

## HALF YEAR FLASH REPORT ON H1 2012 OF TVK GROUP

Tisza Chemical Group Public Limited Company (TVK Plc) (Reuters: TVKD.BU, website: www.tvk.hu) has published its results for H1 2012 today. The data presented in the TVK Plc's Flash Report on the first half of 2012 are not audited and should not be treated as final. The term „TVK Group level data” is used in this flash report to refer to the figures of TVK Plc and its affiliates consolidated in line with the International Financial Reporting Standards (IFRS). 4 subsidiaries, 1 affiliated business and 1 non-participating business were fully consolidated while 1 business was consolidated by the equity method.

### TVK Group Financial Overview

	Q2 2011 (M HUF)*	Q2 2012 (M HUF)	Var %	Q1 2012 (M HUF)	H1 2011 (M HUF)*	H1 2012 (M HUF)	Var %
Net sales	109,873	96,022	(12.6)	102,555	217,231	198,577	(8.6)
EBITDA	5,366	2,755	(48.7)	(961)	9,649	1,794	(81.4)
<b>Operating profit/loss (-)</b>	<b>2,079</b>	<b>(707)</b>	-	<b>(4,351)</b>	<b>3,090</b>	<b>(5,058)</b>	-
Profit/loss of financial transactions (-)	(647)	1,200	-	646	175	1,846	954.9
<b>Shareholder's net profit (loss)</b>	<b>890</b>	<b>193</b>	<b>78.3</b>	<b>(3,014)</b>	<b>2,275</b>	<b>(2,821)</b>	-
Operating cash flow	2,842	11,265	296.4	(15,323)	(6,569)	(4,058)	-

	Q2 2011 (M EUR)*	Q2 2012 (M EUR)	Var %	Q1 2012 (M EUR)	H1 2011 (M EUR)*	H1 2012 (M EUR)	Var %
Net sales	412.5	326.3	(20.9)	345.3	806.4	671.7	(16.7)
EBITDA	20.1	9.4	(53.5)	(3.2)	35.8	6.1	(83.1)
<b>Operating profit/loss (-)</b>	<b>7.8</b>	<b>(2.4)</b>	-	<b>(14.7)</b>	<b>11.5</b>	<b>(17.1)</b>	-
Profit/loss of financial transactions (-)	(2.4)	4.1	-	2.2	0.6	6.2	861.2
<b>Shareholder's net profit (loss)</b>	<b>3.3</b>	<b>0.7</b>	<b>80.4</b>	<b>(10.1)</b>	<b>8.4</b>	<b>(9.5)</b>	-
Operating cash flow	10.7	38.3	258.8	(51.6)	(24.4)	(13.7)	-

Note: Calculated using the average mid FX rate quoted for the period by the National Bank of Hungary

\* After disclosing Q1-3 2011 flash report, commitment fee of bank loans were reclassified to financial expenses for the period of the whole year.

**In the second quarter of 2012, operating profit achieved was HUF 3.6 billion higher than in the previous quarter** due to the favourable change of olefin feedstock and polymer product prices compared to each other and the reduced volume of energy used in connection with the general turnaround carried out in Q2. The lower production and sales volumes as well as the exchange rate changes led to the deterioration of the operating profit, including the difference resulting from the re-valuation of accounts receivable and accounts payable in the previous and the actual quarter.

**Operating profit of the first six month of 2012** declined year-on-year due to the lower integrated petrochemical margin, the unfavourable change of exchange rates, the significantly increased prices of natural gas, steam and electric energy and the lower production and sales volumes.

- ▶ **Capacity utilisation** in Q2 2012 was strongly influenced by the maintenance works. The shutdowns began at the end of May and affected Olefin-1, HDPE-1, LDPE-2 and PP-3 plants as well. Maintenance works were finished, the production in the polymer plants and in the Olefin-1 Plant started up by the end of July. In these plants, the last planned cyclical maintenance works were carried out in 2009. In case of Olefin-1 and PP-3 plants, the former three-year maintenance cycle-time will be increased to four-year in the future. As a result of the shutdowns, overall capacity utilization of the production facilities decreased by 19 percentage points since the last quarter, and by almost 29 percentage points compared to Q2 2011. In H1 2012 it was lower by 22 percentage points, year-on-year.
- ▶ **Polymer production** was lower both in Q2 (by 24%) and in H1 2012 (by 24%) compared to the base period as a consequence of the shutdowns. In Q2 2012, **Polymer sales** were lower by 8% quarter-on-quarter, while in H1 2012 sales dropped by 20% compared to the first half of the previous year, as a result of the reduced demand.
- ▶ In H1 2012, HUF 1,408 million **realized** and HUF 250 million **non-realized exchange loss on receivables and payables** was booked as regards the sales and purchases in foreign currency. It was an exchange loss of HUF 1,200 million in H1 2011.

- ▶ The profit of HUF 1,846 million on financial operations includes HUF 616 million **realized exchange gain** and HUF 1,451 million **non-realized exchange gain**.
- ▶ The negative amount of HUF 4,058 million of **operating cash flow** was influenced significantly by the positive EBITDA value, and the working capital elements, influenced by extraordinary effects in connection with the shutdown of the Olefin-1 Plant.
- ▶ The **debt from the short and long term loan** of MOL Plc. amounted to HUF 20,483 million as of June 30 2012, increased by HUF 8,342 million compared to the amount of 31 December, 2011, and HUF 1,482 million more compared to June 30, 2011.
- ▶ In H1 2012, **TVK Group net loss** was HUF 2,821 million compared to the profit of HUF 2,275 million in H1 2011.

**CEO of TVK Plc., Zsolt Pethő, emphasized:**

*"In the second quarter, our business performance was again fundamentally formed by the unfavourable economic circumstances. Integrated petrochemical margin rose significantly in the second quarter from the historical low level of January-February, however this was not enough to improve our results for Q2 or H1 ever near to the break-even point. Therefore, it is especially valuable for us, that those efficiency and competitiveness improvement programs are going as scheduled, which were appointed as goals in the three-year efficiency improvement projects. This is one of the positive reasons that we were able to turn our first quarter negative EBITDA to positive level in the first half, in contrary to the declining international and domestic economic conditions.*

*In the unfavourable trend of some of our figures in the first half of the year, such as cash flow data had a partial role of the fact, that we increased our inventory level for the sake of ensuring continuous supply of our customers during the planned maintenance works carried out in Olefin-1 and three other polymer plants (started in the last third of May). This effect will cease in the second half of the year after the planned restart of the factories.*

*I am very glad to inform you that decision has made on the location of the formerly approved butadiene extraction unit. In line with the decision, the location of the plant will be Tiszaújváros, capex will move around HUF 30 billion. Building will start in 2013 and the production will come in line in 2015. The plant, with an annual capacity of 130 thousand tons will significantly improve TVK's profitability."*

### Operating environment

The quoted price of the naphtha necessary to olefin production increased slightly during the first three months of this year, meanwhile prices of polymer products increased significantly. April was characterised by stagnating, then from the beginning of May till the end of the period feedstock prices decreased slowly, while that of polymers fall down significantly.

As a result of the changes of polymer product and feedstock prices and the exchange rate movements, integrated petrochemical margin of Q2 2012 increased by 84% in EUR and in HUF terms compared to the previous quarter and fall by 26% in HUF and 32% in EUR terms in H1 2012 compared to H1 2011.

## Financial overview

### Profit and Loss Statement

In the first six months of 2012, **TVK Group level total operating income** fall by 8% year on year and totalled at HUF 199,350 million. Within this, the **other operating income** was HUF 773 million, showing a rise of HUF 437 million, mainly due to the income on CO<sub>2</sub> quota sale amounting to HUF 288 million and HUF 159 million income on the sale of TVK Polska SP z.o.o. activity.

In H1 2012, the **consolidated TVK Group level net sales** amounted to HUF 198,577 million that is HUF 18,654 million less than in the first half of 2011, due to the lower sales volumes, that were partially compensated by the higher prices and by the impact of exchange rate fluctuations.

