onwards, Mr. Mosonyi worked for the Hungarian Agency of Shell International Petroleum Co. (Shell) and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters in London. Between 1992-1993 he was a managing director of Shell-Interag Ltd and from 1994-1999 he was Chairman and Chief Executive Officer of Shell Hungary Rt. Also in 1997 he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998. He was also vice-chairman of the Hungarian Chamber of Commerce & Industry, member of the Joint Venture Association's Presidium and President of the World Petroleum Council Hungarian National Committee.

He was Chief Executive Officer and a member of the Board of Directors of the Group between 1999 and 2011. He was Chairman of the Sustainable Development Committee between 2006 and 2011.

#### **HORVÁTH, Ferenc**

Deputy Chairman of the Board since June 22, 2011.

Member of the Board since May 1, 2011.

Executive Vice President of MOL Group Downstream Division since May 1, 2011.

He is the Chairman of the Board of Directors of IES Mantua since November, 2007, he was a member of the Board of Directors of SLOVNAFT a.s. since 2003 and member of the INA's Supervisory Board since 2012.

Certified Economist

From 1984 until 1991, he worked for Mineralimpex, the Hungarian Foreign Trade Company for Oil & Mining Products, in the fields of crude oil and natural gas imports, and crude oil product exports. Between 1991 and 1998, he was Managing Director of Allcom Trading Co., the Hungarian Mineralimpex-Phibro Energy joint-venture, dealing with the European trading of crude oil and crude oil products. He joined MOL Plc in 1998 as Director of LPG Business Unit, and worked from January 2001 onwards as Sales Director, being responsible for the sales of MOL's entire product range (petrol, diesel, petroleum products, bitumen, LPG, lubricants, and so on). Between 2002 and 2003 he was Commercial Director, sales activities having broadened to encompass the supply of crude oil and raw materials necessary for the refining of crude oil. From November 2003 he is the Executive Vice President of MOL Refining & Marketing Division until May 1, 2011 when he has been nominated as the Executive Vice President of MOL Group Downstream Division.

**PETHŐ, Zsolt**

Member of the Board since April 17, 2012.

Chief Executive Officer of TVK Plc. since June 1, 2011.

Vice President, Downstream, MOL Hungary since October 1, 2012.

Mr. Pethő graduated in the year 1991 at Bánki Donát Technical College and then, at the same school, he earned a second degree as engineer specializing in management in 1996. He graduated from the Marketing Academy in Budapest in 1997. He started working at MOL Plc. in various executive positions in 1998. After his position as LPG (propane-butane) Commodity Director he also worked as Fuel Products Director and as Sales Director of the South region, before July 2006 he was assigned as the Sales Director of Refining and Marketing. Afterwards he was appointed as Senior Vice President of MOL Group Petrochemical Division as well as CEO of TVK Plc. as of June 1, 2011. He is member of the Board from April 17, 2012. From October 1, 2012 he nominated as the Vice President, Downstream, MOL Hungary, as well as held the position of CEO of TVK Plc.

**GANSPERGER, Gyula**

Member of the Board since April 20, 2006.

Qualified Economist

Mr. Gansperger graduated in 1986 from University of Economics Budapest, Department of Finance. He obtains his professional expertises between 1986-1987 at Elektrocoop Company as Executive Officer, between 1987 and 1990 at CET Budapest Tervező Rt. as Chief accountant, between 1990-1998 at TAXORG Könyvelő és Adótanácsadó Kft. as Managing Director, between 1998 and 2001 at Hungarian Privatization and State Holding Company as Chairman and CEO, between 2001-2002. at Budapest Airport Pte. Ltd. as Chairman and CEO, between 2003-2005 at Wallis Plc. as CFO. He was the Chief Executive Officer of Wallis Ltd. between 2006-2007 and then, until December 2008 the Vice President of KÉSZ Holding Private Limited Company, member of the Board of Directors. At the present he is the CEO of MORANDO Kockázati Tőkealap-kezelő Plc.

## Titles:

2009-	MORANDO Kockázati Tőkealap-kezelő Plc., member of the Board of Directors
2008-	ConstansInvest Kft., Managing Director
2006-	TVK Plc., member of the Board of Directors
2007-2008	Kész Holding Plc., Vice President and member of the Board of Directors
2005-2007	Wallis Plc., member of the Board of Directors
2005-2007	Graboplast Plc., member of the Board of Directors
2001-2003	MATÁV Ltd., member of the Board of Directors
1998-2000	Hungarian Post Co. Ltd., member of the Board of Directors
1995-1998	Hungarian Privatization and State Holding Company, member of the Supervisory Board

**KAMARÁS, Miklós**

Member of the Board since May 2011.  
Qualified Economist

Between 1972-1990 he held various senior positions at ÉPGÉP Co., finishing as CEO. Between 1995-1998 he was Deputy General Manager of ÁPV Plc. (the Hungarian Privatisation & State Holding Co.). From 1998, Mr. Kamarás was a partner at Deloitte & Touche Hungary and head of several auditor firms. Between 2002–2004 he was CEO of ÁPV Plc., a Board member of ÁPV Plc. He was Chairman of the Board of Directors of Budapest Airport Plc., until 30th May, 2005 and Chairman of the Board of Directors of MÁV Plc. until 18th October, 2008. Between 2002–2010 he was member of the Board of Directors of MOL. Between 2009-2010, he was the CEO of the Hungarian State Holding Company (MNV Zrt.).

**Dr. MEDGYESSY, Péter**

Member of the Board since April 20, 2006.  
Former Prime Minister  
Qualified Economist

Mr. Medgyessy graduated from Budapest University of Technology and Economics, Department of Theoretical Politics and Economy in 1966. Between 1966-1982 he worked at the Ministry of Finance in different positions. Between 1982-1986 Deputy Minister of Finance. In 1987 Minister of Finance. Between 1988-1990 Deputy Prime Minister, responsible of economic affairs in the government at the time of the change of regime. Between 1990-1994 President and Director General of the French Paribas Bank Ltd. in Hungary. Between 1994-1996 President and Director General of the Hungarian Investment and Development Bank Ltd. Between 1996-1998. Minister of Finance in the Social Democratic-Liberal government. Between 1998-2001 Chairman of the Board of Directors of Inter Európa Bank and Vice President of Atlasz Insurance Ltd. Between 2002-2004 Prime Minister of the Hungarian Republic in the Social Democratic-Liberal government. On August 25, 2004 he resigns for the sake of maintaining the coalition. Extraordinary and Plenipotentiary Ambassador of the Republic of Hungary since October 14, 2004 until May 31, 2008 (Private Representative of Prime Minister).

