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

BUSINESS REPORT ON THE YEAR 2011 BASED ON THE TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY'S ANNUAL REPORT PREPARED IN ACCORDANCE WITH HUNGARIAN ACCOUNTING STANDARDS

Tiszaújváros, 21 March 2012

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1 INTRODUCTION

1.1 ECONOMIC ENVIRONMENT

Macroeconomic Processes

World economy: Decelerating growth

2011 saw a marked but not very surprising slowdown in the global economy following the unsustainable boom of 2010. The winding down of stimulus packages across the globe and concerns regarding the future of the Eurozone left their imprint on global economic performance which only grew by 3.8 percent in 2011 versus 5.2 percent in 2010, a broadly-based loss of momentum, especially at the end of the year. The advanced economies grew by 1.6 percent in 2011 while emerging countries experienced a hefty 6.2 percent growth. The International Monetary Fund (IMF) estimates that further deceleration will come in 2012 as the Eurozone slips into recession, while developing economies will also slow down due to a worsening external environment and a weakening of internal demand. The IMF forecasts global GDP will grow by 3.3 percent, mostly driven by the developing regions. Central & Eastern Europe, however, will only expand by 1.1 percent in 2012, mainly due to adverse knock-on effects from the euro area trade and financial channels. There is also a downside risk to global growth if the Eurozone crisis worsens.

CEE: Two-speed recovery with

The CEE region's two-speed recovery continued in 2011 with Poland, Slovakia and Romania performing strongly, while Croatia and Hungary, among others, continued to lag behind. Overall, the region expanded by 5.1 percent according to the IMF. At the end of 2011, the region experienced net capital outflows for the first time since 2009 and Western banks were also deleveraging which created deterrents for growth prospects. Due to high exposure to Eurozone stress, Central & East European GDP growth is projected to slow down dramatically in 2012 to 1.1 percent, with some countries falling back into recession.

Economy tendencies in Hungary

Hungary: Slow recovery

The Hungarian economy grew by 1.7 percent in 2011, according to preliminary data by the Hungarian Statistics Office, supported solely by exports, while domestic demand contracted still further. External financing uncertainties forced the Government to request IMF subsidy. Negotiations are now in progress but the potential terms of a loan are still in question.

Petrochemical Trends

In 2011, the average quoted (FOB med) price of naphtha was 906 USD/t, the average quoted price (CIF med) of gasoil was 937 USD/t. The naphtha showed a year on year increase of 31% whilst the price of gasoil a 39% increase. (appendix 5)

The prices quoted in the European markets for the polymer products produced by TVK (ICIS' lor fd NWE low spot, EUR/t) increased in the first quarter as the feedstock prices grew, and from April showed a slightly decreasing tendency in the year. For the year as a whole, the average quoted price of LDPE was higher by 3%, whiles the HDPE price increased by 16-17%, and that of polypropylene were higher by 6-7% year on year. In 2011, the average quoted price of LDPE was 1,243 EUR/t, the blown HDPE grade was 1,169 EUR/t, whilst PP homopolymer raffia and copolymer grades were 1,209 and 1,274 EUR/t. (appendix 4)

The HUF weakened by 1% against the EUR and strengthened by near 3% against the USD, while the EUR decreased by 5% against the USD.

As a consequence of the changes in the feedstock prices, quoted polymer prices and EUR/USD exchange rates, the integrated petrochemical margin in the average of 2011 decreased by 14% in HUF- and EUR-terms year-on-year.

1.2 STOCK EXCHANGE SITUATION

TVK Shares on the Budapest Stock Exchange (BSE)

Although 2011 saw a reduction in the activities of capital markets globally which also resulted in a decrease of the domestic stock exchange's turnover, Budapest Stock Exchange (BSE) managed to preserve its operational stability. For BSE, the main feature of the year 2011 was the extension of its product range, the main result of which was the successful launch of trading with foreign equities on the newly established MTF, called "BETa" Market. The increasing trend of new listings in recent years has continued as more and more domestic companies opt for capital market financing. Financing through corporate bond has been on the increase. In total, six new equity issuers had their shares listed, and four companies issued seven new series of bonds on the market.

In the first half of 2011, BUX index, the index of BSE outperformed European and regional markets. Then, as a result of the eurozone crisis the market's opinion turned negative; therefore BUX index started a slide in the second half of the year, and lagged behind the markets of the continent. As opposed to the value of 21,746 points in the beginning of the year the index peaked on April 7, 2011 at 24,451 points. It reached its lowest value on September 26 at 14,930 points. BUX index strengthened by the end of the year, and closed at 16,974 points, showing a 22% decrease over the whole year. On the cash market the tendency of the previous years continued, the contribution of the equities section to the total turnover was significant (93.1%). The turnover in equities continued to concentrate in the blue chips (97.5%).

During the year of 2011 the share price of TVK decreased by 35%. The closing value of the 1st day of the year was HUF 3,445, while the closing value was HUF 2,240. This share price is the lowest of the former ten years. In the first seven months of the year, share price continuously decreased. After a downturn in August-September, price share stagnated until the end of the year. In 2011, the minimum closing value was HUF 2,150, while the maximum closing value amounted to HUF 3,540. (appendix 3)

In 2011, the yearly turnover of the TVK shares was HUF 1,422 million and 520,852 pcs, while the average daily turnover was HUF 5.6 million. The market capitalization of the TVK shares amounted to HUF 54.4 billion, down by 32% compared to the last year (HUF 80.2 billion). TVK was the 8th among the listed companies in terms of market capitalization. The TVK shares did not really belonged to the liquid papers, as a consequence of the small fraction of public shares.

According to the Resolution of BSE CEO, TVK shares as from April 1, 2011 was removed from the BUX basket and was included in the BUMIX basket; than from October 3, 2011 the equity was removed from BUMIX basket as well. Until March 31, 2011, TVK share had a ratio of 0.19% of BUX basket capitalization. During the supervision of BUX index, made in spring 2011, the share did not meet one criteria due to the low free-float, therefore it was removed from the basket. The share was included in the BUMIX basket with a ration of 3.08% basket capitalization on April 1, 2011. During the supervision of the composition of Bumix made in the fall, the equity met only three of the seven criteria, therefore was removed from the BUMIX basket from October 3, 2011; due to the low free-float and capitalization ratio, the low turnover data, no. of transaction and volatility.

According to the ranking supervision made among "A" category listed share series in September 2011 TVK share met the criteria, so belong to the „A" category.

Ownership Structure

There was no significant change in the shareholder structure of the company during the year of 2011, since there was no change in the person and share of those shareholders having more than 5 % of shares. According to the Shareholder Register MOL Plc. has 86.79 %, while Slovnaft, a.s., a subsidiary of MOL Plc, has 8.07% shareholder stake. Therefore MOL Plc. has 94.86% direct and indirect influence on TVK Plc.

At the end of the year, the shareholder stake of the domestic institutional investors was 88.1%, while the stake of the foreign investors remained at 9.2%. The ownership share of private investors was not significant, reaching 1.3%. The company had no treasury shares in 2011 either.

The Annual General Meeting of TVK Plc. held on April 14, 2011 approved to pay a dividend of HUF 1,991,849,126 in respect of the 2010 financial year to its ordinary shares. Accordingly the gross dividend is HUF 82 per share. The payment of dividend commenced on June 06, 2011.

Ownership Structure as per the Share Register

Description of owner	December 31, 2010			December 31, 2011		
	Owner-ship ratio (%)	Voting ratio (%)	Holdings (of shares)	Owner-ship ratio (%)	Voting ratio (%)	Holdings (of shares)
Domestic institution/company	89.30	89.30	21,690,707	88.10	88.10	21,401,032
Foreign institution/company	9.21	9.21	2,237,133	9.20	9.20	2,231,796
Domestic individual	1.19	1.19	288,245	1.29	1.29	314,443
Foreign individual	0.02	0.02	6,190	0.03	0.03	7,227
Employees, senior officers	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Shares held by unidentified parties	0.28	0.28	68,568	1.38	1.38	336,345
TOTAL	**100.00**	**100.00**	**24,290,843**	**100.00**	**100.00**	**24,290,843**

Shareholders with more than 5% interest
On December 31, 2011, as per Share Register

Shareholder	Quantity (of shares)	Interest (%)	Voting ratio (%)
MOL Hungarian Oil and Gas Public Limited Company	21,083,142	86.79	86.79
Slovnaft, a.s.	1,959,243	8.07	8.07

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 associated companies of TVK Plc. see Appendix no. 13.

Dissolution of TVK UK Ltd. started on 1 July, 2009.
TVK Italia S.r.l. was sold on 12 December, 2011.
TVK Inter-Chemol GmbH. was sold on 20 December, 2011.

2 ANALYSIS OF THE AUDITED BALANCE SHEET AND PROFIT AND LOSS DATA OF TVK PLC. FOR THE YEARS 2010 AND 2011

2.1 STRATEGIC FINANCIAL RATIOS

Financial Ratios	2010	2011
EPS – Earnings per share (HUF/share) (Profit after tax / number of ordinary shares)*	(226.26)	(383.64)
OCF/Shares – Operating cash-flow per share (HUF/share) (Operating cash flow / number of ordinary shares)*	313.99	(138.53)
Net debt/equity – Net debt to equity % ((Long-term and short-term loans less cash and bank less securities, except repurchased employee shares) /equity)*100	1.24	6.72

*The total number of ordinary shares was 24,290,843 in 2010 and in 2011.

2.2 PROFITABILITY AND PROFITS

HUF million

	2010	2011
Net domestic sales	183,467	219,142
Net export sales	173,150	197,166
Net sales	**356,617**	**416,308**
Capitalized value of own performance	2,589	4,146
Other income	4,072	3,340
Material type expenses	337,840	405,320
Personnel costs	8,626	8,605
Depreciation	11,004	11,452
Other expenditures	15,980	14,470
Operating profit	**(10,172)**	**(16,053)**
Financial result	**493**	**1,967**
Ordinary result	**(9,679)**	**(14,086)**
Extraordinary result	**4,183**	**4,767**
Profit before taxation	**(5,496)**	**(9,319)**
Profit after taxation	**(5,496)**	**(9,319)**
Net income	**(5,496)**	**(9,319)**

In 2011, the net sales of TVK Plc. came to HUF 416,308 million which is 16.7% higher than in the previous year, owing to higher price and sales volumes which was partially mitigated by the effect of FX change. Net domestic sales amounted to HUF 219,142 million after an 19.4% increase. Net export sales amounted to HUF 197,166 million after an 13.9% increase. Domestic sales represented 52.6% of the net sales of the Company compared to 51.4% a year earlier.

Enclosure no. 8 presents the net sales of the Company by region. In 2011, TVK Plc. realized 47.4% of its sales income from exports.

The capitalised value of own production amounted to HUF 4,146 million in 2011. The change in self-manufactured inventories was a positive amount of HUF 2,255 million (that includes HUF 1,130 million positive effect of volume changes, and HUF 1,125 million positive effect of price changes) as compared to HUF 1,406 million a year earlier. The capitalised value of self-manufactured assets was HUF 1,891 million.

Other income decreased by HUF 732 million as compared the previous year, because the released amount of provisions decreased by HUF 1,130 million, while received default interests and compensations increased by HUF 421 million.

Material type expenses amounted to HUF 405,320 million, 20% higher than in 2010.