#### Factors influencing product sales of TVK Plc, H1 2012 – H1 2011 (million HUF)

	Effect of variance in price	Effect of variance in exchange rates	Effect of variance in volume	Total
Olefin	7,132	7,858	(16,490)	(1,500)
LDPE	(777)	1,132	(2,309)	(1,954)
HDPE	2,407	4,823	(21,049)	(13,819)
PP	(2,942)	4,523	(3,089)	(1,508)
<b>Total</b>	<b>5,820</b>	<b>18,336</b>	<b>(42,937)</b>	<b>(18,781)</b>

In H1 2012, TVK Plc. realized 48% of its sales revenues from **export sales**. Czech Republic (19%), Italy (15%), Germany (14%), Poland (12%), Austria (4%), Ukraine (4%) Romania (4%) and Slovakia (3%) represented the majority of export sales.

#### Distribution of TVK Group sales incomes by production units H1 2012 (million HUF)

	Domestic sales	Export sales	Total sales
Olefin	62,652	13,377	76,029
LDPE	5,266	6,789	12,055
HDPE	6,119	50,544	56,663
PP	22,662	26,756	49,418
Income from other business activities	6,809	110	6,919
Effect of consolidation	(2,562)	55	(2,507)
<b>Total</b>	<b>100,946</b>	<b>97,631</b>	<b>198,577</b>

**TVK Group raw material costs** amounted to HUF 170,660 million showing a 7% (HUF 12,239 million) year on year decrease due to the significant fall of purchased feedstock volumes and the moderation of the feedstock quoted prices used for producing monomers. However weakening of the forint against the dollar had a cost-increase effect. Energy costs hiked by 29%, mainly as the result of the increased prices of steam, natural gas and electric energy.

#### Variations in key feedstock costs incurred by TVK Plc, H1 2012 – H1 2011 (million HUF)

	Effect of variance in volume	Effect of variance in price	Effect of variance in exchange rates	Total
Naphtha and light hydrocarbons in total	(26,504)	(3,997)	22,032	(8,469)
Gas oil	(9,631)	161	912	(8,558)
<b>Chemical feedstock in total</b>	<b>(36,135)</b>	<b>(3,836)</b>	<b>22,947</b>	<b>(17,027)</b>

**Value of material type services used** decreased by HUF 829 million (11%), within this, transportation costs decreased by HUF 906 million due to negative effect of the lower volumes overcompensated the positive effect of the higher fuel prices. Maintenance costs went down by HUF 192 million. Commission fees went up by HUF 268 million. This change is the consequence of that commission feed paid formerly to the foreign trade subsidiaries, that were sold, are not consolidated any more, but is appears as fees paid to a third party.

**Cost of goods sold** hiked by 7% mainly due to the weakening HUF, and beside that, the price of tar purchased and sold, and volume of ethylene purchased and sold also increased. This increase in the costs was offset by the sales revenues.

TVK group level **personnel expenses** was down by HUF 220 million (5%) due to the staff reduction and due to the difference between the two period of the balance of booked and used accruals of bonuses and wages.

**Depreciation, amortization and impairment** increased by 4% (HUF 293 million), mainly as a result of the lifetime revision of the Olefin Plants' tools and equipments, which was necessary to be made for the sake of the maintenance and reconstruction works.

**Other operating expenses** was up by HUF 400 million (12%) due to the HUF 458 million loss on AR/AP exchange rates. Beside this, taxes booked as expenses authority fees, insurance fees and advisory and expert fees increased while cost of environmental rehabilitation and the balance of provision generation and release decreased.

**Change in inventory of finished goods and work in progress** showed an increase of HUF 1 million in H1 2012, as the effect of volume increase was totally compensated by the devaluation caused by the self-cost decrease. As a result of the last year cash flow improvement and the severe management with the working capital, the low polymer stock level of the end of 2011 was necessary to increase continuously in H1 2012 for the sake of insuring the continuous supply of our customers during the planned maintenance shutdown.

**Work performed by the enterprise and capitalised** grew by HUF 1,124 million, due to that the materials used for the sake of maintenance was calculated as return, which amount also occurred within the raw material costs.

The Group level **consolidated loss from operation** (EBIT) amounted to HUF 5,058 million in the first six months of 2012 compared to the operating profit of HUF 3,090 million realized in H1 2011.

Compared to the profit of HUF 175 million in H1 2011, the group realized a **profit on financial operations** of HUF 1,846 million in H1 2012. The financial revenues of the group increased by HUF 1,622 million in the reporting period compared to the same period of the previous year, mainly due to the HUF 279 million more realized and HUF 671 million more non-realized exchange rate gain was generated during the revaluation of the loans and other assets received in foreign currency and gain booked on non hedging transaction was HUF 675 million. Financial expenses declined by HUF 49 million.

In H1 2012 TVK Group **profit before tax** amounted to a loss of HUF 3,212 million showing a year on year decrease of HUF 6,477 million. The **income tax** was HUF 566 million, deferred tax amounted to a negative amount of HUF 957 million. **Consolidated net loss** totalled at HUF 2,821 million.

### ***Balance Sheet figures***

The value of the **total assets** of TVK Group as at June 30, 2012 stood at HUF 203,638 million.

The consolidated value of **non-current assets** amounted to HUF 122,594 million as at June 30, 2012, 3% lower than on June 30, 2011 mainly due to the lower value of tangible assets attributable to the recognized depreciation.

The value of **current assets** went down by 15% to HUF 81,044 million. It includes a 6% year on year decrease in inventories, basically due to the lower inventory volumes of self-made polymers which was partially balanced by the up-valuation of the inventory resulting from the growing prices of the feedstock purchased (at the Olefin Plants). Accounts receivables was down by 20%, caused by the significantly lower selling prices and the lower volumes sold. The value of other current assets surged by 15% which is attributable mainly to the fact that the amount of VAT reclaim at the end of June 2012 went up considerably, mainly as a result of the change of the tax regulations and the significant rise of purchase prices and HUF 675 million gain was booked on non hedging transaction.

**Shareholder's equity** amounted to HUF 120,111 million on June 30, 2012, reflecting a drop of 12% since June 30, 2011. The decrease is attributable to the variance in the value of the profit/loss after taxation and to the balance sheet loss realized in 2011 and reported in the profit reserve.

The portfolio of **long term debt, net of current portion** grew by 16% year on year. Long term loans rose by HUF 8,770 million (42%) due to the parent company loan borrowed, because of the change of the ratio of short-term and long-term loans. Other non-current liabilities decreased significantly as a result of the part due within the year of the obligations deriving from forward transactions were transferred to the other short term liabilities.

The value of **current liabilities** declined by 10% to HUF 51,576 million from June 30, 2011 to June 30, 2012. The change is a result of the lower short term loan amount, as the above mentioned reorganisation was made in case of long term loans. The higher amount of account payables reflects the invoice-rescheduling of feedstock supplier that evolve beside the price and volume decrease of the purchased olefin feedstock.

### **Cash flow**

Based on the group level cash flow statement of TVK Group dated June 30, 2012 **liquid assets** have decreased by HUF 459 million since the beginning of the year.