Other professional and public activities:

2008-	Chairman of Hungarian-Hong Kong Partner Association and its honorary chairman from February, 2009
2006-	Member of Comité Européen d' Orientation founded by Jacques Delors
1998-2000	Vice President of the Commercial, Industrial and Cultural Chamber of Central European and Gulf Countries
1998-2000	Member of the Hungarian Atlantic Council
1995-1996	Member of the Board of Directors of the Hungarian Banking Association
1994-1996	Member of the Counsellors' Committee of the World Economic Forum in Davos
1994-1996.	Chairman of the Hungarian Society of Economics
1973-1977	Member of the Board of the International Institute for State Finance

**Dr. NAGY, Zoltán**

Member of the Board since May 1, 2011.

Economist by degree

He graduated from Budapest University of Economic Sciences and Public Administration, Department of Finances in 1983. At the same university he took his Ph.D. in 1988 and then he completed a course of postgraduate studies at University of Amsterdam.

Between 1983 and 1985 he worked as researcher of the Industrial Economy Institute of the Ministry of Industry and then he was senior researcher at the Economic Institute of the National Planning Office until 1991. Between January 1991 and January 1994 he was firstly Chief of Cabinet then Permanent Secretary of State of the Ministry of Finance. Then between February 1994 and October 1996 he was President and CEO of OTP Garancia Biztosító Rt. From March 1997 to September 1998 he was the Director of the State Audit Office of Hungary. Between September 1998 and November 2010 he was the President of the Hungarian Competition Authority. Between 2011 and 2012 he was the head of Compliance and Ethics Department of the Hungarian State Railways Company. Currently he is running his own business as an advisor.

## **Supervisory Board Members**

### **GYUROVSZKY, László**

Chairperson of the Supervisory Board since June 22, 2007.

Member of the Supervisory Board since April 19, 2007.

Financial Consultant, Crisis-Manager

Engineer

He is graduated as an engineer from the Slovakian Technical University of Bratislava in 1983. Between 1983 and 1990 he worked as electrical engineer at DusloSala – Slovakian chemical company. Between 1990 and 1992, as a journalist he published political and economical articles. Between 1992 and 1998, as a businessman, he dealt with the sale of sport and mobile communication articles. Between 1998 and 2002 as a Member of the Parliament of the Slovak Republic, took part in implementing the reforms of the Slovakian Economy and in the work of the Budget and Finance Committee of the Parliament. From 2002 until 2006 he was a minister of the Regional Development and Construction of the Slovak Government. He is a member of TVK Plc's Supervisory Board since April 19, 2007 and Chairman of it since June 22, 2007.

He is the Chairman of the Audit Committee since June 22, 2007.

### **RÉTI, László**

Deputy Chairman of the Supervisory Board since May 13, 2011.

Member of the Supervisory Board since April 29, 2010.

Maintenance Engineer

Mr. Réti graduated at the Miskolc University in 2001 majoring mechanical engineer. He started to work in 1986 at TVK Plc. at the chemical fertilizer plant, and continued to work at the maintenance unit of the olefin plant in 1995. He participated in the reconstruction work of the olefin unit, while took part in the construction of the Olefin-2 plant between 2002 and 2004, as technological controller. He works at the Asset Management as maintenance engineer. He is also member of the Works Council, where he has been doing different tasks in the Human, Sport and Meal Committee in the last 11 years.

**dr. BAKACSI, Gyula**

Member of the Supervisory Board since April 19, 2007  
Head of Department, professor, at the Corvinus University of Budapest.  
Head of Department, professor of the Sapientia Hungarian University of Transylvania.  
Economist, doctorate degree, candidate for Economics

Dr. Gyula Bakacsi is the Head of Department, Professor, at the Corvinus University of Budapest, Faculty of Economics, Faculty of Organisational Theory. He is the Head of Department, Professor of the Sapientia Hungarian University of Transylvania, the Faculty of Economics and Human Sciences, Business Sciences.

He is graduated in 1983 at the Faculty of Industry of the Marx Károly University of Economics in Budapest. He got his doctorate degree in 1988, candidate for Economics degree in 1994. Between 1983 and 1985 he worked at the MTA-MKKE (Marx Károly University of Economics) as science associate at the Coordination Secretary of Faculty „Socialist Company” National Perspective Scientific Research. Between 1985 and 1990, he was assistant lecturer at the Faculty of Industrial Business Organisation at MKKE. Between 1990 and 2004 he was adjunct, from 1994 docent at the Faculty of Organisation and Management Theory at the University of Economics, Budapest. Between 2000 and 2002 he was Deputy Rector of the Faculty of University Politics and Development at the University of Economics and State Administration, Budapest. From 2003 he is a Head of Department of the Business Sciences at the Csikszereida Unit of the Sapientia Hungarian University of Transylvania. In 2004, he was the Deputy Rector of the University, between 2004 and 2008, he was the Rector of the Faculty of Economics and Human Sciences. From 2005, he is the Head of Department, Professor, at the Corvinus University of Budapest, Faculty of Organisational Theory, and Deputy Director of the Management Sciences Institution. From 2003, he is the Chairman of the Economics Sciences Professional Committee of the National Scientific Student Association. He was a corporate member of the Local Government of Martonvásár between 2004 and 2006. From 2005, he is the Chairman of the Supervisory Board of the PEMÜ Private Limited Company, Chairman of the Supervisory Board of MÁV KfV Ltd. and member of the Supervisory Board of E-Star Alternatív Plc. Since 2012 he is member of the Board of Directory of Díjbeszedő Faktorház Plc.

**dr. BÍRÓ, György**

Member of the Supervisory Board since April 19, 2007.  
Director and Head of Department, Professor of Civil Sciences Institution of the Faculty of Law, at the University of Miskolc.  
Lawyer

He graduated as lawyer at the Faculty of Law at the József Attila University of Sciences in 1978. From 1978 he worked at the Diósgyőri Gépgyár as legal advisor. He works at the University of Miskolc: 1982-84 he was professor assistant, until 1993 professor, between 1993-1999 he was the head of Department of Civil Law, at the University of Miskolc. Between 2000-2006 he was pro-rector of the University, since 2006 he is the rector of the Department of Civil Sciences Institution of the Faculty of Law . Since 1989 he works as a lawyer, since 1997 he is the deputy chairman of the Bar Association of Borsod-Abaúj-Zemplén County. Since 1995 he is member as a censor of the Hungarian Special Legal Exam's Committee.