The Company's raw material costs increased by HUF 57,673 million (19%) to HUF 362,024 million year on year mainly due to naphtha cost increase, but energy costs also went up significantly. The higher costs reflect the radical rise of the quoted price of feedstock used for monomer production which were was by the strengthening of the forint against the dollar and the lower feedstock volumes used. Energy costs hiked by 16%, mainly as a result of the increased price of steam, electric energy and natural gas.

The value of services used declined by HUF 648 million to HUF 12,607 million. The main reasons for the variance are the fall of freight costs by HUF 279 million and the decline of maintenance costs by HUF 127 million.

In 2011, the value of other services reached HUF 1,303 million, decreased by 16% compared to the previous year, due to the drop of insurance fees, bank expenses and regulatory fees.

The cost of goods sold was HUF 25,323 million compared to the value of HUF 15,459 million in 2010. The cost of services sold was up by HUF 840 million to reach HUF 4,063 million in 2011.

Personnel costs fell by HUF 21 million, despite the salary increase, due to the staff reduction and the variance of the accrual of bonuses and wages.

Depreciation increased by HUF 448 million compared to previous year, to come to HUF 11,452 million.

Other expenses amounted to HUF 14,470 million, which represent a decrease of HUF 1,510 million, year on year. The variance is the result of two contrary effects: on one hand the given bonuses reduced by HUF 3,157 million, because of the change of the regulations in 2010, full amount of given bonuses after 2010, furthermore bonuses after previous year, which were paid in 2010, were accounted in 2010, whilst in 2011 only the given bonuses of this year were accounted. On the other hand the impairment increased by HUF 1,893 million.

Operating loss amounted to HUF 16,053 million in 2011 according to the above, while in the same period of 2010 it reached HUF 10,172 million.

Financial profit amounted to HUF 1,967 million, which was higher by HUF 1,474 million compared to the preceding year. Financial income of the Company increased by HUF 3,224 million, financial expenses rose by HUF 1,750 million as compared to the previous year. The reason for the growth in both cases is the FX volatility of monetary assets and liabilities denominated in foreign exchange.
Received dividend increased by HUF 711 million compared to previous year. The Company realized HUF 594 million profit on selling two commercial subsidiaries in 2011.
Interest income fell by HUF 6 million, while interest expense rose by HUF 34 million year on year.

Loss on ordinary activities was HUF 14,086 million, which is HUF 4,407 million lower than in 2010.

The extraordinary profit amounted to HUF 4,767 million, compared to the value of HUF 4,183 million in the preceding year.

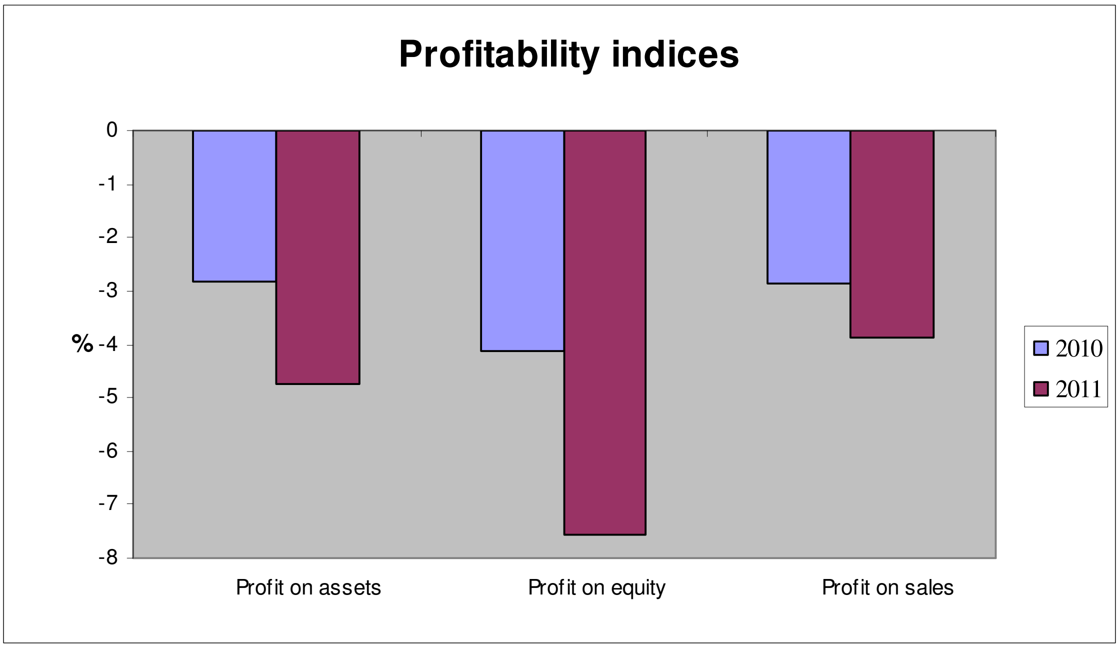
In 2011, profit before taxation was a negative amount of HUF 9,319 million, which is HUF 3,823 million lower than in the preceding year.

No corporate income tax liability was arisen.

The loss for the period amounted to HUF 9,319 million in 2011.

Ratios that Measure Profitability

	2010	2011
Return on Assets (%) (Profit after tax / Total assets)*100	(2.83)	(4.74)
Return on Equity (%) (Profit after tax / Equity)*100	(4.14)	(7.55)
Return on Sales (%) (Operating profit / Net sales income)*100	(2.85)	(3.86)



Due to the negative variance of loss after taxation in 2011, all three ratios decreased.

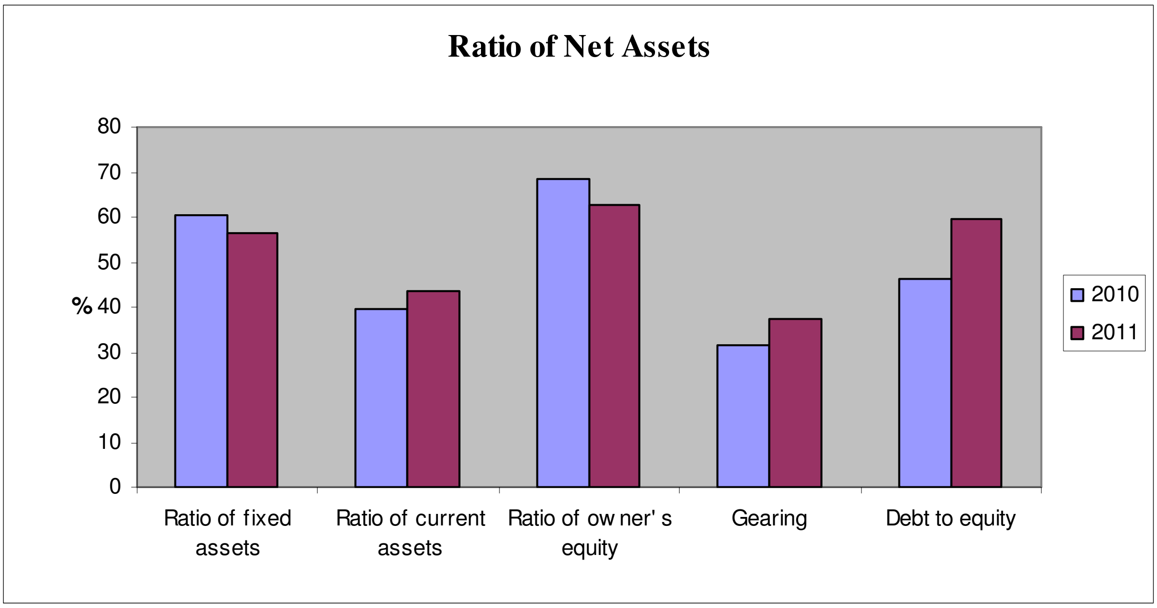
2.3 NET ASSET POSITION

On December 31, 2011, the balance sheet value of assets and liabilities was HUF 196.7 billion, HUF 2,613 million higher than in preceding year. (Enclosure No. 7)

Ratios that Measure Net Assets

	2010	2011
Ratio of Fixed Assets (%) (Fixed assets/Total assets)*100	60.64	56.58
Ratio of Current Assets (%) (Current assets/Total assets)*100	39.36	43.42
Ratio of Owner' s Equity (%) (Owner' s Equity/Total equity and liabilities)*100	68.38	62.73
Gearing (%) (Liabilities/Total equity and liabilities)*100	31.62	37.27
Debt to Equity (%) (Liabilities/Owner' s Equity)*100	46.25	59.41

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



Fixed assets decreased by HUF 6,391 million. The net value of intangible assets decreased by HUF 314 million. The net value of tangible assets decreased by HUF 4,913 million due first of all to the lower value of assets attributable to recognized depreciation. The amount of depreciation came to HUF 11,452 million and the amount of capital expenditure came to HUF 6,346 million in 2011.

Current assets amounted to HUF 85,071 million by year-end 2011 after increasing by HUF 8,826 million, including a 31% year-on-year increase in inventories basically due to the up-valuation (resulting from the growing feedstock prices) of the inventory of the self-manufactured olefin and polymer finished products and of the olefin feedstock purchased. Besides this, the olefin inventories significantly, while polymer inventories slightly increased.

The value of accounts receivable increased by 5% to HUF 50,975 million by year-end 2011.

Other current assets increased by 13%, due to mainly the significant growth of VAT receivables. The value of cash and bank amounted to HUF 3,847 million in 2011, rose by HUF 1,033 million compared to the previous year's same value.

2.4 CHANGES IN FINANCIAL POSITION

Ratios that Measure Financial Position

	2010	2011
Liquidity ratio Current assets/Short term liabilities	1.61	1.42
Acid test ratio (Current assets-Stocks)/Short term liabilities	1.36	1.16

The value of short-term liabilities increased by 26% to HUF 59,758 million between December 31, 2010 and December 31, 2011.

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	109,081	(5,496)	103,585
Allocated reserve	0	0	0

The retained earnings was decreased by the loss of year 2010 (HUF 5,496 million).

3 PRODUCTION AND SALES BY BUSINESS DIVISION

3.1 OLEFIN PLANTS

Key figures / Description	Unit	2010	2011	Variance (%) 2011/2010
Use of naphtha*	kt	1,421.8	1,506.7	106.0
Use of gas oil	kt	232.6	121.3	52.1
Ethylene purchase	kt	11.0	6.0	54.5
Propylene purchase	kt	1.0	1.8	180.0
Ethylene production (gross)	kt	595.4	587.8	98.7
Propylene production (gross)	kt	304.5	306.8	100.8
Capacity utilization (for ethylene)	%	90.2	89.1	98.8
Ethylene sales	kt	113.3	126.4	111.6
Propylene sales	kt	30.6	19.6	64.1
Net sales	HUF million	118,197	148,943	126.0
Domestic	HUF million	108,159	133,767	123.7
Export	HUF million	10,038	15,176	151.2

*includes the usage of light hydrocarbons.

The two most important olefin products are ethylene and propylene.

In 2011, the Olefin plants' monomer production (ethylene and propylene together) was the 99.4% of former year's same value. Because of the unfavourable polymer market circumstances, the Company didn't utilize fully the capacity of the Olefin plants in the second half of 2011.

The Company sold 126.4 kt ethylene from own production and from purchase (6 kt) to BorsodChem Zrt., which exceeded the previous year's sale.
On the export market, we sold 19.6 kt propylene to Slovnaft Petrochemicals and 39.4 kt C4 fraction to the Polish Synthos Kralupy.