**Operating cash flow** amounted to HUF -4,058 million. EBITDA amounted to HUF 1,794 million. The changes in working capital (inventories, trade accounts receivable and payable, other receivables and other liabilities altogether) decreased the cash flow by HUF 5,406 million. The cash flow deteriorating effect of the changes in the inventory follows from the fact that stock volumes of the self-manufactured polymer product increased slightly, while due to the olefin feedstock price increase inventory devaluation was booked. The lower closing value of the polymer stock at the end of the period means that during the periodic maintenance works, began from May, our customers were served partially from our stocks as a consequence of the significantly decreased production. The reason of the decrease of accounts receivable was that sales volumes were lower in Q2 2012 than during Q4 2011 that determines the year end value; at the same time higher polymer product selling prices increased the amount of AC. The decline of accounts payables is a consequence of that in June 2012, resulting from the periodic maintenance works, the volume of purchased olefin feedstock decreased while the price of naphtha was highly lower compared to December 2011. Although the effects were partially compensated by the reduction in volume of the non-feedstock suppliers compensated for this as most suppliers sent the invoices at the end of the year, and after that the inventory reduced back to normal level during the year. The growth of VAT is reflected in the increased amount of other receivables. Other short term liabilities also went up due to the increased balance of accrued costs. Taxes paid against the profit/loss further reduced the cash flow by HUF 332 million. The adjustment due to the non-cash effects included in the EBIT decreased the operating cash flow by HUF 114 million. Within this the sale of CO<sub>2</sub> emission quota was HUF -362 million, sale of TVK Polska Sp z.o.o.'s activity amounted to HUF -159 million, revaluation of AC/AP exchange rate totalled at HUF 250 million, correction of impairment was HUF 140 million, the change of provisions was HUF 41 million.

**Net cash provided by investing activities** decreased cash flow by HUF 4,567 million, within this the amounts disbursed to the suppliers amounted to HUF 5,494 million, while the HUF 362 million income on sale CO<sub>2</sub> quota and the HUF 159 million income on the sale of TVK Polska Sp z.o.o.'s activity improved cash flow.

**Net cash from financial operations** increased the cash flow by HUF 8,166 million in the period under review, mainly due to the revolving short-term and long-term loans granted by MOL Plc.

### **Headcount**

As at June 30, 2012 the total consolidated headcount of TVK included 1,100 full time employees which is 46 persons less than the closing headcount on June 30, 2011. Outsourcing of the activity of Accounting and Tax organisation decreased total headcount by 44 employees, reintegration of technical maintenance and the management of 0.4 kV electrical network reflected a 42 headcount plus. Due to the breakdown of HDPE-1 Compound plant during the previous year headcount decreased by 16. Number of employees at the subsidiaries decreased by 21, mainly as a consequence of selling the trade subsidiaries. The remaining 7 worker decline is the result of the more efficient operation of the organisation.

### ***Capital projects***

In H1 2012 the total capital expenditure of TVK Group amounted to HUF 4.2 billion, within this HUF 4.1 billion is the expenditure incurred at TVK Plc. HUF 2.4 billion was spent on sustain capital expenditures and HUF 1.1 billion on individual projects, and the cost incurred in connection with the maintenance works amounted to HUF 0.6 billion.

### ***Outlook and expectations for the period after June 30, 2012***

The operating profit/loss in July 2012 is expected to be significantly negative, due to the more and more unfavourable external circumstances; as we expect that polymer prices will further decline, and EUR/USD exchange rate will weaken. The utilization of both monomer and polymer production capacities will improve as a result of that after the shutdown the plant will produce again. In the composition of polymer production by product types PP ratio will grow.

### ***Major events until the publication date***

In this spring, Board of Directors of MOL approved the proposal on building a butadiene extraction unit with an annual capacity of 130 thousand tons. In June, decision was made on the location, so the plant will be operated in our site, in Tiszaújváros. The project will start in 2013 with a capex of HUF 30 billion, trading production will began expectedly in the beginning of 2015. Butadiene is the raw material for producing synthetic rubbers. This product is mainly used in the production of automotive tyres, the market demand for this good in the last years is continuously stable or increase slightly. According to the expectations, this tendency will remain in the future years as well. The demand for butadiene as a product due to its special usage is less sensible against market fluctuations and its profitability is more favourable compared to other general plastic-feedstock.

According to the expectations, after the implementation of the new unit, TVK's profitability will improve significantly moreover, the Company will create new employments with building this new plant.

As from July 15, 2012 TVK Plc's Chief Financial Officer is Balázs Sándor.

A from July 25, 2012 Mr. Zsolt Pethő, Chief Executive Officer of TVK Plc. deals with the duties of the Director of Polymer Marketing and Sales.

## *Our main strategic goals*

TVK is a dynamically growing petrochemical player in Central Europe. Considering our present competitive position and our expectations for the business environment, our main strategic objective is as follows:

Maintain our leadership in the regional petrochemical market by improving our operating efficiency and the competitiveness of our assets and product portfolio and through long term, value creating and profitable business operation.

In order to meet this objective, our business focuses are the following:

- ▶ Screen and reveal strategic development opportunities and consequently implement the planned development program: based our positive outlook for the butadiene market development, we started to implement a 130 kt/y capacity butadiene extraction unit in Tiszaújváros. With a capex of about HUF 30 billion, significant profit improvement can be acquired annually.
- ▶ TVK highly lean on the MOL Downstream integration benefits. We participate in the three year efficiency and competitiveness improvement program of MOL Group, named "New Downstream" program, which results in a USD 60 million savings at company level according to the plans by 2014 compared to the year 2011 basis.
- ▶ Our focus in the sales is to strengthen our market position in Central-Europe
  - Through competitive product portfolio tailored to customer needs;
  - Via the optimization of our customer portfolio – by focusing on attractive segments
  - By improving the quality of our sales services;
- ▶ We are flexibly adjust our production to the market requirements
- ▶ In April, we renew our long term supply contract of 120 kt/y ethylene with our strategic partner, BorsodChem and prolonged it until the end of 2023;
- ▶ We are consequently implementing our energy saving and emission reduction strategy formulated in 2008. This will further improve the cost efficiency of the overall energy process to the benefit of environment.
- ▶ We give high priority for protecting our environment. In this regard, we wish to live up to our corporate social responsibility and keeping our plants at a high technical level through scheduled maintenance shutdowns and by doing so reducing security and managing environmental risks as well;

We continue to focus on operational safety in our industrial processes. Our Process Safety Management (PSM) system - introduced in 2010 - is revealing and investigating operational risks and events.

Our mission is to supply our customers with petrochemical products of excellent quality and high level services. Our products are fundamental for a wide range of industrial applications and for the production of a huge number of consumer goods that are essential to everyday life and provide more comfort and plenitude in people life.

## *Integrated Risk Management*

The goal for risk management in TVK calls for making corporate operations as secure as possible. The priorities of the risk management policy of the company involve all the risks associated with its business. The risk policy covers for instance the management of currency rate and world market price risk, as well as property, business interruption, business, liability, customer, technical, safety and environmental risks. Since 2006, the Enterprise Risk Management (ERM) system has been used to manage risks at MOL Group level. The ERM is a modern risk management concept that also contributes to boosting corporate value. The central idea behind the concept is the need to apply a common method and a consolidated way to calculate, manage and disclose in the reports a variety of (financial, operating and strategic) risks. During the ERM process potential risks are identified and the risk benefit relationships of individual divisions, projects and decisions are rendered comparable, which contributes to developing a culture of risk awareness within the organization. The measurement of risks facilitates the identification of the root causes of risks and contributes to a greater awareness of different risk types. As a result, senior management can get a firmer grip on the risks that influence corporate profits the most and can determine the elements of risk to retain and the ones that require a variety of risk mitigation methods.

The prices of the most important feedstock used by the company and the olefin and polymer products produced by TVK are pegged to the global market prices of the same products. From economic point of view TVK has a net long position in EUR, while it has net short USD and HUF cash flow positions.

In H1 2012, TVK did not conclude any derivative transactions to hedge against foreign exchange rate risks however short-term hedge deals were done in order to manage the commodity risk exposure. The company had no open foreign exchange futures positions as of June 30, 2012.

The company covers most of its trade receivables with credit insurance to mitigate liquidity risk. Also, it carefully examines the credit worthiness of the prospective customers and assesses whether or not the conditions for continuous payment are attainable before signing a new contract.

In order to exploit opportunities of the portfolio effects, TVK's financial risk exposures (e.g. commodity, FX rates, interests rates) are managed on MOL Group level.