**TURÓCZY, Judit**

Member of the Supervisory Board since April 21, 2011.

Mrs. Turóczy is a chemist, she has been working at TVK Plc. since 24 years, at the present she is employed as application technologist in the technical consulting of Polymer Marketing and Sales. Since 2000 she has been the shop-steward of the Trade Union of Petrochemical Workers, since 2010 she has been member of the Workers Council of TVK Plc., she is Vice President of the Mass Sport Committee.

## Top Management

### **PETHŐ, Zsolt**

See CV in the section on the Board of Directors

### **PETRÉNYINÉ SZABÓ, Krisztina**

Polymer Marketing and Sales Manager, Deputy CEO as from October 1, 2009 to July 25, 2012.

Qualified Economist

Mrs. Petrényi graduated from the University of Economics Miskolc as a qualified economist in 2000 and obtained a professional economist degree in Foreign Trade Management at Budapest Business School in 2003. She started her carrier in 2000 at Sales Department of TVK. From 2002 she has acted as a senior sales executive of polyethylene export sales. She was appointed as an integrated Senior Sales Executive of polymer export sales starting 2003.

In February 2006 she took over the position of Head of Polymer Sales. Mrs. Petrényi was appointed Deputy CEO responsible for Polymer Marketing and Sales at TVK Plc. from October 1, 2009 to July 25, 2012. After this date, Mr. Pethő handles her tasks.

### **HODOSSY, Gyula**

Deputy CEO, Chief Financial Officer from July 1, 2007 to July 15, 2012.

Qualified Economist

Mr. Hodossy started his career in 1989 at TVK's Customs and Material Acceptance. Graduated from the Budapest College of Finance and Accounting in 1995 and obtained a Diploma in Management studies at EuroContact Business School in 2002. From 1995 continued his work as an analysing economist at the Controlling Office. He was appointed the group leader of Inventory Management in 1997. From January 2001, he acted as the economic manager at the Olefin Business Unit. In July 2002 he took over the position of the head of the Internal Audit, then from January 2004 he was appointed the head of Energy Supply and Maintenance Management. From July 1, 2007 he acted as Deputy CEO, Chief Financial Officer of TVK Plc. to July 15, 2012.

### **BÓTA, János**

Director of Petrochemical Technology and Project Development from August 1, 2007 to December 31, 2012.

Chemical Engineer

Mr. Bóta graduated as chemical engineer from the Process Control Faculty of the University of Veszprém in 1985. In 1994 he has received engineer-manager degree at the University of Miskolc. He has been working at TVK since 1985. For ten years he worked in various positions at the Production Unit (HDPE-1 and PP-3 Plants), between 1989 and 1995 he was plant manager. From 1995 he was the sales manager of the HDPE Business Unit, from 1998 worked as PP business unit director. From 2000 he was in the position of marketing and sales manager, from 2002 he held the post of technology development manager. From August 1, 2006 for one year he worked at the Netherlands office of Fluor Company, as process engineering manager. From August 1, 2007 he was the Director of Petrochemical Technology and Project Development to December 31, 2012.

**VÁLYI NAGY, Tivadar**

Director, Production since July 1, 2007.  
Qualified Chemical Engineer

Mr. Vályi-Nagy graduated as a chemical engineer at the Mineral Oil and Coal Technology faculty of the University of Chemical Engineering in Veszprém in 1982. He joined TVK in 1978 and worked as Plant Engineer in various polymerisation plants of the Company before 1994. He acted as Project Manager in the implementation jobs of the ERP application to move on to managing the economics of a business unit starting 1995. Later on he was in charge of planning and analysing in the Petrochemical Division. Mr. Vályi-Nagy has been Chief Controller of the Company since 2000. He worked as Deputy CEO, Chief Financial Officer between January 1, 2005 and June 30, 2007. He was appointed TVK's Production Director on July 1, 2007.

**SÁNDOR, Balázs**

Chief Financial Officer, Deputy CEO since July 15, 2012  
Qualified Gas Engineer

Mr. Sándor graduated at the University of Miskolc as gas engineer then obtained MBA degree at the Budapest University of Technology and Economics. He works at MOL Group since 1996, first at the Gas Segment in various positions. Until 1999, he was a technological engineer at MOL Rt.'s Crude Oil and Natural Gas Transmission Business Line. Between 2000 and 2003, he was a controlling expert of MOL Rt. Natural Gas Segment's Planning and Controlling Department and had active part in preparing the natural gas market regulation valid since January 2004. Between 2004 and 2007 he was the Business Operation and Support Director of the newly established MOL Natural Gas Transmission Rt. From 2008 until September 2011, he was the Chief Financial Officer and from 2010, he was a member of Board of the Directors of the Company. From September 2011 until July 2012 he took part in the development of MOL Group's new management concept. Since July 15, 2012 he is the Chief Financial Officer of TVK Plc.

**RÁCZNÉ BODNÁR, Adrienn**

Human Resources Manager since January 3, 2012

Mrs. Rác obtained her first pedagogical degree in 1995, and then in 1997 a second degree on the University of Polity Budapest specializing in Executive Administration. In 1998 she started her carrier as an organization developer at the legal department of Hungarian Post Ltd., Miskolc. She joined to TVK as an organization development expert in 2007. She has been the member of TVK HR team since 2008. She was appointed as Human Resources Manager of TVK as of January 3, 2012.

**Shares held by the members of the Board of Directors, Supervisory Board  
and Top Management  
(December 31, 2012)**

**BOARD OF DIRECTORS**

<b>Name</b>	<b>Number of Shares Registered (pcs)</b>
Mosonyi György	0
Horváth Ferenc	0
Pethő Zsolt	0
Gansperger Gyula	0
Kamarás Miklós	0
Dr. Medgyessy Péter	0
Dr. Nagy Zoltán	0