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

3.2 POLYMER PLANTS

3.2.1 LDPE

Key figures / Description	Unit	2010	2011	Variance 2011/2010 %
Volumes produced	kt	64.7	65.5	101.2
Capacity utilisation	%	99.6	100.7	101.1
Sales	kt	79.5	78.4	98.6
Domestic	kt	34.7	33.7	97.1
Exports	kt	44.8	44.7	99.8
Net sales revenues	HUF million	26,118	27,895	106.8
Domestic	HUF million	11,594	12,246	105.6
Exports	HUF million	14,524	15,649	107.7
Sales structure				
Domestic	HUF million	11,594	12,246	105.6
Europe	HUF million	14,041	15,312	109.1
Outside Europe	HUF million	483	337	69.8

3.2.2 HDPE

Key figures / Description	Unit	2010	2011	Variance 2011/2010 %
Volumes produced*	kt	417.4	388.4	93.1
Capacity utilisation**	%	99.1	92.3	93.1
Sales	kt	418.2	393.2	94.0
Domestic	kt	41.5	40.9	98.6
Exports	kt	376.7	352.3	93.5
Net sales revenues	HUF million	116,101	127,056	109.4
Domestic	HUF million	11,895	13,740	115.5
Exports	HUF million	104,206	113,316	108.7
Sales structure				
Domestic	HUF million	11,895	13,740	115.5
Europe	HUF million	97,643	110,932	113.6
Outside Europe	HUF million	6,563	2,384	36.3

* Volumes produced: non-accumulated granulate
** Capacity utilisation: dust production/nominal capacity

3.2.3 PP

Description / Key figures	Unit	2010	2011	Variance 2011/2010 %
Volumes produced*	kt	268.8	280.7	104.4
Capacity utilisation**	%	96.1	100.3	104.4
Sales	kt	269.4	280.3	104.0
Domestic	kt	131.5	133.1	101.2
Exports	kt	137.9	147.2	106.7
Net sales revenues	HUF million	85,269	99,365	116.5
Domestic	HUF million	41,143	46,605	113.3
Exports	HUF million	44,126	52,760	119.6
Sales structure				
Domestic	HUF million	41,143	46,605	113.3
Europe	HUF million	42,111	50,944	121.0
Outside Europe	HUF million	2,015	1,816	90.1

* Volumes produced: non-accumulated granulate
** Capacity utilisation: dust production/nominal capacity

The total polymer production amounted to 734.6 kt in 2011 that is lower than in the previous year by 16.3 kt. In this year, production was higher in case of LDPE and PP product segment, while in case of HPDE products, the production was lower than in 2010. Because of the market circumstances the HDPE production capacity was reduced.

2011 sales amounted to 752 kt, which is lower than in the previous year by 15.1 kt. Except for PP, sales lessened in each product segment. The domestic sales of LDPE and PP goods decreased by 0.3 kt compared to previous year (15.2 kt).

72% of total sales, or 544.2 kt, were realised on export markets, while 28%, or 207.8 kt were sold on domestic markets.

The net income from polymer sales amounted to HUF 254 billion in 2011, which is higher than in 2010 (HUF 227 billion) by HUF 27 billion. Higher quoted polymer prices had a favourable impact on the revenue of the Company.

In 2011 export sales continued to focus onto the European markets, which mean that 98% of the export sales income was realized in Europe and 2% 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 2011

HUF million

Description	Value of Capital expenditures and Development Projects
Grand total:	**6,346**
I. Individual projects	**1,454**
Olefin-1 reconstruction	516
Compliance with SIL requirements in PP 4	169
Reconstruction of electric substation N° II	114
Hydrocarbon recovery	108
Energy efficiency increase in Olefin-1	96
Revamp of the fire water lines in the Tank Farm	90
Installation of OMMS system	70
Installation of TEAL/TEB metering system in HDPE1	68
Industrial water supplies to TVK and TIFO	54
Installation of low polymer loading station in HD2	51
Implementation of uniform supervisory control system in the Tank Farm	49
Propylene tank revamp	31
DCS migration in Olefin-1	20
Preparation of new projects	15
Air pre-heater in F8001 furnace in Olefin-1	3
II. Maintenance projects and refurbishments	**4,449**
Capital expenditures into and refurbishment of operating assets	2,786
Capital expenditures and refurbishments to support operations	849
Infrastructure projects and renovations	365
Safety engineering development	409
Environmental projects	40
III. Other development projects	**443**
Purchase of catalyst	250
Information technology and other projects related to the management segment	193

In 2011, the major parts of investments were the maintenance projects renovations in an amount of HUF 4,449 million and the efficiency improvement individual projects in a value of HUF 1,454 million. We spent HUF 443 million on other development projects, within which value of Olefin-1 and Olefin-2 catalyst purchase was HUF 250 million.

4.2 DETAILS OF INDIVIDUAL PROJECTS IN 2011

Our Company concentrates more on making careful preparations for the overhaul programs and for the butadiene recovery project planned for 2012.
Units of Petrochemical Technology and Project Development were active to participate in the actions initiated to increase petrochemical production efficiency, to build a more reasonable product range, and to utilize existing sources cost effectively. These objectives can clearly be identified in the area of the individual projects.

- **Strategic projects**
  - 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 up the details of a strategic project named ***Butadiene Recovery from C4 Fraction,*** closely cooperating with MOL Business Development. The project received the highest level MOL and TVK authorisations in December 2011. The preparatory actions for the project have been going on under the increased attention of those concerned since January 2012.
  - The objective to keep the monomer-polymer material balance and to expand HDPE product range required that the feasibility of ***HDPE Revamp and Intensification project*** be further analysed. No final decision was made about the project in 2011.

- We continued preparing and implementing the ***schemes*** launched in order ***to increase the efficiency of the olefin plants***; we went on with the preparations for the 2012 overhaul of the Olefin plant.

  - The objective of the ***Olefin1 Reconstruction project*** is to lengthen the service life, improve the technical status, and to secure efficient and safe operating conditions of the unit, being an important element in the value chain of MOL Group. The preparation of the relevant highlighted technical and financial topics is proceeding according to plans.
  - We requested Linde to prepare before February the basic engineering package and the final technical documentation for the scheme to ***Replace Quench Oil with Natural Gas Used for Firing in Furnace F-8001 in the Olefin1 Plant.*** The purchase of the new type burners is underway, and all further actions needed for the implementation of the 2012 overhaul of the plant have commenced.
  - Another project, the ***Modification of the Furnace Burning Air System*** is also aimed to increase the efficiency of furnace F-8001 by the installation of a higher capacity air preheater to replace the existing one in the unit. The design engineering and purchase of the new part was completed in December 2011 and now its installation is under bidding in coordination with other actions associated with the furnace.
  - The ***Olefin1 DCS Migration (second stage) project*** constitutes a part of a longer revamp process launched in 2009, which is intended to change the worn out hardware elements and upgrade the software of the process control system of the Olefin1 plant. ABB, which had supplied the existing DCS for the plant, initiated in 2011 the development and purchase of the process control program and the assets needing replacement in the unit. The project will be implemented during the overhaul of the plant in 2012.

- Several projects did and do address the assets of the ***Railway Loading-Unloading Station*** and ***Tank Farm***. The objective of these projects partly is to minimize hydrocarbon losses because of flaring and partly to apply appropriate technical solutions for increased operation safety and for the reduction of emissions.

  - The ***Hydrocarbon Recovery in the Railway Loading-Unloading Station project*** is intended to recover a part of propylene and propane gases burned on the flare on the basis of the present technology, while railway cars are loaded and unloaded in the station. The recovery of these gases is required for obvious economic and environmental reasons. In 2011, we clarified and fixed the technical scopes of both projects, conducted the bidding processes for design engineering and field implementation, and followed field erection until the mechanical completion status of the projects were accepted in December. The systems have been commissioned and their authority permits are expected to arrive in January 2012.
  - ***The Implementation of a Uniform Supervisory Control System project*** in the **Tank Farm** was launched in Q4, 2010 in order to modernize and unify an earlier and now obsolete system, which had controlled each process separately. Our selected partner, ABB developed, supplied, and installed the new DCS and a complex communication network, while the Tank Farm was in service. The new DCS has been operating live ever since the project was successfully completed at the end of the year.
  - Operation safety reasons and authority obligations made ***the revamp of the fire water lines in the Tank Farm*** necessary. The project implied the partial revamp the fire water system and the increase of its pressure up to the required value. The new facilities were released and accepted at the end of the year successfully.

- **Extraordinary projects**

  - The installation of a ***Low Polymer Loading Station in the HD2 Plant project*** supports the tank car sale of the entire low polymer (HD wax) volume generated in the processes of the HDPE2 plant. Indicative of the successful project management, this extraordinary project was launched in early 2011 and completed and accepted at the end of the same year.
  - Separate from the *HDPE1 revamp and intensification scheme being on hold* at present, we commenced a project for the ***Installation of a TEAL/TEB Unloading and Metering System in the HDPE1 plant***. Our objective was to expand the product portfolio and reduce the catalyst needs of the plant, at the same time. The project was authorised, design engineered, and implemented at the end of 2011, and the commissioning of the system will be completed at the beginning of 2012.
  - An earlier and ongoing initiative in order to optimize the operation and increase energy efficiency is the ***Replacement of the Quench Coolers*** with new modern ones in the Olefin1 plant. In 2011, we ordered the basic engineering documentation from Linde, and in 2012, the detail design documentation was prepared. Altogether 16 quench coolers will be actually changed in stages from 2013 to 2016: the quench coolers for two furnaces will be changed in each year.

- In Q3, 2011, AES Tisza Power Plant II, our partner having operated the water intake system to supply industrial water to TVK and TIFO, notified us of its intention to shut down operations thereby cutting off our water supplies unilaterally. In order to eliminate this emergency quickly, we launched an extraordinary project named ***Industrial Water Supplies to TVK and TIFO***. We defined the solutions necessary both on the short (immediate) and long terms and ordered their development without delay. Having done licensing, engineering, and implementation work efficiently, we succeeded to implement the short-term solutions at the end of the year; further measures will continue in 2012.

▪ **Other projects**

- The ***Propylene Tank Revamp project*** is a complex project planned for implementation in 2013, however, preparations commenced already in 2011. As a first step, we initiated that the tank control be independent and isolated from the Olefin1 process control. This solution allows us to maintain safe propylene supplies to the polymer plants while the Olefin1 plant will be overhauled in 2012.
- ***The Reconstruction of Electric Substation N° II*** project is intended to support the safe and continuous power supply to the consumers. Since Substation N° II, commissioned in 1968, provides energy to highlighted consumers including O1, HDPE1, LDPE2, and PP3 plants, as well as to the Tank Farm and EP Storage, its reconstruction and modernisation could not be postponed any longer. To keep the substation in a continuous service, we implemented the project in two stages. Since its acceptance in December, the reconstructed substation has worked safely.
- We wish to increase the efficiency of our production units and processes while decreasing their energy consumptions (gas, steam, etc.) ***by installing a new OMMS system*** (Operation Monitoring and Management System). The project requires that a Central Raw Data and EFIR systems, as well as a key indicator generation system are engineered and configured. The results of the first part of the assets, having been installed and being under commissioning now, are promising. The second part will be installed in July 2012, expectedly.
- A wide-ranging application of the study launched for Fail Safety Management will increase the operation safety of our facilities. As a first stage of this long-term scheme, the SIL HAZOP analysis for the Olefin1 turbo compressors and EP storage was prepared before November 2011. The ***Compliance with SIL Requirements in the PP 4 Plant*** project accepted in November 2011 was also aimed to explore operation and environmental risks.