## **Tisza Chemical Group Public Limited Company and Subsidiaries**

*Unaudited, Consolidated Financial Statements  
prepared in accordance with  
International Financial Reporting Standards*

*30 June, 2012*

ANNEXES

**Company name:** Tisza Chemical Group Public Limited Company  
**Company address:** H-3581 Tiszaújváros, P.O.Box 20.  
**Sector group:** Chemical industry, petrochemical  
**Reporting period:** H1 2012

**Phone:** +36 49/522-377  
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**Investors' contact person:** Vanda Haisz

	Yes	No		
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Accounting principles		Hungarian <input type="checkbox"/>	IFRS <input checked="" type="checkbox"/>	Other
Currency	HUF	<input checked="" type="checkbox"/>	EUR	<input type="checkbox"/>
Unit	1,000	<input type="checkbox"/>	1,000,000	<input checked="" type="checkbox"/>

ANNEX 1  
KEY FINANCIAL DATA

TVK Group consolidated unaudited figures according to IFRS (HUF million)

Key Profit and Loss figures

	H1 2011	H1 2012
Net revenue	217,231	198,577
Operating profit	3,090	(5,058)
Financial expenses, net	175	1,846
Profit before tax	3,265	(3,212)
Profit for the year	2,275	(2,821)

Key Balance Sheet figures

	30.06.2011.	30.06.2012.
<b>Non-current assets</b>	126,143	122,594
Intangible assets	2,469	2,180
Property, plant and equipment	123,336	119,946
Invested financial assets	338	373
<b>Current assets</b>	95,289	81,044
Inventories	13,178	12,342
<b>Total assets</b>	<b>221,432</b>	<b>203,638</b>
<b>Equity attributable to equity holders of the parent</b>		
	136,461	120,111
Share capital	24,534	24,534
<b>Non-current liabilities</b>	27,555	31,951
<b>Current liabilities</b>	57,416	51,576
<b>Total equity and liabilities</b>	<b>221,432</b>	<b>203,638</b>

**ANNEX 2**  
**H1 2012 PROFIT AND LOSS STATEMENT**  
 TVK Group consolidated, unaudited figures according to IFRS (HUF million)

Y 2011 (audited)		Q2 2011	Q2 2012	Change %	H1 2011	H1 2012	Change %
411,462	Net revenue	109,873	96,022	(12.6)	217,231	198,577	(8.6)
3,364	Other operating income	173	201	16.2	336	773	130.1
<b>414,826</b>	<b>Total operating income</b>	<b>110,046</b>	<b>96,223</b>	<b>(12.6)</b>	<b>217,567</b>	<b>199,350</b>	<b>(8.4)</b>
356,885	Material costs	91,136	73,447	(19.4)	182,899	170,660	(6.7)
15,462	Material type services	3,913	3,294	(15.8)	7,712	6,883	(10.7)
24,554	Cost of goods sold	5,846	6,142	5.1	11,943	12,766	6.9
399	Cost of services sold	71	36	(49.3)	198	82	(58.6)
<b>397,300</b>	<b>Raw materials and consumable used</b>	<b>100,966</b>	<b>82,919</b>	<b>(17.9)</b>	<b>202,752</b>	<b>190,391</b>	<b>(6.1)</b>
6,284	Wages and salaries	1,581	1,629	3.0	3,188	3,108	(2.5)
1,179	Other personnel expenses	262	104	(60.3)	607	473	(22.1)
1,941	Social security	501	552	10.2	1,008	1,002	(0.6)
<b>9,404</b>	<b>Personnel expenses</b>	<b>2,344</b>	<b>2,285</b>	<b>(2.5)</b>	<b>4,803</b>	<b>4,583</b>	<b>(4.6)</b>
<b>13,331</b>	<b>Depreciation, amortization and impairment</b>	<b>3,287</b>	<b>3,462</b>	<b>5.3</b>	<b>6,559</b>	<b>6,852</b>	<b>4.5</b>
<b>4,170</b>	<b>Other operating expenses</b>	<b>1,299</b>	<b>1,665</b>	<b>28.2</b>	<b>3,469</b>	<b>3,869</b>	<b>11.5</b>
<b>(2,092)</b>	<b>Change in inventory of finished goods and work in progress</b>	<b>231</b>	<b>7,820</b>	<b>-</b>	<b>(2,944)</b>	<b>(1)</b>	<b>-</b>
<b>(1,385)</b>	<b>Work performed by the enterprise and capitalised</b>	<b>(160)</b>	<b>(1,221)</b>	<b>(663.1)</b>	<b>(162)</b>	<b>(1,286)</b>	<b>(693.8)</b>
<b>420,728</b>	<b>Total operating expenses</b>	<b>107,967</b>	<b>96,930</b>	<b>(10.2)</b>	<b>214,477</b>	<b>204,408</b>	<b>(4.7)</b>
<b>(5,902)</b>	<b>Profit from operation</b>	<b>2,079</b>	<b>(707)</b>	<b>-</b>	<b>3,090</b>	<b>(5,058)</b>	<b>-</b>
276	Financial income	(122)	1,734	-	1,191	2,813	136.2
(5,257)	Financial expense	(525)	(534)	1.7	(1,016)	(967)	(4.8)
<b>(4,981)</b>	<b>Financial expenses, net</b>	<b>(647)</b>	<b>1,200</b>	<b>-</b>	<b>175</b>	<b>1,846</b>	<b>954.9</b>
0	Income from associates	0	0	-	0	0	-
<b>(10,883)</b>	<b>Profit before tax</b>	<b>1,432</b>	<b>493</b>	<b>(65.6)</b>	<b>3,265</b>	<b>(3,212)</b>	<b>-</b>
903	Income tax expense	348	450	29.3	695	566	(18.6)
(560)	Deferred tax	194	(150)	-	295	(957)	-
<b>(11,226)</b>	<b>Profit for the year</b>	<b>890</b>	<b>193</b>	<b>(78.3)</b>	<b>2,275</b>	<b>(2,821)</b>	<b>-</b>
(11,226)	Profit attributable to equity holders of the parent	890	193	(78.3)	2,275	(2,821)	-
0	Non(controlling interest)	0	0	-	0	0	-

**ANNEX 3**  
**BALANCE SHEET FOR THE PERIOD ENDED ON JUNE 30, 2012**  
**TVK Group consolidated, unaudited figures according to IFRS (HUF million)**

31.12.2011. (audited)		30.06.2011.	30.06.2012.	Change %
<b>ASSETS</b>				
<b>125,186</b>	<b>Non-current assets</b>	<b>126,143</b>	<b>122,594</b>	<b>(2.8)</b>
2,351	Intangible assets	2,469	2,180	(11.7)
122,465	Property, plant and equipment	123,336	119,946	(2.7)
132	Investments in associated companies	132	132	0.0
0	Deferred tax receivables	0	95	-
238	Other non-current assets	206	241	17.0
<b>83,844</b>	<b>Current assets</b>	<b>95,289</b>	<b>81,044</b>	<b>(14.9)</b>
11,848	Inventories	13,178	12,342	(6.3)
50,881	Trade receivables, net	57,497	45,701	(20.5)
15,246	Other current assets	15,423	17,797	15.4
154	Prepaid taxes	0	0	-
5,715	Cash and cash equivalents	9,191	5,204	(43.4)
<b>209,030</b>	<b>TOTAL ASSETS</b>	<b>221,432</b>	<b>203,638</b>	<b>(8.0)</b>
<b>EQUITY AND LIABILITIES</b>				
<b>122,952</b>	<b>Equity attributable to equity holders of the parent</b>	<b>136,461</b>	<b>120,111</b>	<b>(12.0)</b>
24,534	Share capital	24,534	24,534	0.0
109,644	Reserves	109,652	98,398	(10.3)
(11,226)	Profit for the year attributable to equity holders of the parent	2,275	(2,821)	-
<b>122,952</b>	<b>Equity attributable to equity holders of the parent</b>	<b>136,461</b>	<b>120,111</b>	<b>(12.0)</b>
0	Non-controlling interest	0	0	-
<b>19,427</b>	<b>Non-current liabilities</b>	<b>27,555</b>	<b>31,951</b>	<b>16.0</b>
16,248	Long-term debt, net of current portion	20,799	29,569	42.2
2,312	Provisions for liabilities and charges	2,540	2,377	(6.4)
862	Deferred tax liabilities	1,716	0	-
5	Other non-current liabilities	2,500	5	(99.8)
<b>66,651</b>	<b>Current liabilities</b>	<b>57,416</b>	<b>51,576</b>	<b>(10.2)</b>
58,411	Trade and other payables	47,665	49,435	3.7
0	Tax liabilities	226	106	(53.1)
458	Provisions	416	503	20.9
6,623	Short-term debt	8,151	426	(94.8)
1,159	Current portion of long term debt	958	1,106	15.4
<b>209,030</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>221,432</b>	<b>203,638</b>	<b>(8.0)</b>

**Significant Off-Balance Sheet Items<sup>1</sup>**

See Note 16 of the internal statements.