**SUPERVISORY BOARD**

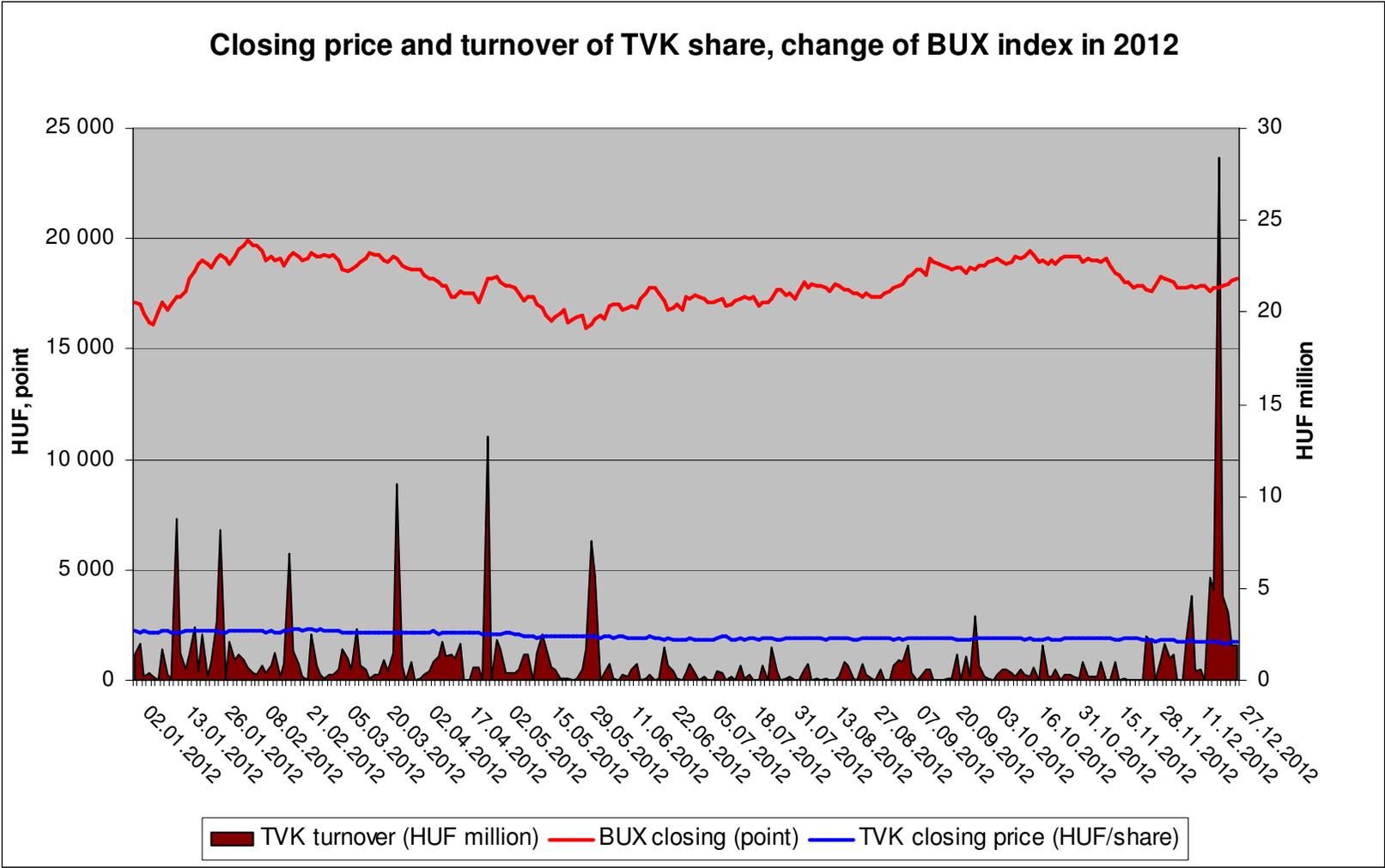
<b>Name</b>	<b>Number of Shares Registered (pcs)</b>
Gyurovszky László	0
Réti László	0
dr. Bakacsi Gyula	0
dr. Bíró György	0
Turóczy Judit	0