4.3 PROJECTS ENSURING CONTINUOUS OPERATION

From among the projects and renovations initiated in 2011 the value of production and production supporting projects was the highest: HUF 3,635 million, which represented 57% of the total project value. HUF 365 million was spent on infrastructural projects and HUF 449 million was expenditure on environment and safety engineering projects.

The following major production and production supporting projects were realized in 2011:

Major production, production enhancement works in 2011

- Renewal of Olefin-1 radiation and convection zone F1021
- Renewal of Olefin-1 radiation and convection zone F1007
- Renewal of Olefin-1 quench coolers E1001, E1005 and E1004
- Renewal of Olefin-1 furnaces' gasoline input lines
- Renewal of Olefin-1 machine unit X1521-P1521
- Renewal of Olefin-1 HIMA ESD system
- Construction of Olefin-1 pipe bundle E 6205
- Renewal of Olefin-2 furnace F1161
- Renewal of Olefin-2 furnace F1061
- Replacement of Olefin-2 turbine screw X2061
- Replacement of Olefin-2 rotor X 2061
- Replacement of Olefin-2 waste liquor system lines
- Renewal of PP-4 extruder EX 801
- Renewal of LDPE-2 compressor 2KC2
- Replacement of Energy service 400 V main pipe

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 1.91 million on the monitoring of air pollution point sources in 2011. We paid HUF 0.4 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° UHG5479-1 for the emission of green house gases. In 2011, our CO_2 emissions subject to ETS came to 1.118 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 474 thousand tons.

As a cooling circuit registration fee, TVK Plc. paid HUF 0.27 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 2011, the authority performed two 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 2011.

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 was under the given limit value in 2011.

Waste handling

The opening stock of hazardous wastes was 0 tons in 2011. The quantity of the hazardous wastes generated in the course of the year was 2,359 tons.
In case of non-hazardous wastes the same indices are: opening inventory 25 tons, total annual quantity produced: 3,222 tons.

The quantity of (hazardous and non-hazardous) wastes produced during normal operation was 2,873 tons. The cost of the treatment (decontamination, utilization) of these wastes was HUF 37 million. In the course of the investment, maintenance activities some 2,708 tons of wastes were produced. The majority of these wastes was utilized, resulting in sales amounting to HUF 106 million for the Company.
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 2011.

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 2011.
An amount of HUF 347 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,
- execution of supplementary tests,
- monitoring activity,
- follow-ups after completed decontamination activities.

5.2.1 Ongoing landscape rehabilitation tasks

At present the following landscape rehabilitation projects are in process:

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

The Authority obligated TVK with its resolution No. 9582-24/2009 to recultivate the caustic sludge storages.

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. Based on the relevant strategy and detail engineering documentation for the recultivation of the lime slurry storages, we initiated a technical coordination and licensing procedure with ÉMI-KTVF in October. We submitted the required engineering documentation for the recultivation to the authority.
In 2012, we will begin the necessary licensing procedure and bidding process for the recultivation (water utilisation, waste utilisation licenses) project. The technical implementation of the project is planned to begin in 2013.

The reintegration of the area south from the Sajó channel into the landscape implies the emptying and elimination of the settling compartments belonging to an earlier containment system. We have invited a tender for the project. Based on the technical scope of the tender, the pulling down of the settling and desiccation compartments will begin in 2012 and get completed at the end of 2013.

- 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. The Company had negotiations about the future of the slag deposit. Based on previous coordination, the Company initiated the enlargement of the deposit. The actions and licensing procedures required for the expansion will begin in 2012. The procedures associated with the expansion do not require any special reserve for the possible actions of environmental protection.

5.2.2 Ongoing soil and ground water decontamination tasks

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

- 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 m3/day. The groundwater produced by the decontamination system is drained directly into the wastewater plant of TIFO.

In 2011 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.
Based on a risk-based strategic concept, required because of the dimensions of the contaminated area and the size of the problem, for the standardized management of the environment responsibility of the industrial sites of TVK-TIFO continued with the involvement of an external expert company. Significant steps have been made in order to get to know further quantitative and qualitative parameters of the contamination, its geographic propagation, the dynamics of the dissolved plume.

In December 2006 the Authority issued, in connection with the complex Technical Response Plan, a resolution to be executed by putting TVK-MOL under joint obligation, covering the whole territory of TVK-TIFO. The Resolution approved the short- and medium term work plan of the two companies with the principal objective of the management of obligations on risk basis. The work plan continuously optimizes environment expenditures, contamination management solutions and as one of the first significant milestones we created a complete risk map in 2009.

The quantitative risk assessment has been carried out during 2008 and on the basis of the momentary findings agricultural, ecological and human exposure-related risks which could be traced back to the contamination of the subsurface medium on the area of the industrial complex cannot be anticipated. Nevertheless it is necessary to update the input information of the risk assessment continuously, therefore, as of 2009, the chemical analytic monitoring program was supplemented with a soil-gas part being significant for human health and a biological monitoring part in order to map the long term impact on the fauna and flora.

The TVK-TIFO site's exploration of facts and its complementary information were prepared and submitted to ÉMIKÖTEVIFE 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.

During 2011, the mapping up of the contaminating resources was finished, geological structure of the site and the water streams were further specified and we completed their integration into the hydrodynamic transport model. On the basis of surveys, the extension of environmental pollution was determined and its quantity isolation was done. We have begun identifying the technical intervention for damage elimination, which is potentially required because of the exploration processes, and begun studying the potential impacts and efficiency analysis of such intervention through a hydrodynamic transport model.
To prevent any pollution from escaping from the area, the Company spent HUF 92 million in 2011 and HUF 130 million in 2010 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 and as a consortium successfully participated in the tender “For a liveable environment” published by the National Research Technological Agency. In the research program, the Company’s main target was to prevent the transport of contamination in the 16-32 m deep water bearing zone and to investigate methods that can be used for the reduction of the concentration of contamination. Under this project, we had good results in studying the removal of independent phase hydrocarbons heavier than water, as well as in the landscape rehabilitation program aimed to draw the decontaminated areas under agricultural cultivation. In 2011, MAG Zrt, being the support organisation to the project, successfully prepared the technical and financial report on the project.

With the information being updated continuously environmental goals and the priorities of their implementation can be re-defined in the medium term. The figures of our obligations will, like in the past, reflect all new or modified information resulting from the implementation of the work schedule.

In the year 2011 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)
    - 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.
    - Numerical modelling for the planning of a hydraulic localisation system on the eastern front of the contamination brand – scenario analysis, cost-profit analysis.
    - To develop a subsurface water monitoring system – preparation, licensing.
    - Running and calibration of the numeric water streaming and transport model
    - Investigation of possibilities to utilize hydrocarbon phase that is more heavy than water and its realization
    - To continue the assessment of quantitative risks – to study industrial and public water intakes.
    - Review and identification of innovative environmental remediation technologies
    - Technical inspection of decontamination projects by external experts
- Monitoring activity
    - Plume dynamics monitoring
    - Monitoring of the area of the railway loading-unloading station and of the north-west plume
    - Monitoring of the tank yard of the Olefin plant and of the emergency storage area
    - Soil-gas, ecologic and biomonitoring
    - Hydrodynamic detection program
    - Monitoring on AKZO Nobel area
    - Other monitoring

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. We submitted the 2010 summary report regarding the area of AKZO.

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. We appealed against the decision on the grounds that proof is presented in our earlier documents submitted to the authority that TVK Nyrt. is not responsible for the increased concentrations of pollutants. No response to our appeal has been received as yet.

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.
The Process-safety Management System (PSM) of the Company – the full documentation of which is an integral part of our regulation system - is operated in practice.

In May 2011, 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 novatory/certifying audit of the Testing Laboratory of the Technical Inspectorate and the recertifying audit of 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, furthermore the PSM system, was regularly checked by internal planned and ad-hoc audits. 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 frame of this TVK Plc. has been measuring customer satisfaction for years consciously, and almost 500 partners were interviewed at the end of 2011, too. The purpose of the survey was to identify the strong areas as well as the areas needing development and to monitor the effects of the corrective measures taken as the result of the survey. After the analysis of the information new action plans will be prepared.

We count on the loyalty of our colleagues, we turn high attention to the continuous development of their knowledge and skills and we support their innovative initiations. We have supported continuously their innovative activities with the Support System for Ideas, which has been operating successfully since more than ten years and renewed in process and in efficiency in 2011, with the main objective to recognize, unveil ideas, proposals of employees, workers for a more efficient and safe operation. Resulting from the system we realized significant savings year-by-year as well.

7 HUMAN RESOURCES MANAGEMENT

In order to improve the efficiency of the Company and in line with the regulations of integrated operation we have implemented the following changes in the organization of the Company, and simultaneously also the Operational and Organisational Rules was modified:

Effective as of February 1, 2011, the Olefin reconstruction and development project was transferred from CEO's immediate scope of authority under the control of PET Process and Project Development.

Effective as of April 22, 2011, the tasks of the process safety system (PSM) and the description of the associated preventive and inspection processes were added to the scope of activities of the Technical Inspections.

Effective as of July 1, 2011, a new Logistics organisation was set up as part of the reorganisation of the logistics processes. In result of the restructuring, the Logistics Operations ceased to exist, and the organisational units (Customer Service, Polymer Documentation, Forwarding and Management) having belonged to the unit's scope earlier were transferred to the new Logistics organisation, and so was the renamed Logistics Management (its new name is Logistics Contracts Management). At the same time, a new organisation named Project Management and Process Development was created under the control of the Polymer Marketing and Sales.

In result of the restructured monomers and chemicals sales (through spinning these off SCM processes), a new organisation named Monomer and Chemical Products Sales was set up as of July 15, 2011. The new organization is under the direct direction of the CEO.

Effective as of July 15, 2011, the CEO's offices unit was reorganised and integrated into the Business Analysis and Operation Support. As a result of the reorganisation, the unit's name changed to IG, FB and Management Support.

Effective as of November 1, 2011, the production of finished compound products was shut down, and the parts relevant to and addressing this function were deleted in the description of the organisation of the HDPE1 plant.

In line with the practice of previous years the company maintained the **HAY** job evaluation system also in the year 2011, which ensures on corporate and MOL Group level the evaluation and classification of jobs on the basis of identical criteria.

In the year 2011 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 2011 as well, with the involvement of 110 employees and workers in that year. Superiors examined the following aspects in the course of the process: the performance of the employees, their professional and other competences, and the job the colleague concerned would be eligible for in the short-, medium- and long-run and who could substitute her/him on the same time horizon and what kind of trainings colleagues need for further development.

Assessments and succession candidates were reviewed and harmonized by top managers of the Company both in the Business and Functional fields. In 2011, the carrier management system was extended also to the TVK commercial subsidiaries thus ensuring the succession of the employees.

In 2011, with new dynamism, continued also the STAFÉTA program, aiming at ensuring the accorded succession of foremen and leading system operators. From this year, the participants are not only from the polymer and olefin plants, but as new segments, the employees of electric network and energy service plants joined, too. 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 started the program in 2011. In the first four class of STAFÉTA totally 75 people finished their studies.

The Company continued to operate the Performance Evaluation System in 2011 which aims at assessing and stimulating uniform and transparent performance which is accountable also in the implementation.
The related payment based on 9% of the annual base wage of the employees and workers in 2011.

In 2011, within the frame of the MOL Group level program (**Growww**) 13 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 2011 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.