<sup>1</sup> Any financial liabilities of material importance in respect of financial evaluation not reflected in the balance sheet (e.g. surety, guarantees given, liabilities under lien, etc.)

**ANNEX 4**  
**CHANGES IN SHAREHOLDER'S EQUITY IN H1 2012**  
 TVK Group consolidated, unaudited figures according to IFRS (HUF million)

	Share capital	Retained earnings	Share premium	Translation reserve	Profit for the year attributable to equity holders of the parent	Non controlling interest	Total equity
<b>Opening balance 1 January 2011</b>	24,534	97,767	15,022	88	(1,170)	0	136,241
Transfer to reserves of retained profit for 2010	0	(1,170)	0	0	1,170	0	0
Translation reserve	0	0	0	(58)	0	0	(58)
Retained profit for H1 2011	0	0	0	0	2,275	0	2,275
Other	0	(5)	0	0	0	0	(5)
Dividends	0	(1,992)	0	0	0	0	(1,992)
<b>Closing balance 30 June 2011</b>	24,534	94,600	15,022	30	2,275	0	136,461
Translation reserve	0	0	0	(8)	0	0	(8)
Retained profit for Q2 2011	0	0	0	0	(13,501)	0	(13,501)
<b>Closing balance 31 December 2011</b>	24,534	94,600	15,022	22	(11,226)	0	122,952
Transfer to reserves of retained profit for 2011	0	(11,226)	0	0	11,226	0	0
Translation reserve	0	0	0	(20)	0	0	(20)
Retained profit for H1 2012	0	0	0	0	(2,821)	0	(2,821)
<b>Closing balance 30 June 2012</b>	24,534	83,374	15,022	2	(2,821)	0	120,111

**ANNEX 5**  
**STATEMENT OF COMPREHENSIVE INCOME IN H1 2012**  
 TVK Group consolidated, unaudited figures according to IFRS (HUF million)

Statement of comprehensive income	30.06.2011.	30.06.2012.
<i>Profit for the year</i>	2,275	(2,821)
<i>Other comprehensive income</i>		
Exchange differences on translating foreign operations	(58)	(20)
Available-for-sale financial assets, net of deferred tax	0	0
Cash-flow hedges, net of deferred tax	0	0
Share of other comprehensive income of associates	0	0
Other comprehensive income for the year, net of tax	(58)	(20)
<b>Total comprehensive income for the year</b>	<b>2,217</b>	<b>(2,841)</b>
<i>Attributable to:</i>		
Equity holders of the parent	2,217	(2,841)
Non-controlling interest	0	0

**ANNEX 6**  
**CASH FLOW STATEMENT ON JUNE 30, 2012**  
 TVK Group consolidated, unaudited figures according to IFRS (HUF million)

Description	30.06.2011.	30.06.2012.
<i>Profit before tax</i>	3,265	(3,212)
<i>Adjustments to reconcile profit before tax to net cash provided by operating activities</i>		
Depreciation, amortisation and impairment	6,559	6,852
Write-off of inventories, net	299	128
Increase/(decrease) in environmental provisions	313	160
Increase/(decrease) in other provisions	(73)	(50)
Net (gain)/loss on sale of property, plant and equipment	(88)	(521)
Profit on the sales of subsidiaries	0	(24)
Impairment of receivables	42	12
Unrealised foreign exchange (gain) / loss on trade receivables and trade payables	454	250
Interest income	(66)	(60)
Interest on borrowings	882	861
Net foreign exchange gain on foreign currency loan and other financial items	(916)	(1,875)
Other financial (gain)/ loss, net	(168)	(841)
<b>Operating cash flow before changes in working capital</b>	<b>10,503</b>	<b>1,680</b>
(Increase) /decrease in inventories	(3,341)	(622)
(Increase) /decrease in trade receivables	(8,126)	3,867
Increase /(decrease) in other payables	(2,272)	(2,138)
Increase /(decrease) in trade payables	(2,129)	(6,741)
Increase /(decrease) in other payables	(842)	228
Income taxes paid	(362)	(332)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(6,569)</b>	<b>(4,058)</b>
Purchase of property, plant and equipment	(2,005)	(5,494)
Proceeds from disposals of property, plant and equipment	92	571
Net cash income from sales of a subsidiary	0	63
Changes in loans given and long-term bank deposits	728	228
Interest received and other financial income	75	65
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(1,110)</b>	<b>(4,567)</b>
Long term debt drawn down	17,863	18,180
Repayments of long-term debt	(10,758)	(2,948)
Changes in the other long-term liabilities	(1)	1
Changes of short-term debt	7,533	(6,158)
Interest paid and other financial costs	(728)	(909)
Dividends paid to minority interest and payment on liquidation	(1,991)	0
Other change in the shareholders' equity	(5)	0
<b>NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES</b>	<b>11,913</b>	<b>8,166</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,234</b>	<b>(459)</b>
Cash and cash equivalents at the beginning of the period	5,080	5,715
Cash and cash equivalents at the end of the period	9,314	5,256

## 1. General information

Tiszavidéki Vegyi Kombinát, TVK's legal predecessor was founded in 1953. In 1961 it was transformed into a state-owned company called Tiszai Vegyi Kombinát (the "state-owned company"). Prior to its privatisation, the state-owned company was incorporated as a public limited liability company on 31 December 1991 (the "Company"). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of TVK were revalued as at that date.

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

In 1996, the Company was privatised through an offering of shares owned by ÁPV Rt. to foreign and domestic institutional and private investors.

Following this privatisation, shares of the Company were listed on the Budapest Stock Exchange and Global Depository Receipts ("GDRs") representing the shares were listed on the London Stock Exchange. As of 30 June 2012, MOL Plc. holds the majority of the shares.

The Company, with its registered seat in Tiszaújváros (H-3581 Tiszaújváros, TVK-lpartelep TVK Központi Irodaház 2119/3. hrsz. 136. épület), produces chemical raw materials including ethylene, propylene and polymers of these products for both domestic and foreign markets.

## 2. Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

## 3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011. The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

### *IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)*

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

### *IFRS 7 - Disclosures - Transfers of financial assets (Amendment)*

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

## HALF YEAR FLASH REPORT ON H1 2012 OF TVK GROUP

### *IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

The Group has not adopted earlier any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **4. Seasonality**

Seasonality doesn't influence the Group's operation.

#### **5. Operating segment information**

For management purposes the Group is organised into two major operating business units: Petrochemicals and Corporate and other. The business units are the basis upon which the Group reports its segment information to the management who is responsible for allocating business resources and assessing performance of the operating segments.

During the interim period, the identification of the Group's operating segments has remained the same as at 31 December 2011.