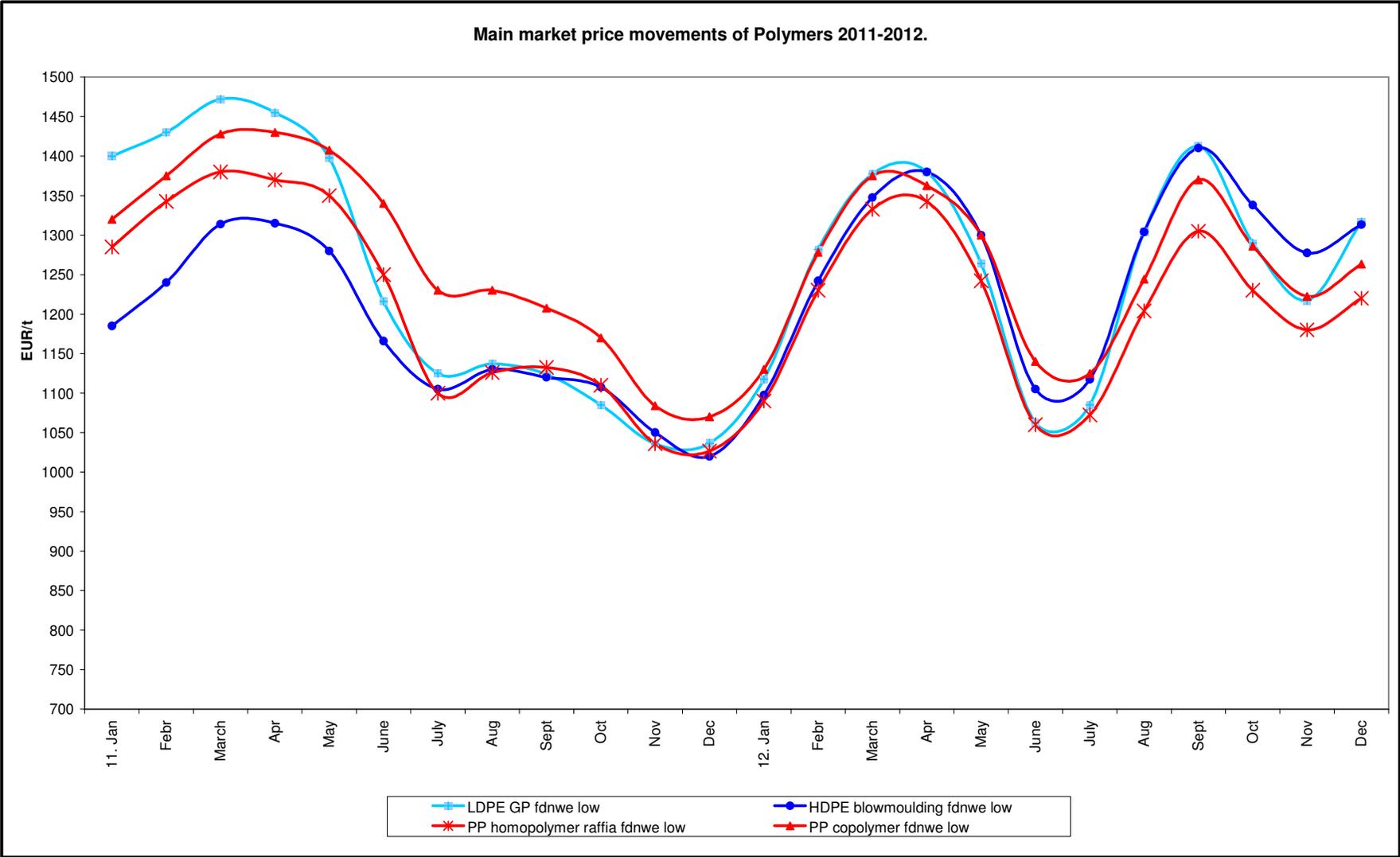
**MANAGEMENT**

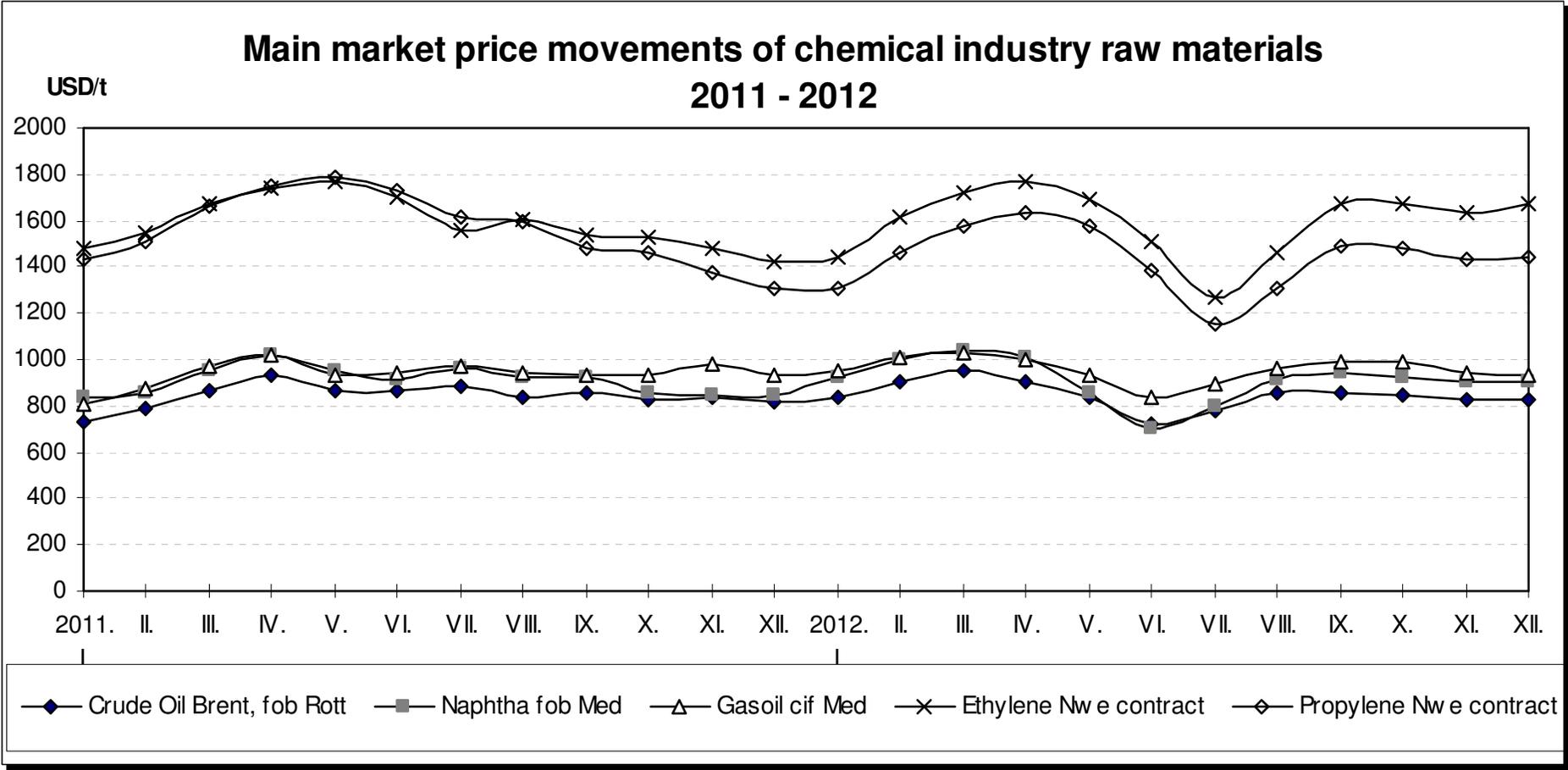
<b>Name</b>	<b>Number of Shares Registered (pcs)</b>
Pethő Zsolt	0
Petrényiné Szabó Krisztina*	0
Hodossy Gyula**	0
Bóta János	0
Vályi Nagy Tivadar	0
Sándor Balázs	0
Ráczné Bodnár Adrienn	0

\* She was the Polymer Marketing and Sales Manager, Deputy CEO until July 25, 2012.

\*\* He was the CFO and deputy CEO until July 15, 2012.