In 2011, the average wage growth of the employees shows an increase of 6.7% compared to the previous year. In light of the impacts of the national and world economy which materially affect the operation of the company, the wage agreement the employer concluded for 2011 accomplished 4% differentiated increase of the basic wages while 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 2011.

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 71 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 28 employee attend a training. Theoretical training and the practical training takes at the Company.

TVK wishes to make sure that there is a 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.

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

The average full-time corporate headcount was 1,119 people in the year 2011 (1,138 people in 2010), and the closing headcount was 1,099 people on December 31, 2011.

8 CORPORATE COMMUNICATION AND SOCIAL COMMITMENT

Our Company as member of the MOL Group lays special emphasis on social presence and responsibility on strategic level, too. We acquaint the results and achieved programs of this field with the inhabitants of the country and of our region and with professionals. 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. Furthermore 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.

Another important element of our social role is to obtain continuous feedbacks to know how our activity is judged by those concerned by our operations 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.

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 745 times, 30% of which was the result of our proactive approach.

In accordance with the long-term succession objectives of the Company, we successfully applied in 2011 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. Based on the experience with our traditional ongoing program "In One Day around TVK" we "home delivered" a puppet show to the regional elementary schools to present a sort of a modern fairy tale telling the future generation about the usefulness of the chemical industry.

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. Under the support, the students found the best in the program "In One Day round TVK" were taken to the Museum of the Hungarian Language as a reward.

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 13th TVK Triathlon Week. In addition to these clubs, TVK-Mali Triathlon Club and TVSE Kayak-Canoe Association are worth mentioning. One athlete of the latter has acquired his quota for the Olympic Games.

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 nearly 12 years from their foundation in 2000, the former organisation has donated HUF 850 million, while the latter has distributed more than a hundred million forints as donations.

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 16th time in 2011. In the same year, it was for the 6th 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.

ELECTED OFFICERS OF TVK Plc.

Board of Directors

MOSONYI, György
Chairman of the Board since April 26, 2002.
Chairman of the MOL Supervisory Board since 08th June 2011.
Chairman of the Sustainable Development Committee.
Vice President of the Supervisory Board of INA d.d.
Chairman of the Supervisory Board of SLOVNAFT a. s.

From 1974 onwards, he worked for the Hungarian Agency of Shell International Petroleum Co. and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters, London. Between 1992-93 he was managing director of Shell-Interag Ltd and between 1994-1999 Chairman and Chief Executive Officer of Shell Hungary Rt. During this period he became Chairman of Shell's Central & East European Region in 1997 and CEO of Shell Czech Republic in 1998. Vice-chairman of the Hungarian Chamber of Commerce & Industry., vice president of Confederation of Hungarian Employers and Industrialists, member of the Joint Venture Association's Presidium. President of the World Petroleum Council Hungarian National Committee.
MOL Group CEO and member of the Board of Directors of MOL Plc. between 1999 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 and he has member of the Board of Directors of SLOVNAFT a.s. since May, 2007
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.

GANSPERGER, Gyula
Member of the Board since April 20, 2006.
Deputy chairman of KÉSZ Holding Zrt.
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 1987-1990. at CET Budapest Tervező Rt. as Chief accountant, between 1990-1998. at TAXORG Könyvelő és Adótanácsadó Kft. as Managing Director, between 1998-2001. 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 of MORANDO Kockázati Tőkealap-kezelő Plc.

Titles:

2009-	MORANDO Kockázati Tőkealap-kezelő Plc., member of the Board of Directors
2008-	Constans Invest Kft., Managing Director
2006-	TVK Plc., member of the Board of Directors
2007-2008	Kész Holding Plc., 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 int he 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 Demotratic-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.
Other professional and public activities:

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

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 Finances. 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. Currently he is the head of the Compliance and Ethics Department of the Hungarian State Railways Company.

OLVASÓ, Árpád
Deputy Chairman of the Board since April 26, 2002 to May 31, 2011.
Member of the Board from August 29, 2000 to 31 May, 2011.
CEO of TVK Plc. until May 31, 2011.
Qualified Chemical Engineer, MBA

Mr. Olvasó qualified as chemical engineer at the Chemical University Veszprém in 1983 and was awarded a Diploma in Management Studies at Buckinghamshire College – SZÁMALK in 1992. He received post-graduate degree at the College of Petroleum and Energy Studies in 1993 and an MBA degree at Brunel University – SZÁMALK in 1995. Worked for Dunai Kőolajipari Vállalat as plant engineer, operator, shift manager and as deputy plant manager between 1983 and 1992 to move on to the positions of plant manager and later project manager at Danube Refinery of MOL Rt. between 1992 and 1995; he acted as first consultant and project manager for Oracle Hungary from 1995 to 1997. Starting 1997, he worked as manager for partner relations at MOL Group DS until his appointment as head of the Chemical Division in 1999 and in turn as Director of Chemical Portfolio Management in 2001. The CEO of TVK Plc between July 1, 2003 and May 31, 2011. The director of the Petrochemical Division of MOL Group since March 8, 2006. Since 1997, Mr. Olvasó has been member of the Presidium of the Hungarian Chemical Industry Association where he has acted as president since December 15, 2004. The General Assembly of APPE elected Mr. Olvasó a Member of the Board on 2nd June 2005. Mr. Olvasó was a Member of the Board by the General Assembly of CEFIC between August 2006 and October 2008. As of September 12, 2008 he is honorary associate professor at Pannon University of Veszprém.

DELCOMMUNE, Michel-Marc
Member of the Board from November 3, 2000 to April 30, 2011
Chief Advisor to the President of MOL Group since July 1, 2006
Qualified Chemical Engineer, MBA

Currently Senior Advisor to MOL Group Executive Chairman, after a career of 40 year in the oil industry that saw him occupy Executive Director positions first as CFO at PetroFina between 1990 and 1998 and at MOL Group as CFO and Chief Strategy Officer between 2000 and 2006. He left the Board of MOL in 2008. Between November 3, 2000 and April 30, 2011 he was the member of the Board of TVK plc. He holds a degree in Chemical Engineering from Liege University and an MBA from Cornell University. He is a Belgian citizen.

KASSOVIC, Vratko
Member of the Board between April 28, 2005 – April 30, 2011.
CEO, Slovnaft, a.s. until March 6, 2006.
Qualified Chemical Engineer

Mr. Kassovic graduated as a chemical engineer from the technical university of Bratislava in 1967. He joined Slovnaft in 1969 and filled several positions until he was appointed as CEO in January 2002. Mr. Kassovic has been the director of the Petrochemical Division of the MOL Group since October 2003. On March 6, 2006, Mr. Kassovic has retired.

MOLNÁR, József
Member of the Board from April 20, 2001 to April 30, 2011.
Group Chief Executive Officer, MOL Group.
Qualified Economist

From 1978 to 2001, Mr. Molnár held various management positions at BorsodChem Plc., including Pricing Department Head from 1982 to 1987, and Economics Department Head from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the CEO, he contributed to the crisis management and reorganisation of the company, and later to the creation of its vision, and subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was CEO of TVK Plc. between 2001 and 2003, and MOL Group Planning & Controlling Director until his appointment as Group CFO in September 2004. Between April 2001 and April 2011 he has been a Board member of TVK Plc., between 2004 and 2008, a Board member of Slovnaft, a.s. and since April 2010 he is also a member of INA Supervisory Committee. He is the Group-CEO of MOL Plc. since May 1, 2011.

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 Duslo Sala – 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 maintenance, as maintenance engineer. He is also member of the Works Council, where he has been making different tasks in the Human, Sport and Meal Committee in the last 10 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 Csíkszereda 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.

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, between 1982 and 1984 he was assistant, and until 1993 adjunct. From 1999 he is professor, 1999, he is head of department of the Civil Law, at the University of Miskolc. Since 1989 he works as a lawyer, since 1997 he is the deputy chairman of the Bar of Borsod-Abaúj-Zemplén County.

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 customer service of PMÉI. 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.

MAGYAR, Tamás
Deputy Chair of the Supervisory Board from June 22, 2007 to April 20, 2011.
Member of the Supervisory Board from March 13, 1998 to April 20, 2011.
Manager TVK Plc. Energy Supply, Contract Management
Electric Product Engineer

Mr. Magyar graduated as electric product engineer from Kandó Kálmán Technical College for the Electric Industry in 1989. He worked for TVK at the Electricity Division and at the Electric Network Plant between 1989 and 1993 to move on to the post of product engineer at the Technical Department where he worked between 1993 and 1994 and to service manager at the High Voltage Unit between 1994 and May 1997. He acted as head of the Electric Maintenance Unit of the Energy Supply Division between 1997 and 2000. Mr. Magyar was service manager and service technologist at the Electricians Service Unit between 2000 and 2008. He was the expert of Energy Supply between 2008 and 2009, and from January 1, 2010 he became the Manager of Energy Supply Contract Management. Mr. Magyar is the member of TVK Plc's Supervisory Board since March 13, 1998. He was the Deputy Chairman of TVK Plc's Supervisory Board between August 29, 2000 and November 18, 2003. He was the Deputy Chairman of TVK Plc's Supervisory Board from June 22, 2007 to April 20, 2011.

Top Management

PETHŐ, Zsolt
Chief Execuitve Officer of TVK Plc. since 1st June 2011.
Senior Vice President of Petrolchemicals Division since 1st June, 2011.

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.

PETRÉNYINÉ SZABÓ, Krisztina
Polymer Marketing and Sales Manager, Deputy CEO as from October 1, 2009.
Qualified Economist

Mrs. Petrényi graduated from the University of Economics Miskolc as a qualified economist in 2000 and obtained a professional economist diploma in Foreign Trade Management at Budapest Business School in 2003. She has 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. on October 1, 2009.

HODOSSY, Gyula
Deputy CEO, Chief Financial Officer since July 1, 2007.
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 Euro Contact 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. Since July 1, 2007 he has been acting as Deputy CEO, Chief Financial Officer of TVK Plc.

BÓTA, János
Director of Petrochemical Technology and Project Development since August 1, 2007.
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. Since August 1, 2007 he is the Director of Petrochemical Technology and Project Development.

PÉNZES, Tamás
Human Resources Manager (until December 31, 2011).
Psychologist

Mr. Pénzes graduated from the faculty of psychology of the University of Debrecen as a psychologist specializing in labour and organization psychology and mathematical modelling. During his academic years, he researched corporate cultures, performed statistical analyses and worked for an HR consulting company as a specialist of recruitment and selection. He has been member of the TVK HR team since 2002 and was appointed HR manager in July, 2004. Mr. Pénzes teaches at the psychology department of the University of Debrecen. He received MBA degree at Durham University in 2008.

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 was in charge of planning an analysis 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.