Six months ended 30 June 2012	Petrochemicals	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million
<b>Net Revenue</b>				
Sales to external customers	198,233	344	-	<b>198,577</b>
Inter-segment sales	142	887	(1,029)	-
<b>Total revenue</b>	<b>198,375</b>	<b>1,231</b>	<b>(1,029)</b>	<b>198,577</b>
<b>Results</b>				
Profit/(loss) from operations	(3,817)	(1,241)	-	<b>(5,058)</b>
Financial income / (expense), net	1,338	508	-	<b>1,846</b>
Income from associates	-	-	-	-
Profit before tax	(2,479)	(733)	-	<b>(3,212)</b>
Income tax expense/(benefit)	600	(991)	-	<b>(391)</b>
Profit for the year	(3,079)	258	-	<b>(2,821)</b>
<b>Six months ended 30 June 2011</b>				
	Petrochemicals	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million
<b>Net Revenue</b>				
Sales to external customers	216,940	291	-	<b>217,231</b>
Inter-segment sales	142	937	(1,079)	-
<b>Total revenue</b>	<b>217,082</b>	<b>1,228</b>	<b>(1,079)</b>	<b>217,231</b>
<b>Results</b>				
Profit/(loss) from operations	4,175	(1,085)	-	<b>3,090</b>
Financial income / (expense), net	65	110	-	<b>175</b>
Income from associates	-	-	-	-
Profit before tax	4,240	(975)	-	<b>3,265</b>
Income tax expense/(benefit)	791	199	-	<b>990</b>
Profit for the year	3,449	(1,174)	-	<b>2,275</b>



## HALF YEAR FLASH REPORT ON H1 2012 OF TVK GROUP

30 June 2012	Petrochemicals HUF million	Corporate and other HUF million	Inter- segment transfers HUF million	Total HUF million
<b>Assets and liabilities</b>				
Property, plant and equipment, net	115,026	4,920	-	119,946
Intangible assets, net	1,972	208	-	2,180
Inventories	12,294	48	-	12,342
Trade receivables, net	45,608	93	-	45,701
Investments in associates	-	132	-	132
Not allocated assets				23,337
<b>Total assets</b>				<b>203,638</b>
Trade payables	38,330	186	-	38,516
Not allocated liabilities				164,122
<b>Total liabilities</b>				<b>203,638</b>
<b>Other segment information</b>				
Capital expenditure:	4,218	14	-	4,232
Property, plant and equipment	4,218	14	-	4,232
Intangible assets	-	-	-	-
Depreciation and amortization	6,652	200	-	6,852
From this: impairment losses and reversal of impairment recognized in income statement	32	-	-	32
<b>30 June 2011</b>				
	Petrochemicals HUF million	Corporate and other HUF million	Inter- segment transfers HUF million	Total HUF million
<b>Assets and liabilities</b>				
Property, plant and equipment, net	118,563	4,773	-	123,336
Intangible assets, net	2,285	184	-	2,469
Inventories	13,168	10	-	13,178
Trade receivables, net	57,399	98	-	57,497
Investments in associates	-	132	-	132
Not allocated assets				24,820
<b>Total assets</b>				<b>221,432</b>
Trade payables	37,268	205	-	37,473
Not allocated liabilities				183,959
<b>Total liabilities</b>				<b>221,432</b>
<b>Other segment information</b>				
Capital expenditure:	1,054	2	-	1,056
Property, plant and equipment	1,044	1	-	1,045
Intangible assets	10	1	-	11
Depreciation and amortization	6,371	188	-	6,559
From this: impairment losses and reversal of impairment recognized in income statement	8	-	-	8

### 6. Sale of subsidiaries

Carrying amount of disposed assets and liabilities of TVK Ukraina t.o.v. (on 26 March 2012) analysis of net cash inflow on sales of the subsidiary was the following (in HUF million):

Description	30 June 2012
Property, plant and equipment	3
Trade receivables	7
Other current assets (excluding cash)	35
<b>Total assets (excluding cash)</b>	<b>45</b>
Provisions	0
Other non-current liabilities	6
Trade payables	0
Other current liabilities	0
<b>Total liabilities</b>	<b>6</b>
<b>Net assets</b>	<b>39</b>
<b>Net gain / (loss) on sale of subsidiaries</b>	<b>24</b>
<b>Cash inflow / (outflow)</b>	<b>63</b>

### 7. Tangible assets

The Group purchased tangible assets in the value of HUF 4,232 million in the first half of 2012. This value was HUF 1,045 million in the same period of 2011.

Depreciation over the plan amounted to HUF 32 million in the period under review. This amount incurred mainly because of scrapping.

#### *Pledged assets*

None of the assets of the Company were pledged as of 31 December 2011 and 30 June 2012. Assets of TVK Erőmű Kft. (HUF 9,171 million) and assets of Tisza-WTP Kft. (HUF 1,104 million) are pledged as collateral for long-term investment loans.

### 8. Inventories

The impairment of inventories in the interim period amounted to HUF 128 million on Group level.

### 9. Provisions

The consolidated provisions amounted to HUF 2,880 million (HUF 110 million more than as at December 31, 2011) on June 30, 2012. The change is mostly due to fact that the environment protection related provision went up by HUF 160 million and that the provision raised for early retirements was released in the amount of HUF 49 million.

**10. Share capital**

Share capital as of 30 June 2012 was as follows:

Shareholder	Number of shares	Face value (HUF)	Total (HUF million)	Shareholding (%)
Domestic entities	21,678,437	1,010	21,895	89.24
International entities	2,236,548	1,010	2,259	9.21
Domestic private investors	325,921	1,010	329	1.34
International private investors	7,335	1,010	8	0.03
Unregistered investors	42,602	1,010	43	0.18
<b>Total</b>	<b>24,290,843</b>		<b>24,534</b>	<b>100.00</b>

**11. Debts**

Long-term debt as of 31 December 2011 and 30 June 2012 were as follows:

	Weighted average interest rate	Weighted average interest rate	Due date	31 December 2011	30 June 2012
	31 December 2011	30 June 2012		31 December 2011	30 June 2012
	%	%		HUF million	HUF million
Secured bank loan of TVK Erőmű Kft. in EUR**	2.17	1.64	15 March 2018	7,246	6,263
Secured bank loan of Tisza-WTP Kft. in EUR***	2.17	1.95	15 December 2017	1,211	1,043
Unsecured loan in EUR from MOL Plc. (majority stakeholder)*				5,519	20,175
Other****				3,431	3,194
<b>Total long term debt</b>				<b>17,407</b>	<b>30,675</b>
Current portion of long-term debt				1,159	1,106
<b>Total long-term debt, net of current portion</b>				<b>16,248</b>	<b>29,569</b>

\* On 21 December 2009, a revolving loan contract was made between TVK Plc. and MOL Plc. in an amount of EUR 100 million. The company modified the loan contract and divided the credit line into long term part (EUR 70 million) and short term part (EUR 30 million) during 2011.

\*\*On 26 July 2002, TVK Erőmű Kft. signed a project financing agreement with OTP Bank Rt., and the facility, that amounted to HUF 9,810 million (EUR 40 million), had been fully drawn by 31 December 2004. The loan is secured by a pledge on TVK Erőmű Kft's assets.

\*\*\* In order to implement a water treatment plant to be operated by Tisza WTP Kft., on 17 December 2002, the Kft. signed a long-term project and development loan agreement for HUF 1,883 million (EUR 8 million) with OTP Bank Rt. By the end of the availability period (29 December 2003), the Kft. had drawn down a total of EUR 7,340,000 from the facility. The project loan is secured by the Company's assets.

\*\*\*\* According to service agreement the shareholding of the majority owners of the capital of TVK Erőmű Kft. and Tisza WTP Kft. is to be reimbursed during the lifetime of the project, and is recorded as other long-term debt in accordance with IAS 32, as it qualifies as a financial liability.