## Income statement type "A"

in HUF million

	Description	TVK Plc.	
		2011	2012
01.	Net domestic sales	219 142	206 766
02.	Net export sales	197 166	177 293
	<b>I. NET SALES</b>	<b>416 308</b>	<b>384 059</b>
03.	Change in self-produced stocks	2 255	4 699
04.	Capitalised value of self-produced assets	1 891	1 517
	<b>II. CAPITALIZED VALUE OF OWN PERFORMANCE</b>	<b>4 146</b>	<b>6 216</b>
	<b>III. OTHER INCOME</b>	<b>3 340</b>	<b>2 166</b>
05.	Material costs	362 024	333 236
06.	Material type services	12 607	12 248
07.	Other services	1 303	1 344
08.	Cost of goods sold	25 323	26 660
09.	Cost of services sold	4 063	4 262
	<b>IV. MATERIAL TYPE EXPENSES</b>	<b>405 320</b>	<b>377 750</b>
10.	Wages and salaries	5 785	6 022
11.	Other personnel expenses	1 053	1 023
12.	Payroll related contributions	1 767	1 946
	<b>V. PERSONNEL COSTS</b>	<b>8 605</b>	<b>8 991</b>
	<b>VI. DEPRECIATION</b>	<b>11 452</b>	<b>11 932</b>
	<b>VII. OTHER EXPENDITURES</b>	<b>14 470</b>	<b>10 950</b>
	<b>A. OPERATING PROFIT</b>	<b>-16 053</b>	<b>-17 182</b>
13.	Dividend received	1 176	587
14.	Capital gain on financial investments sold	594	68
15.	Interest income and capital gains on financial investments	13	16
16.	Other received interest and similar income	79	57
17.	Other financial income	10 075	10 185
	<b>VIII. FINANCIAL INCOME</b>	<b>11 937</b>	<b>10 913</b>
18.	Foreign exchange loss on financial investments	0	0
19.	Interest payable	593	1 100
20.	Impairment loss of participations, securities and bank deposits	0	-3
21.	Other financial expenditures	9 377	9 887
	<b>IX. FINANCIAL EXPENDITURES</b>	<b>9 970</b>	<b>10 984</b>
	<b>B. FINANCIAL PROFIT / LOSS (-)</b>	<b>1 967</b>	<b>-71</b>
	<b>C. PROFIT FROM ORDINARY ACTIVITIES</b>	<b>-14 086</b>	<b>-17 253</b>
X.	EXTRAORDINARY PROFIT	5 891	3 543
XI.	EXTRAORDINARY EXPENDITURES	1 124	0
	<b>D. EXTRAORDINARY PROFIT / LOSS (-)</b>	<b>4 767</b>	<b>3 543</b>
	<b>E. PROFIT BEFORE TAXATION</b>	<b>-9 319</b>	<b>-13 710</b>
XII.	Taxation	0	0
	<b>F. PROFIT AFTER TAXATION</b>	<b>-9 319</b>	<b>-13 710</b>
22.	Retained earnings used for dividends	0	0
23.	Dividends approved, paid	0	0
	<b>G. PROFIT FOR THE PERIOD</b>	<b>-9 319</b>	<b>-13 710</b>

## BALANCE SHEETS

### Assets

in HUF million

	Description	TVK Plc.	
		31.12.2011	31.12.2012
<b>01.</b>	<b>A. FIXED ASSETS</b>	<b>111 324</b>	<b>107 774</b>
<b>02.</b>	<b>I. INTANGIBLE ASSETS</b>	<b>2 240</b>	<b>1 895</b>
03.	Capitalized value of foundation and restructuring	0	0
04.	Capitalized value of research and development	0	0
05.	Property rights	0	0
06.	Intellectual property	2 240	1 895
07.	Goodwill	0	0
<b>08.</b>	<b>II. TANGIBLE ASSETS</b>	<b>106 048</b>	<b>103 098</b>
09.	Real estate and related property rights	27 375	27 059
10.	Technical machines and equipment	72 158	70 375
11.	Other machines and equipment	4 195	4 030
12.	Assets in the course of construction	2 320	1 634
13.	Advances for construction	0	0
<b>14.</b>	<b>III. FINANCIAL INVESTMENTS</b>	<b>3 036</b>	<b>2 781</b>
15.	Long-term investments in associates	2 803	2 781
16.	Long-term loans to associates	0	0
17.	Other long-term investments	0	0
18.	Other long-term loans	2	0
19.	Long-term debt securities	231	0
<b>20.</b>	<b>B. CURRENT ASSETS</b>	<b>85 071</b>	<b>93 617</b>
<b>21.</b>	<b>I. INVENTORIES</b>	<b>15 637</b>	<b>20 973</b>
22.	Materials	5 604	6 048
23.	Work in process	2 156	2 063
24.	Finished products	6 469	11 261
25.	Merchandises	1 280	1 537
26.	Advances for inventories	128	64
27.	Livestock	0	0
<b>28.</b>	<b>II. RECEIVABLES</b>	<b>65 587</b>	<b>68 858</b>
29.	Trade receivables	42 496	42 245
30.	Receivables from associates	8 479	8 181
31.	Receivables from other related parties	0	0
32.	Bill receivables	0	0
33.	Other receivables	14 612	18 432
<b>34.</b>	<b>III. MARKETABLE SECURITIES</b>	<b>0</b>	<b>231</b>
35.	Securities in related parties	0	0
36.	Other securities	0	0
37.	Treasury shares, participations	0	0
38.	Debt securities held for trading	0	231
<b>39.</b>	<b>IV. CASH AND BANK</b>	<b>3 847</b>	<b>3 555</b>
40.	Petty cash	3	3
41.	Bank accounts	3 844	3 552
<b>42.</b>	<b>C. PREPAYMENTS</b>	<b>352</b>	<b>959</b>
43.	Accrued income	314	916
44.	Prepaid expenses	38	43
<b>45.</b>	<b>TOTAL ASSETS</b>	<b>196 747</b>	<b>202 350</b>