OLVASÓ, Árpád
Deputy Chairman of the Board since April 26, 2002; Member of the Board from August 29, 2000 to May 31, 2011.
Chief Executive Officer until May 31. 2011.
Qualified Chemical Engineer, MBA

See CV in the section on the Board of Directors

Shares held by the members of the Board of Directors, Supervisory Board and Top Management (December 31, 2011)

BOARD OF DIRECTORS

Name	Number of Shares Registered (pcs)
Mosonyi György	0
Horváth Ferenc	0
Gansperger Gyula	0
Kamarás Miklós	0
Dr. Medgyessy Péter	0
dr. Nagy Zoltán	0

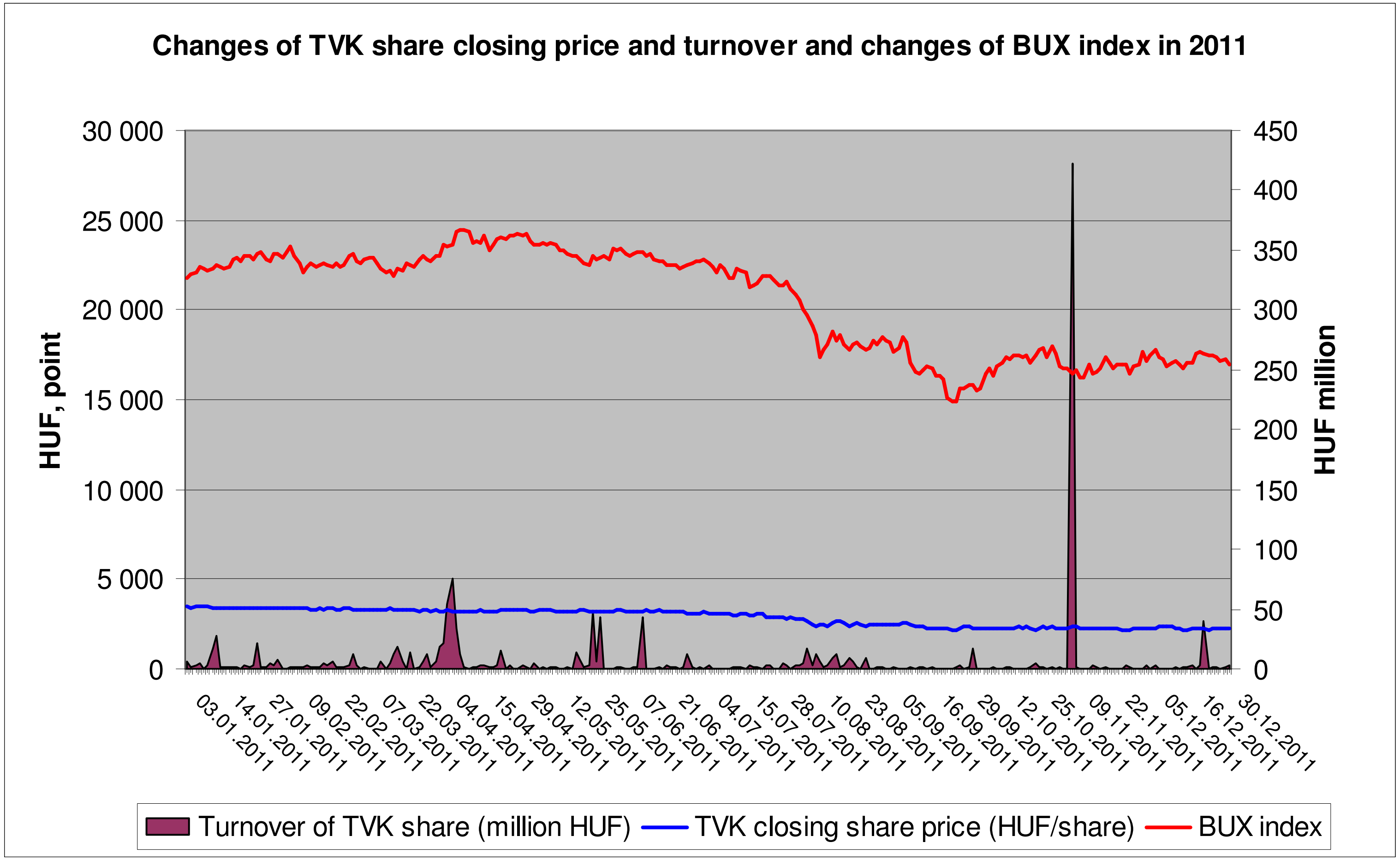
SUPERVISORY BOARD

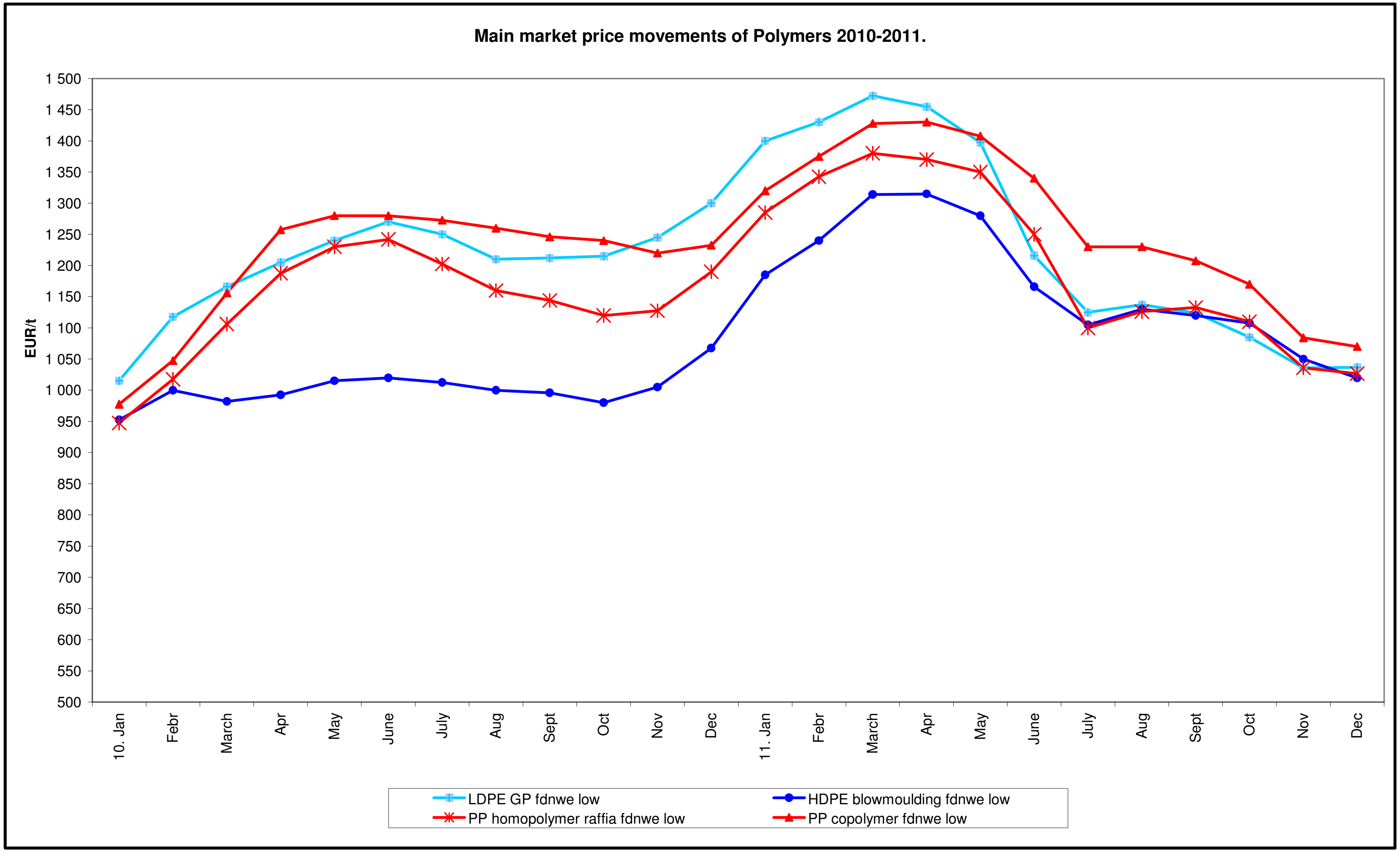
Name	Number of Shares Registered (pcs)
Gyurovszky László	0
Réti László	0
dr. Bakacsi Gyula	0
dr. Bíró György	0
Turóczy Judit	0

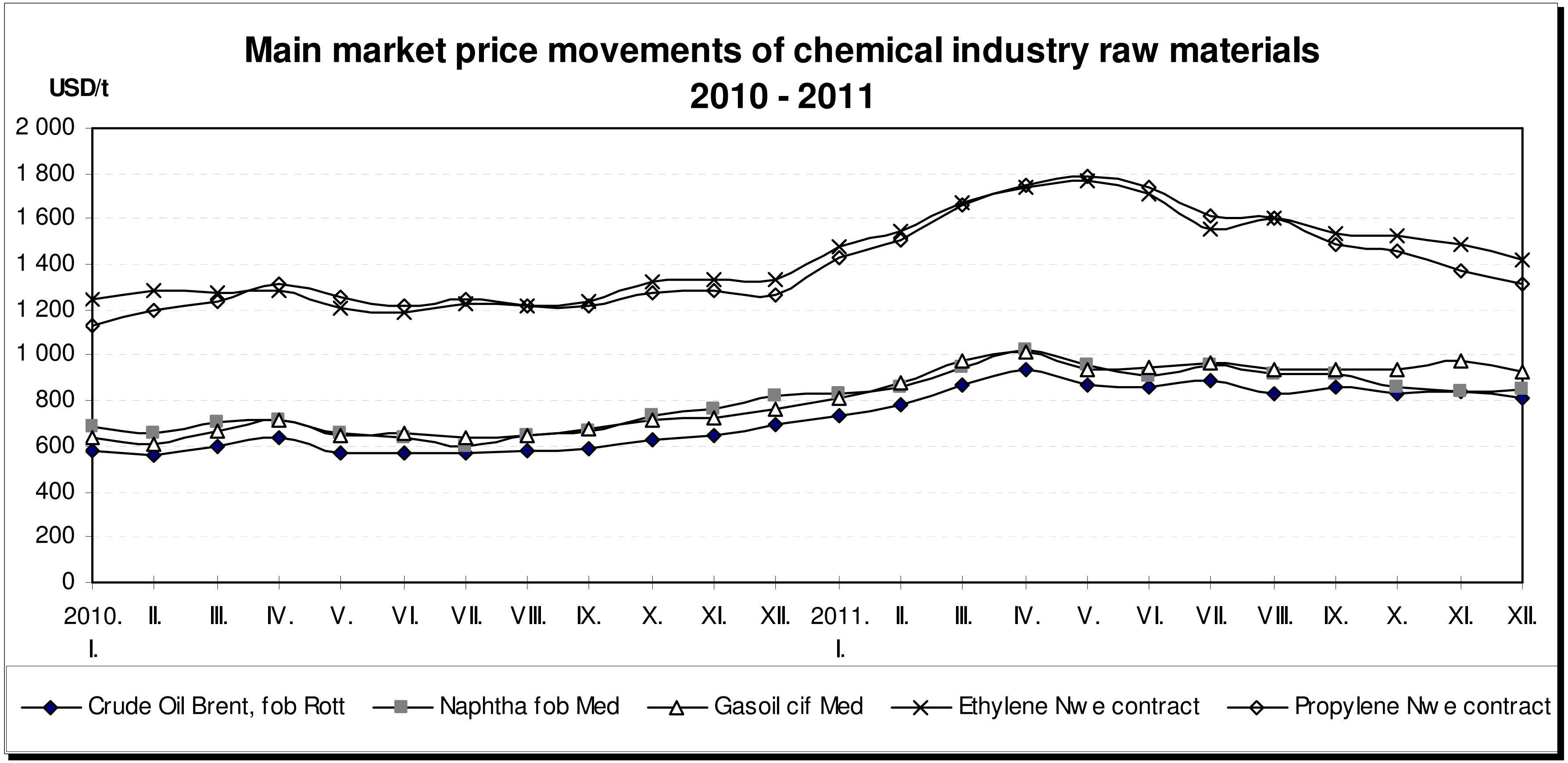
MANAGEMENT

Name	Number of Shares Registered (pcs)
Pethő Zsolt*	0
Petrényiné Szabó Krisztina	0
Hodossy Gyula	0
Bóta János	0
Pénzes Tamás	0
Vályi Nagy Tivadar	0

*Olvasó, Árpád was the CEO until May 31, 2011.