## 12. Financial (income) / expense

The financial income / (expense) as of 30 June 2011 and 2012 was as follows (in HUF million):

	30 June 2011	30 June 2012
Foreign exchange gain of loans	1,117	2,067
Interest received	66	60
Impairment, reverse impairment and revaluation of securities	3	5
Non hedging transaction	0	675
Other	5	6
<b>Total financial income</b>	<b>1,191</b>	<b>2,813</b>
Interest expense*	(882)	(861)
Foreign exchange loss of loans	0	0
Discounts given for early payment of receivables	(38)	(9)
Interest on provision	(53)	(69)
Commitment fee of bank loans	(40)	(26)
Other	(3)	(2)
<b>Total financial expenses</b>	<b>(1,016)</b>	<b>(967)</b>
<b>Total financial income / (expense), net</b>	<b>175</b>	<b>1,846</b>

\* Interest expense of the Group for 2012 includes HUF 222 million (on 30 June 2011: HUF 391 million), being the share from the net income of TVK Erőmű Kft. of its majority shareholder (ÉMÁSZ Nyrt.), and Tisza WTP Kft. of shareholder (Sinergy Kft.).

## 13. Income taxes

Total applicable income taxes reported in the consolidated financial statements include the following components (in HUF million):

	30 June 2011	30 June 2012
Current corporate income taxes*	228	202
Local trade tax	441	302
Innovation fee	5	45
Robin Hood tax	21	17
Deferred income taxes	295	(957)
<b>Total income tax expense / (benefit)</b>	<b>990</b>	<b>(391)</b>

\* The current corporate income taxes contain the consolidated companies' corporate income taxes.

## 14. Statement of comprehensive income

The statement of comprehensive income as of 30 June 2011 and 2012 was as follows (in HUF million):

	30 June 2011	30 June 2012
Profit for the year	2,275	(2,821)
<i>Other comprehensive income</i>		
Exchange differences on translating foreign operations	(58)	(20)
Available-for-sale financial assets, net of deferred tax	0	0
Cash-flow hedges, net of deferred tax	0	0
Share of other comprehensive income for associates	0	0
Other comprehensive income for the year, net of tax	(58)	(20)
<b>Total comprehensive income for the year</b>	<b>2,217</b>	<b>(2,841)</b>
Equity holders of the parent	2,217	(2,841)
Non-controlling interest	0	0

### 15. Earnings per share (EPS)

The Group's earnings per share based on consolidated information for 30 June 2011 and 2012 are as follows:

	30 June 2011	30 June 2012
Net income, IFRS (million HUF)	2,275	(2,821)
Weighted average of shares outstanding in the period (pieces)	24,290,843	24,290,843
<b>EPS (HUF 1,010 face value)</b>	<b>HUF 94</b>	<b>HUF (116)</b>

The average number of ordinary shares was determined based on the weighted mathematical average method.

Diluted EPS is the same as undiluted EPS as the Company has no diluting instruments or purchase options.

### 16. Commitments and contingency liabilities

#### *Capital and contractual commitments*

The total value of capital commitments as of 30 June 2012 is HUF 4,094 million, which is fully attributable to TVK Plc.

#### *Gas Purchase Obligation, Take or Pay Contract*

The TVK Erőmű Kft. has concluded long-term gas purchase contract with MOL Energiakereskedő Zrt. in order for continuous operation of equipments in the power plant. As of 30 June 2012, 522 million cubic meters of natural gas will be purchased during the period ending 2018 based on this contract (from which 444 mcm under take-or-pay commitment calculated with an average price).

TVK Plc. signed a long-term natural gas purchase contract with MOL Plc. and MOL Energiakereskedő Zrt. The buyers (TVK Plc. and MOL Plc.) engage themselves to receive and pay the annual minimum quantity, which is the 85 % of the contractual annual quantity. As of 30 June 2012, 250 million cubic meters of natural gas will be purchased during the period ending 2015 based on this contract.

#### *Environmental protection*

The Company recognized environmental provision based on the currently available quantifiable future expenses in the amount of HUF 2,474 million as of 30 June 2012 (31 December 2011: HUF 2,314 million).

Beyond the provision recognized in the Balance Sheet, there are further contingent environmental liabilities whose amount may exceed HUF 4 billion. However, the probability of having these tasks completed is less than 50% due to the fact that there is no legal obligation to carry them out and that their exact technical content is uncertain.

### 17. Related party transactions

TVK Group realized sales revenues of HUF 31,443 million in the first six months of 2012 from MOL Group. As at June 30, 2012, accounts receivable of HUF 3,014 million and accounts payable of HUF 32,246 million are recorded in respect of MOL group.

**ANNEX 7  
CONSOLIDATED COMPANIES**

Name	Equity/ Registered Capital	Interest held (%)	Ratio of votes <sup>1</sup>	Classification <sup>2</sup>
TVK Ingatlankezelő Kft. (HUF thousand)	2,070,000	100.00%	L	L
TVK Erőmű Termelő és Szolgáltató Kft. (HUF thousand)	2,630,100	26.00%	T	L
TVK FRANCE S.a.r.l. (EUR)	76,225	100.00%	L	L
TVK Polska Sp z.o.o. (PLN thousand)	109	100.00%	L	L
TMM Tűzoltó és Műszaki Mentő Kft. (HUF thousand)	3,000	30.00%	T	T
Tisza-WTP Vízelőkészítő és Szolgáltató Kft. (HUF thousand)***	455 000	-	-	L
TVK UK Ltd. (GBP thousand) **	200	100.00%	L	L
TVK Ukrajna t.o.v.(UAH)*	-	-	-	-

<sup>1</sup> Voting rights entitling the holder to participate in decision making at the general meetings of consolidated companies

<sup>2</sup> Full (L); Jointly managed (K); Associated (T)

The ratio of votes corresponds to the ratio of ownership in each case.

\* Dissolution process begin on July 1, 2009

\*\* Company has been sold on March 26, 2012

\*\*\* Non-participating business with full consolidation.

**ANNEX 8  
MAJOR EXTERNAL FACTORS**

	2011 Q2	2011 H1	2012 Q1	2012 Q2	2012 H1	Ch. % Q2 2012/ Q2 2011	Ch. % Q2 2012/ Q1 2012	Ch. % H1 2012/ H1 2011
Naphtha FOB med USD/t	962	921	987	854	920	(11.3)	(13.5)	(0.1)
AGO 0.1 CIF med USD/t	965	926	995	926	961	(4.0)	(6.9)	3.8
Ethylene ICI's lor fd NEW contract EUR/t	1,207	1,177	1,215	1,292	1,253	7.0	6.3	6.5
Propylene ICI's lor fd NWE contract EUR/t	1,220	1,170	1,105	1,193	1,149	(2.2)	8.0	(1.8)
LDPE Film ICI's lor fd NWE low EUR/t	1,356	1,395	1,259	1,236	1,247	(8.9)	(1.9)	(10.6)
HDPE Film ICI's lor fd NWE low EUR/t	1,240	1,236	1,223	1,258	1,241	1.5	2.9	0.4
HDPE Blow ICI's lor fd NWE low EUR/t	1,254	1,250	1,229	1,262	1,245	0.6	2.7	(0.4)
PP Homo raffia ICI's lor fd NWE low EUR/t	1,323	1,330	1,218	1,215	1,216	(8.2)	(0.2)	(8.5)
PP Homo Injection ICI's lor fd NWE low EUR/t	1,342	1,342	1,218	1,217	1,217	(9.3)	0.0	(9.3)
PP Copolymer ICI's lor fd NWE low EUR/t	1,393	1,383	1,261	1,268	1,264	(9.0)	0.5	(8.6)
EUR/HUF	266.31	269.38	296.73	294.30	295.52	10.5	(0.8)	9.7
USD/HUF	184.92	192.15	226.20	229.49	227.84	24.1	1.5	18.6
EUR/USD	1.440	1.404	1.312	1.283	1.298	-10.9	(2.2)	(7.6)

Note:

1. Data in the table are rounded, but changes are calculated without rounding.

2. Exchange rates are the period average of the monthly average mid rates announced by the Hungarian National Bank.

**ANNEX 9**  
**STRUCTURE OF OWNERSHIP - % AND TREASURY SHARES**

**Ownership Structure, Ratio of Holdings and Votes**

Description of owner	Total equity and Listed series					
	2012. 01. 01.			2012. 06. 30.		
	% <sup>2</sup>	% <sup>3</sup>	No of shares	% <sup>2</sup>	% <sup>3</sup>	No of shares
Domestic institution/company	88.10	88.10	21,401,032	89.24	89.24	21,678,437
Foreign institution/company	9.20	9.20	2,231,796	9.21	9.21	2,236,548
Domestic individual	1.29	1.29	314,443	1.34	1.34	325,921
Foreign individual	0.03	0.03	7,227	0.03	0.03	7,335
Treasury shares	0.00	0.00	0	0.00	0.00	0
Shares held by unidentified parties	1.38	1.38	336,345	0.18	0.18	42,602
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>24,290,843</b>	<b>100</b>	<b>100</b>	<b>24,290,843</b>

<sup>2</sup> Ownership ratio

<sup>3</sup> Voting right entitling the holder to participate in decision making at the general meetings of consolidated companies. If the ownership ratio and the voting ratio are identical, only the column for the ownership ratio should be filled in and submitted (published) along with mentioning that the two are the same.