## BALANCE SHEETS

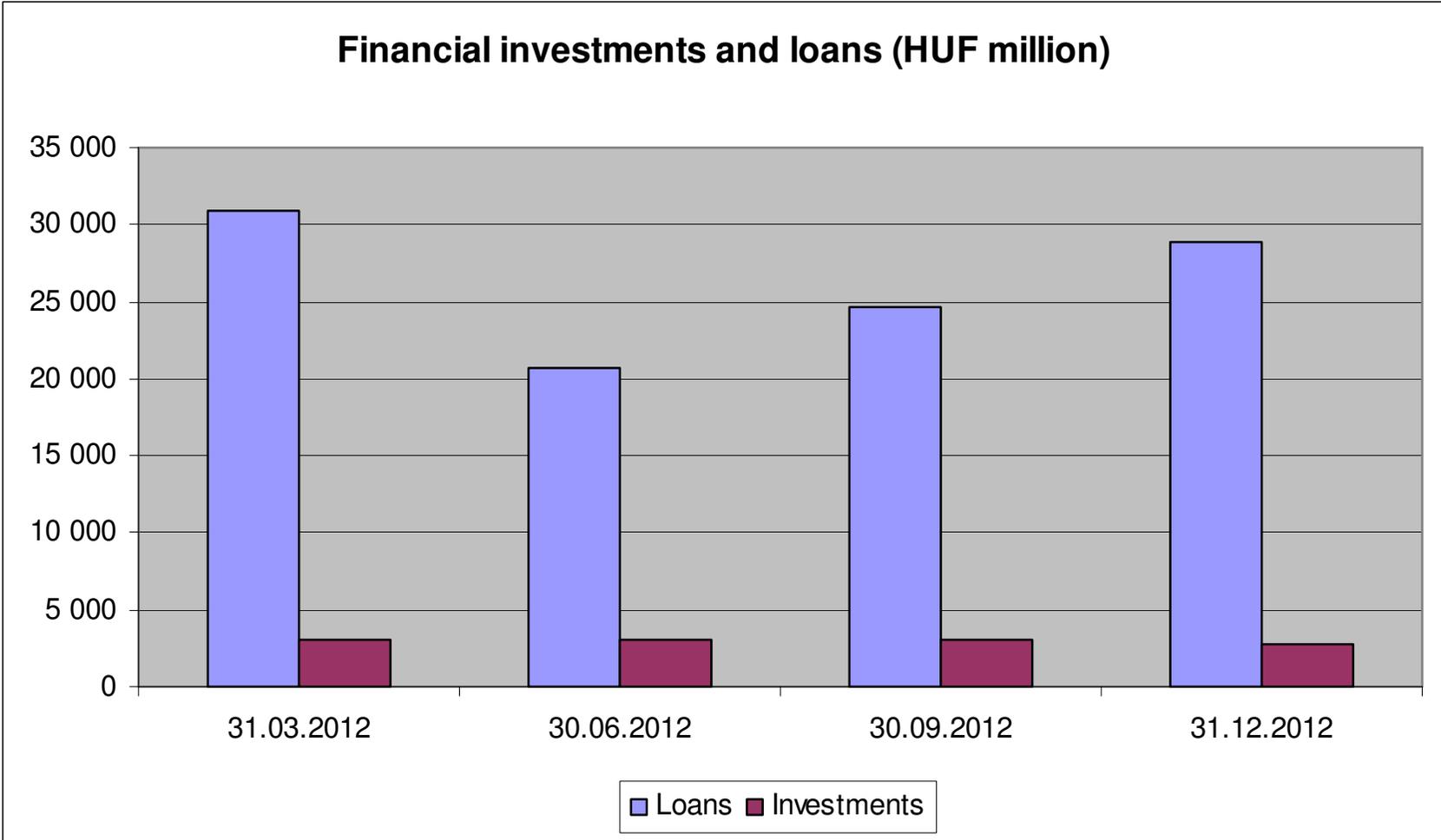
### Liabilities

in HUF million

	Description	TVK Plc.	
		31.12.2011	31.12.2012
<b>46.</b>	<b>D. SHAREHOLDERS' EQUITY</b>	<b>123 424</b>	<b>109 714</b>
47.	I. Share capital	24 534	24 534
48.	II. Issued unpaid capital	0	0
49.	III. Capital reserve	4 624	4 624
50.	IV. Retained earnings	103 585	94 266
51.	V. Allocated reserve	0	0
52.	VI. Revaluation reserve	0	0
53.	VII. Profit for the year	-9 319	-13 710
<b>54.</b>	<b>E. PROVISIONS</b>	<b>4 960</b>	<b>4 916</b>
55.	Provision for expected liabilities	4 948	4 916
56.	Other provisions	12	0
<b>57.</b>	<b>F. LIABILITIES</b>	<b>65 276</b>	<b>86 241</b>
<b>58.</b>	<b>I. SUBORDINATED LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>59.</b>	<b>II. LONG TERM LIABILITIES</b>	<b>5 518</b>	<b>20 390</b>
60.	Long term loans	0	0
61.	Investment and development loans	0	0
62.	Other long term loans	0	0
63.	Long-term liabilities to associates	5 518	20 390
64.	Other long-term liabilities	0	0
<b>65.</b>	<b>III. SHORT TERM LIABILITIES</b>	<b>59 758</b>	<b>65 851</b>
66.	Short term debt	0	0
67.	Short term loans	0	3 938
68.	Advances from customers	351	306
69.	Trade payable	7 454	5 397
70.	Bill of exchange	0	0
71.	Current liabilities to associates	47 794	52 951
72.	Current liabilities to other associates	0	0
73.	Other current liabilities	4 159	3 259
<b>74.</b>	<b>G. ACCRUED EXPENSES</b>	<b>3 087</b>	<b>1 479</b>
75.	Deferred income	39	22
76.	Accrued expenses	2 826	1 456
77.	Deferred negative goodwill and extraordinary	222	1
<b>78.</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>196 747</b>	<b>202 350</b>

**Net Sales by regions**  
2011 - 2012

Region	TVK Plc.			
	2011		2012	
	in HUF million	%	in HUF million	%
<b>Europe</b>	<b>192 630</b>	<b>46</b>	<b>172 230</b>	<b>45</b>
- Czech Republic	19 827	5	28 462	7
- Italy	32 568	8	26 764	7
- Germany	31 694	8	25 169	7
- Poland	29 338	7	22 478	6
- Romania	7 735	2	8 268	2
- Austria	8 980	2	7 595	2
- Slovakia	10 958	3	5 314	1
- France	4 822	1	3 613	1
- United Kingdom	3 032	1	2 192	1
- Other Europe	43 676	9	42 375	11
<b>America</b>	<b>2 643</b>	<b>1</b>	<b>3 519</b>	<b>1</b>
<b>Asia</b>	<b>798</b>	<b>0</b>	<b>756</b>	<b>0</b>
<b>Africa</b>	<b>34</b>	<b>0</b>	<b>27</b>	<b>0</b>
<b>Other areas</b>	<b>1 061</b>	<b>0</b>	<b>761</b>	<b>0</b>
<b>Export sales revenue</b>	<b>197 166</b>	<b>47</b>	<b>177 293</b>	<b>46</b>
<b>Domestic sales revenue</b>	<b>219 142</b>	<b>53</b>	<b>206 766</b>	<b>54</b>
<b>Total sales revenue</b>	<b>416 308</b>	<b>100</b>	<b>384 059</b>	<b>100</b>



### Headcount and wages of TVK Plc.

#### Headcount

Description	Unit	2011 actual	2012 actual	Index %
· Yearly average number of fulltime employees	person	1,119	1,097	98.0
· Yearly average number of part-time employees	person	4	3	75.0
· Yearly average number of all employees	person	1,130	1,108	98.1

#### Wage Bill

· Wage bill of full time employees and accruals	HUF million	5,646.5	5,764.4	102.1
· Wage bill of other employees	HUF million	138.5	257.6	186.0
· Total wages and salaries	HUF million	5,785.0	6,022.0	104.1