Changes of TVK share closing price and turnover and changes of BUX index in 2011
HUF, point
30 000
25 000
20 000
15 000
10 000
5 000
0
450
400
350
300
250
200
150
100
50
0
HUF million
03.01.2011
14.01.2011
27.01.2011
09.02.2011
22.02.2011
07.03.2011
22.03.2011
04.04.2011
15.04.2011
29.04.2011
12.05.2011
25.05.2011
07.06.2011
21.06.2011
04.07.2011
15.07.2011
28.07.2011
10.08.2011
23.08.2011
05.09.2011
16.09.2011
29.09.2011
12.10.2011
25.10.2011
09.11.2011
22.11.2011
05.12.2011
16.12.2011
30.12.2011
Turnover of TVK share (million HUF)
TVK closing share price (HUF/share)
BUX index


Main market price movements of Polymers 2010-2011.
EUR/t
1 500
1 450
1 400
1 350
1 300
1 250
1 200
1 150
1 100
1 050
1 000
950
900
850
800
750
700
650
600
550
500
10. Jan
Febr
March
Apr
May
June
July
Aug
Sept
Oct
Nov
Dec
11. Jan
Febr
March
Apr
May
June
July
Aug
Sept
Oct
Nov
Dec
LDPE GP fdnwe low
HDPE blowmoulding fdnwe low
PP homopolymer raffia fdnwe low
PP copolymer fdnwe low


Main market price movements of chemical industry raw materials
2010 - 2011
USD/t
2 000
1 800
1 600
1 400
1 200
1 000
800
600
400
200
0
2010. I.
II.
III.
IV.
V.
VI.
VII.
VIII.
IX.
X.
XI.
XII.
2011. I.
II.
III.
IV.
V.
VI.
VII.
VIII.
IX.
X.
XI.
XII.
Crude Oil Brent, fob Rott
Naphtha fob Med
Gasoil cif Med
Ethylene Nwe contract
Propylene Nwe contract

Income statement type "A"

in HUF million

	Description	TVK Plc. 2010	TVK Plc. 2011
01.	Net domestic sales	183 467	219 142
02.	Net export sales	173 150	197 166
I.	**NET SALES**	**356 617**	**416 308**
03.	Change in self-produced stocks	1 406	2 255
04.	Capitalised value of self-produced assets	1 183	1 891
II.	**CAPITALIZED VALUE OF OWN PERFORMANCE**	**2 589**	**4 146**
III.	**OTHER INCOME**	**4 072**	**3 340**
05.	Material costs	304 351	362 024
06.	Material type services	13 255	12 607
07.	Other services	1 552	1 303
08.	Cost of goods sold	15 459	25 323
09.	Cost of services sold	3 223	4 063
IV.	**MATERIAL TYPE EXPENSES**	**337 840**	**405 320**
10.	Wages and salaries	5 873	5 785
11.	Other personnel expenses	972	1 053
12.	Payroll related contributions	1 781	1 767
V.	**PERSONNEL COSTS**	**8 626**	**8 605**
VI.	**DEPRECIATION**	**11 004**	**11 452**
VII.	**OTHER EXPENDITURES**	**15 980**	**14 470**
A.	**OPERATING PROFIT**	**-10 172**	**-16 053**
13.	Dividend received	465	1 176
14.	Capital gain on financial investments sold	0	594
15.	Interest income and capital gains on financial investments	15	13
16.	Other received interest and similar income	83	79
17.	Other financial income	8 150	10 075
VIII.	**FINANCIAL INCOME**	**8 713**	**11 937**
18.	Foreign exchange loss on financial investments	0	0
19.	Interest payable	559	593
20.	Impairment loss of participations, securities and bank deposits	10	0
21.	Other financial expenditures	7 651	9 377
IX.	**FINANCIAL EXPENDITURES**	**8 220**	**9 970**
B.	**FINANCIAL PROFIT / LOSS (-)**	**493**	**1 967**
C.	**PROFIT FROM ORDINARY ACTIVITIES**	**-9 679**	**-14 086**
X.	EXTRAORDINARY PROFIT	4 184	5 891
XI.	EXTRAORDINARY EXPENDITURES	1	1 124
D.	**EXTRAORDINARY PROFIT / LOSS (-)**	**4 183**	**4 767**
E.	**PROFIT BEFORE TAXATION**	**-5 496**	**-9 319**
XII.	**Taxation**	**0**	**0**
F.	**PROFIT AFTER TAXATION**	**-5 496**	**-9 319**
22.	Retained earnings used for dividends	1 992	0
23.	Dividends approved, paid	1 992	0
G.	**PROFIT FOR THE PERIOD**	**-5 496**	**-9 319**

BALANCE SHEETS
Assets

in HUF million

	Description	TVK Plc. 31.12.2010	TVK Plc. 31.12.2011
01.	**A. FIXED ASSETS**	**117 715**	**111 324**
02.	**I. INTANGIBLE ASSETS**	**2 554**	**2 240**
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	2 554	2 240
07.	Goodwill	0	0
08.	**II. TANGIBLE ASSETS**	**110 961**	**106 048**
09.	Real estate and related property rights	27 829	27 375
10.	Technical machines and equipment	77 551	72 158
11.	Other machines and equipment	4 249	4 195
12.	Assets in the course of construction	1 332	2 320
13.	Advances for construction	0	0
14.	**III. FINANCIAL INVESTMENTS**	**4 200**	**3 036**
15.	Long-term investments in associates	3 967	2 803
16.	Long-term loans to associates	0	0
17.	Other long-term investments	0	0
18.	Other long-term loans	2	2
19.	Long-term debt securities	231	231
20.	**B. CURRENT ASSETS**	**76 245**	**85 071**
21.	**I. INVENTORIES**	**11 932**	**15 637**
22.	Materials	5 265	5 604
23.	Work in process	1 150	2 156
24.	Finished products	5 220	6 469
25.	Merchandises	287	1 280
26.	Advances for inventories	10	128
27.	Livestock	0	0
28.	**II. RECEIVABLES**	**61 499**	**65 587**
29.	Trade receivables	39 563	42 496
30.	Receivables from associates	9 037	8 479
31.	Receivables from other related parties	0	0
32.	Bill receivables	0	0
33.	Other receivebles	12 899	14 612
34.	**III. MARKETABLE SECURITIES**	**0**	**0**
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	0
39.	**IV. CASH AND BANK**	**2 814**	**3 847**
40.	Petty cash	3	3
41.	Bank accounts	2 811	3 844
42.	**C. PREPAYMENTS**	**174**	**352**
43.	Accrued income	100	314
44.	Prepaid expenses	74	38
45.	TOTAL ASSETS	**194 134**	**196 747**

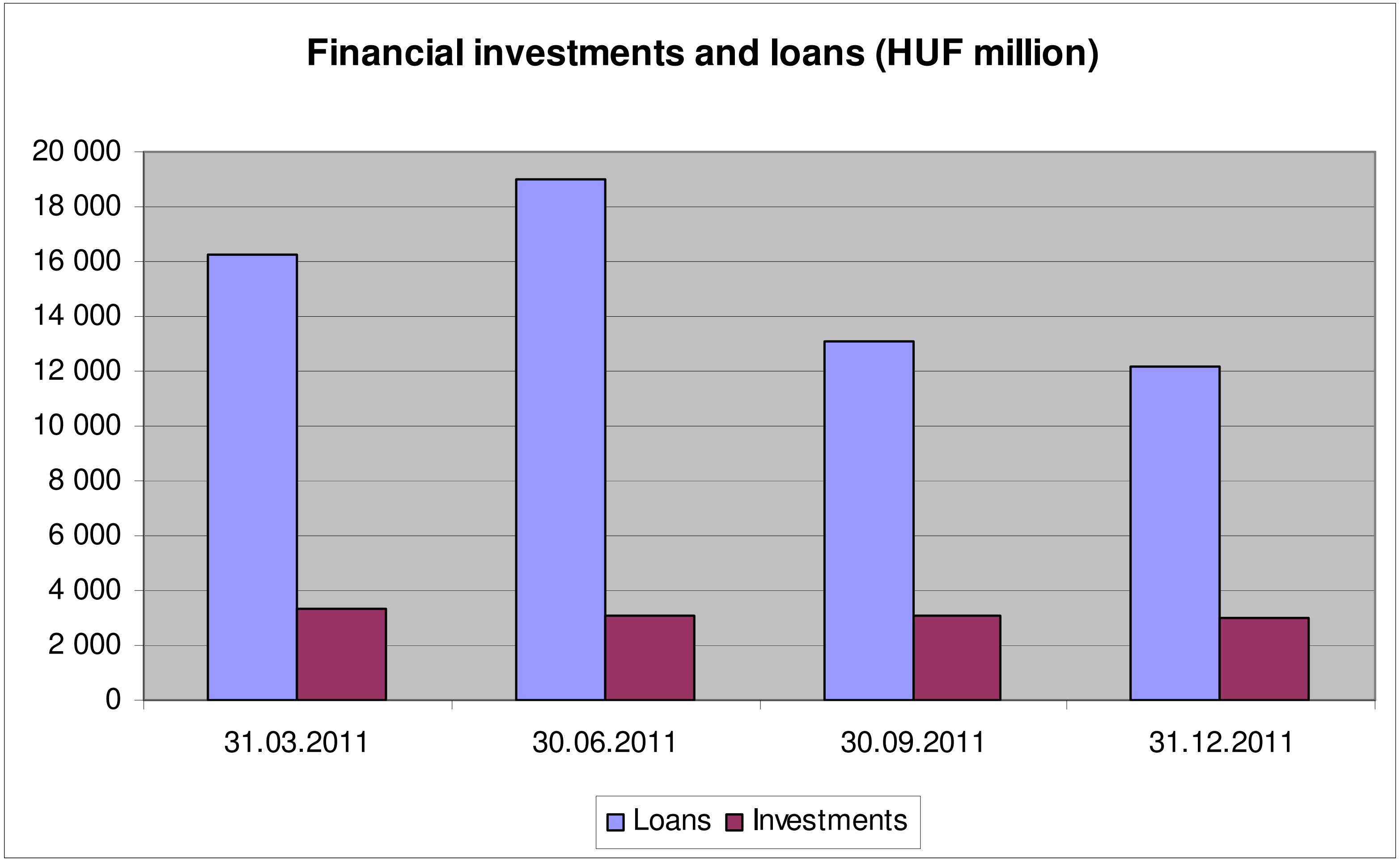
BALANCE SHEETS
Liabilities

in HUF million

	Description	TVK Plc. 31.12.2010	TVK Plc. 31.12.2011
46.	**D. SHAREHOLDERS' EQUITY**	**132 743**	**123 424**
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**	**109 081**	**103 585**
51.	**V. Allocated reserve**	**0**	**0**
52.	**VI. Revalution reserve**	**0**	**0**
53.	**VII. Profit for the year**	**-5 496**	**-9 319**
54.	**E. PROVISIONS**	**6 804**	**4 960**
55.	Provision for expected liabilities	6 794	4 948
56.	Other provisions	10	12
57.	**F. LIABILITIES**	**51 411**	**65 276**
58.	**I. SUBORDINATED LIABILITIES**	**0**	**0**
59.	**II. LONG TERM LIABILITIES**	**4 169**	**5 518**
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	4 169	5 518
64.	Other long-term liabilities	0	0
65.	**III. SHORT TERM LIABILITIES**	**47 242**	**59 758**
66.	Short term debt	0	0
67.	Short term loans	0	0
68.	Advances from customers	281	351
69.	Trade payable	6 282	7 454
70.	Bill of exchange	0	0
71.	Current liabilities to associates	35 405	47 794
72.	Current liabilities to other associates	0	0
73.	Other current liabilities	5 274	4 159
74.	**G. ACCRUED EXPENSES**	**3 176**	**3 087**
75.	Deferred income	27	39
76.	Accrued expenses	3 107	2 826
77.	Deferred negative goodwill and extraordinary	42	222
78.	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**194 134**	**196 747**