**Volume (Qty) of Treasury Shares Held in the Period Under Review**

	January 1	17 April	June 30
Corporate level	0	0	0
Subsidiaries	0	0	0
<b>Grand total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**List and Description of Shareholders with more than 5% of the listed Series and of Equity total (on June 30, 2012)**

Name	Depository (yes/no)	Quantity (No. of shares)	Shareholding (%) (up to 2 decimal places)
MOL Hungarian Oil and Gas Public Limited Company	yes	21,083,142	86.79
Slovnaft, a.s.	yes	1,959,243	8.07

According to the Share Register, MOL Plc. shareholding in TVK Plc. is 86.79%. The stake of Slovnaft, a.s. (subsidiary of MOL Plc) is 8.07%. The direct and indirect influence of MOL Plc. in TVK Plc. is 94.86%.

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

Note: 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.

**ANNEX 10**  
**EMPLOYEES**

**Changes in the Number of Full Time Employees**

	Reference Period Ended June 30, 2011	Year Opening January 1, 2011	Period Closing June 30, 2012
Corporate level	1,119	1,099	1,094
Group level	1,146	1,116	1,100

ANNEX 11

SENIOR OFFICERS AND STRATEGIC EMPLOYEES INFLUENCING THE OPERATIONS OF THE ISSUER

Type <sup>1</sup>	Name	Position	Beginning of assignment	End /termination/ term of assignment	Shares held (qty)
BoD	György Mosonyi	Chairman of the Board	26.04.2002	1704.2017	0
BoD	Gyula Gansperger	Board member	20.04.2006	20.04.2016	0
BoD	Dr. Péter Medgyessy	Board member	20.04.2006	20.04.2016	0
BoD	Dr. Zoltán Nagy	Board member	01.05.2011	30.04.2016	0
BoD	Miklós Kamarás	Board member	01.05.2011	30.04.2016	0
BoD	Ferenc Horváth	Board member	01.05.2011	30.04.2016	0
BoD	Zsolt Pethő	Board member	17.04.2012	17.04.2017	0
SB	László Gyurovszky	SB chairperson SB member	22.06.2007 19.04.2007	17.04.2017 17.04.2017	0
SB	Judit Turóczy	SB member	21.04.2011	20.04.2016	0
SB	dr. Gyula Bakacsi	SB member	19.04.2007	17.04.2017	0
SB	dr. György Bíró	SB member	19.04.2007	17.04.2017	0
SB	László Réti	SB member, employee representative	29.04.2010	29.04.2015	0
SP	Zsolt Pethő	Chief Executive Officer	01.06.2011	Indefinite term	0
SP	Balázs Sándor	Chief Financial Officer, Deputy CEO	15.07.2012	Indefinite term	0
SP	Gyula Hodossy	Chief Financial Officer, Deputy CEO	01.07.2007	15.07.2012	0
SP	Krisztina Petrényiné Szabó	Director of Polymer Marketing and Sales, Deputy CEO	01.10.2009	25.07.2012	0
SP	Tivadar Vályi Nagy	Production Director	01.07.2007	Indefinite term	0
SP	János Bóta	Petrochemical Technology and Project Development Director	01.08.2007	Indefinite term	0
SP	Adrienn Ráczné Bodnár	Human Resources Manager	03.01.2012	Indefinite term	0

<sup>1</sup> Employee in strategic position (SP), Member of the Board of Directors (BoD), Member of the Supervisory Board (SB)

**Changes in the senior management:**

As from July 15, 2012 TVK Plc's Chief Financial Officer is Balázs Sándor.

A from July 25, 2012 Mr. Zsolt Pethő, Chief Executive Officer of TVK Plc. deals with the duties of the Director of Polymer Marketing and Sales



**ANNEX 12  
REGULATED INFORMATION IN 2012**

The Company information mentioned below is available at the website of the Company ([www.tvk.hu](http://www.tvk.hu)) below the Investor Relations item. Places of the disclosures are: the websites of TVK ([www.tvk.hu](http://www.tvk.hu)), of the Budapest Stock Exchange ([www.bse.hu](http://www.bse.hu)), the Capital Market Disclosure website ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)) and the website of the London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)).

Announcement date	Content
2 January, 2012	Extraordinary notice on change of the management (HR manager)
31 January, 2012	Number of voting rights at TVK Plc.
24 February, 2012	Report on the Full Year 2011 Result of TVK Group
29 February, 2012	Number of voting rights at TVK Plc.
14 March, 2012	Announcement by the Board of Directors of TVK Plc. on the convocation of the Company's Ordinary General Meeting in 2012
14 March, 2012	Remuneration statement - Remuneration of members of the Board of Directors and of the Supervisory Board in 2011 as cash and non-cash benefit.
27 March, 2012	Documents for the Annual General Meeting of TVK Plc. to be held on April 17, 2012
30 March, 2012	Number of voting rights at TVK Plc.
3 April, 2012	Extraordinary announcement on changes in the organisation
17 April, 2012	2012 Annual General Meeting resolutions of TVK Plc.
17 April, 2012	TVK Group Corporate Governance Report for 2011 in accordance with Budapest Stock Exchange Corporate Governance Recommendations
17 April, 2012	Annual Report of TVK Plc. prepared on the business year 2011
17 April, 2012	Summary report of TVK Plc. on the business year 2011
17 April, 2012	Financial Statements and Business Reports of TVK Plc. prepared on the business year 2011
2 May, 2012	Extraordinary announcement about signing a long term ethylene delivery contract
2 May, 2012	Number of voting rights at TVK Plc.
15 May, 2012	Interim Management Report on the H1 2012 of TVK Group
25 May, 2012	Articles of Association of TVK Plc.
31 May, 2012	Number of voting rights at TVK Plc.
29 June, 2012	Number of voting rights at TVK Plc.
16 June, 2012	Change in the senior management of the Company (CFO)
26, June 2012	Change in the senior management of the Company (Director of Polymer Marketing and Sales)
31 July 2012	Number of voting rights at TVK Plc.

We the undersigned representatives authorized to sign on behalf of Tisza Chemical Group Public Limited Company (TVK Plc.), the issuer of TVK ordinary shares, hereby declare that TVK Plc. accepts full liability for having prepared the disclosed Half Year Flash Report on the first half of 2012 of TVK Group on the basis of the applicable accounting standards and to the best knowledge of the company, and it offers a true and fair picture of the assets, liabilities, financial position, profits and losses of TVK Plc. (and its consolidated businesses); and the reliable account of the position, development and performance of TVK Plc. (and its consolidated businesses) through a description of key risks and factors of uncertainty.

Tiszaújváros, August 13, 2012

**Zsolt Pethő**  
Chief Executive Officer

**Balázs Sándor**  
Chief Financial Officer,  
Deputy CEO