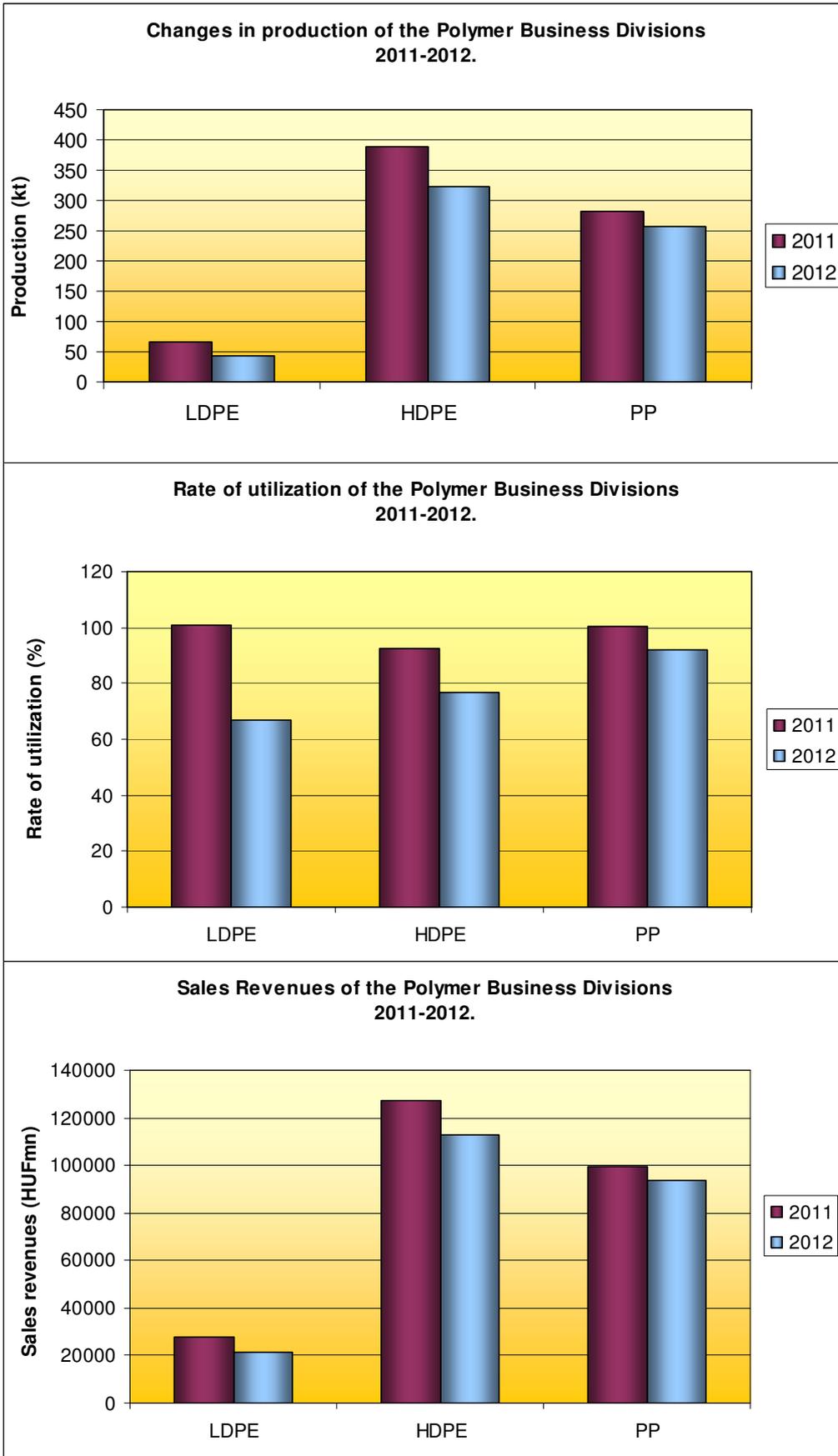
#### Average Wages

· Average wage	HUF/person/year	5,149,456	5,186,088	100.7
· Monthly average wage	HUF/person/month	429,121	432,174	100.7

## Fringe Benefits

HUF thousand		
Title	2011 Actual	2012 Actual
May be granted to those in social need		
Financial aid	3 940	4 200
Funeral costs	318	30
<b>Total</b>	<b>4 258</b>	<b>4 230</b>
Fringe benefits for all employees		
Group Life & Accident Insurance	3 066	2 975
Workplace program costs	3 486	5 004
<b>Total</b>	<b>6 552</b>	<b>7 979</b>
Other available benefits		
Transportation to/from work	68 272	63 909
Transportation of workers	7 754	8 583
Primary healthcare	46 348	52 846
Cultural expenditures	7 827	7 922
<b>Total</b>	<b>130 201</b>	<b>133 260</b>
<b>Optional fringe benefits(OFB)</b>	<b>unitedly HUF 560 th/person/year</b>	<b>unitedly HUF 560 th/person/year</b>
OFB purchase value	538 102	484 066
OFB preferential tax	86 506	85 301
<b>Total</b>	<b>624 608</b>	<b>569 367</b>
Granted by employer to certain job categories		
Education, training	71 133	66 241
Protective clothing	72 667	115 581
Prophylactic beverages	18 780	19 449
<b>Total</b>	<b>162 580</b>	<b>201 271</b>
<b>GRAND TOTAL</b>	<b>928 199</b>	<b>916 107</b>

### Production, capacity utilization and sales of the Polymer Divisions



## TVK PLC'S ASSOCIATES 2012

	Name of Company	Net book value (HAS)		Registered Capital/	Ownership	Status
		31.12. 2011	31.12. 2012	Share Capital *	31.12. 2012	
		HUF thousand	HUF thousand	31.12. 2012	(%)	
<b>Investments</b>						
1	TVK Ingatlankezelő Kft	2 070 000	2 070 000	2 070 000	100,00%	L
2	TVK UK Ltd. (th GBP)**	21 041	-	-	-	-
3	TVK -France S.a.r.l. (th EUR)	19 929	19 929	76	100,00%	L
4	TVK Polska Spzoo. (th PZL)***	6 058	6 058	109	100,00%	L
5	TMM Tűzoltó és Műszaki Mentő Kft.	900	900	3 000	30,00%	T
6	TVK Erőmű Term. Szolg. Kft.	683 826	683 826	2 630 100	26,00%	T
7	TVK Ukraina tov (th Hryvna)****	1 457	-	-	-	-

Status:

- L: Subsidiaries
- T: Associated

Note:

- \* The registered capital/share capital is expressed in ths HUF; otherwise in the currency indicated
- \*\* Dissolution finished on 9 November, 2012.
- \*\*\* Dissolution started on 15 June, 2012.
- \*\*\*\* TVK Ukraina tov was sold on 26 March, 2012.