Net Sales by regions
2010 - 2011

Region	TVK Plc.			
	2010		2011	
	in HUF million	%	in HUF million	%
Europe	**164 096**	**46**	**192 630**	**46**
- Italy	25 321	7	32 568	8
- Germany	30 791	9	31 694	8
- Poland	28 922	8	29 338	7
- Czech Republic	9 740	3	19 827	5
- Slovakia	11 876	3	10 958	3
- Austria	7 469	2	8 980	2
- Romania	7 427	2	7 735	2
- France	4 567	1	4 822	1
- United Kingdom	3 324	1	3 032	1
- Other Europe	34 659	10	43 676	9
America	**6 413**	**2**	**2 643**	**1**
Asia	**1 410**	**1**	**798**	**0**
Africa	**23**	**0**	**34**	**0**
Other areas	**1 208**	**0**	**1 061**	**0**
Export sales revenue	**173 150**	**49**	**197 166**	**47**
Domestic sales revenue	**183 467**	**51**	**219 142**	**53**
Total sales revenue	**356 617**	**100**	**416 308**	**100**


Financial investments and loans (HUF million)
20 000
18 000
16 000
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0
31.03.2011
30.06.2011
30.09.2011
31.12.2011
Loans
Investments

Headcount and wages of TVK Plc.

Headcount

Description	Unit	2010 actual	2011 actual	Index %
· Yearly average number of fulltime employees	person	1,138	1,119	98.3
· Yearly average number of part-time employees	person	2	4	200.0
· Yearly average number of all employees	person	1,142	1,130	98.9

Wage Bill

· Wage bill of full time employees and accruals	HUF million	5,698.2	5,646.5	99.1
· Wage bill of other employees	HUF million	174.8	138.5	79.2
· Total wages and salaries	HUF million	5,873.0	5,785.0	98.5

Average Wages

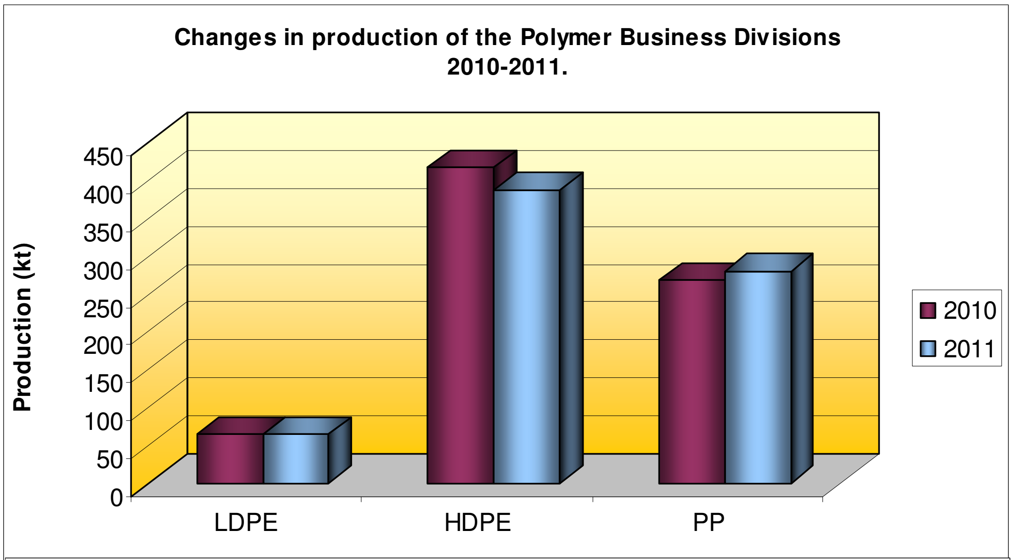
· Average wage	HUF/person/year	4,827,160	5,149,456	106.7
· Monthly average wage	HUF/person/month	402,263	429,121	106.7

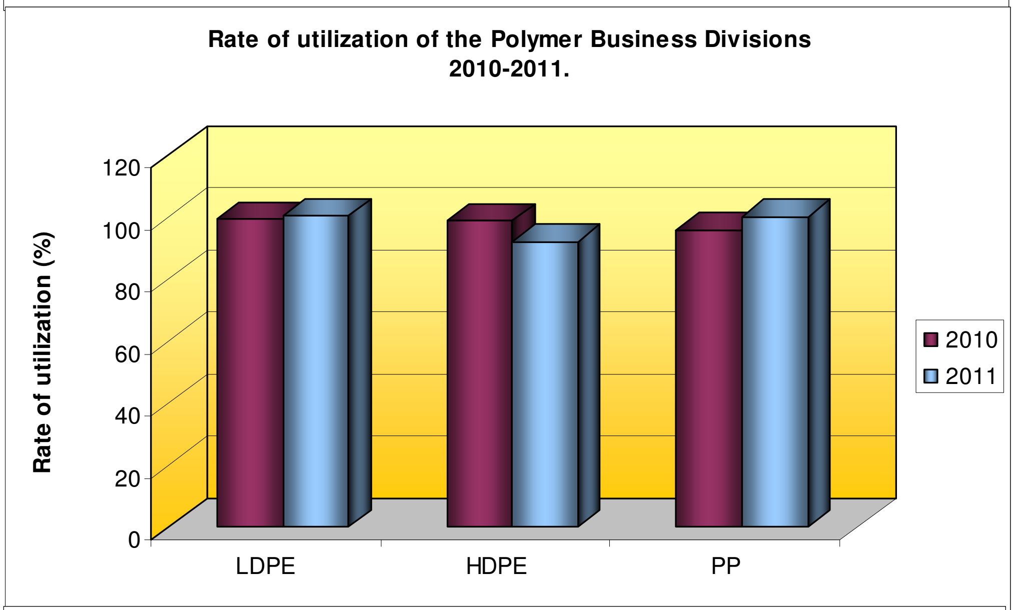
Fringe Benefits

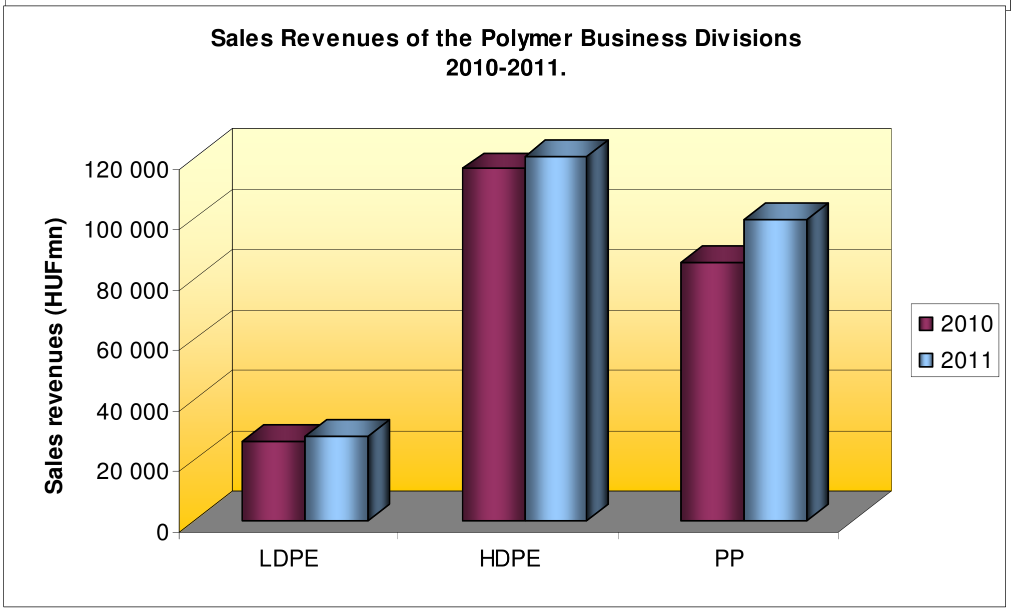
HUF thousand

Title	2010 Actual	2011 Actual
May be granted to those in social need		
Financial aid	8 060	3 940
Funeral costs	337	318
Total	*8 397*	*4 258*
Fringe benefits for all employees		
Group Life & Accident Insurance	3 118	3 066
Workplace program costs	2 280	3 486
Total	*5 398*	*6 552*
Other available benefits		
Work clothing	678	-
Transportation to/from work	66 418	68 272
Transportation of workers	6 737	7 754
Primary healthcare	44 422	46 348
Cultural expenditures	8 583	7 827
Total	*126 838*	*130 201*
Optional fringe benefits(OFB)	**HUF 450 th +2.5% of basic wage/person/year**	**unitedly HUF 560 th/person/year**
OFB purchase value	502 475	538 102
OFB preferential tax	130 466	86 506
Total	*632 941*	*624 608*
Granted by employer to certain job categories		
Education, training	85 328	71 133
Protective clothing	61 033	72 667
Prophilactic beverages	19 541	18 780
Total	*165 902*	*162 580*
GRAND TOTAL	**939 476**	**928 199**

Production, capacity utilization and sales of the Polymer Divisions







TVK PLC'S ASSOCIATES
2011

	Name of Company	Net book value (HAS) 31.12. 2010 HUF 000	Net book value (HAS) 31.12. 2011 HUF 000	Registered Capital/ Share Capital * 31.12. 2011	Ownership 31.12. 2011 (%)	Status
Investments						
1	TVK Ingatlankezelő Kft	2 970 000	2 070 000	2 070 000	100,00%	L
2	TVK Inter-Chemol GmbH (th EUR)**	151 247	-	-	-	-
3	TVK UK Ltd. (th GBP)***	21 041	21 041	200	100,00%	L
4	TVK Italia S.r.l. (th EUR)****	26 223	-	-	-	-
5	TVK -France S.a.r.l. (th EUR)	19 929	19 929	76	100,00%	L
6	TVK Polska Spzoo. (th PZL)	6 058	6 058	109	100,00%	L
7	TMM Tűzoltó és Műszaki Mentő Kft.	900	900	3 000	30,00%	T
8	TVK Erőmű Term. Szolg. Kft.	770 406	683 826	2 630 100	26,00%	T
9	TVK Ukraina tov (th Hryvna)	1 457	1 457	34	100,00%	L

Status:
- L: Subsidiaries
- T: Associated

Note:
* The registered capital/share capital is expressed in ths HUF; otherwise in the currency indicated
** TVK Interchemol GmbH was sold on December 20, 2011
*** Dissolution started on 1 July, 2009
**** TVK Italia S.r.l was sold on December 12, 2011