

## DELIVERING IN A DIFFICULT INDUSTRIAL ENVIRONMENT

Tisza Chemical Group Company Limited by Shares (TVK Rt.) (Reuters: TVKD.BU, home page: www.tvk.hu) has published its results for the year 2005 today. The data presented in TVK Rt.'s flash report for 2005 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 Rt. and its affiliates consolidated in line with the International Financial Reporting Standards (IFRS). Seven subsidiaries and one affiliated business were fully consolidated, while five businesses were consolidated using the equity method. The flash report presents true and fair figures and statements, and does not withhold any facts that the issuer – to the best of its knowledge – considers to be of material importance in terms of evaluating the its position.

### Financial overview

TVK Group Results (IFRS)	Q4 2004		Q4 2005		Variance %		Year 2004		Year 2005		Variance %	
	M HUF	M EUR	M HUF	M EUR	HUF	EUR	M HUF	M EUR	M HUF	M EUR	M HUF	M EUR
Net sales	47,774	194.2	75,095	298.2	57.2	53.6	175,883	698.8	249,793	1,007.0	42.0	44.1
EBITDA	5,733	23.3	6,621	26.3	15.5	12.8	19,217	76.4	22,850	92.1	18.9	20.6
<b>Operating profit / (loss)</b>	<b>3,980</b>	<b>16.2</b>	<b>3,974</b>	<b>15.8</b>	<b>(0.2)</b>	<b>(2.5)</b>	<b>12,292</b>	<b>48.8</b>	<b>13,127</b>	<b>52.9</b>	<b>6.8</b>	<b>8.4</b>
Profit / (loss) from financial operations	(224)	(0.9)	(1,736)	(6.9)	n.a.	n.a.	(224)	(0.9)	(4,996)	(20.1)	n.a.	n.a.
Corporate tax, deferred tax	(1,357)	(5.5)	(611)	(2.4)	n.a.	n.a.	(2,943)	(11.7)	(2,057)	(8.3)	n.a.	n.a.
<b>Net profit / (loss)</b>	<b>2,389</b>	<b>9.7</b>	<b>1,627</b>	<b>6.5</b>	<b>(31.9)</b>	<b>(33.5)</b>	<b>9,086</b>	<b>36.1</b>	<b>6,075</b>	<b>24.5</b>	<b>(33.1)</b>	<b>(32.2)</b>
<b>Operating cash flow</b>	<b>8,252</b>	<b>33.5</b>	<b>2,804</b>	<b>11.1</b>	<b>(66.0)</b>	<b>(66.8)</b>	<b>15,535</b>	<b>61.7</b>	<b>10,806</b>	<b>43.6</b>	<b>(30.4)</b>	<b>(29.4)</b>

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

**Total EBITDA in 2005 reached HUF 22.8 billion, up 19% compared to 2004, despite the fact, that the integrated petrochemical margin, indicating the margin environment, was 1% higher. The improvement in profitability was achieved primarily through the introduction of new production capacities and improved internal efficiency.**

### *Operating environment*

In Q4 2005, the price level of feedstock for monomer production decreased by 5% in USD, compared to the previous quarter. In 2005, naphtha was quoted (FOB med) at a price of USD 448 per ton, and atmospheric gas oil (AGO 0.2 CIF med) at a price of USD 517 per ton, 27% and 42% higher compared to 2004, respectively.

In the fourth quarter of 2005, the prices quoted for polymer products in the European markets showed continuous decrease. In spite of this, the average quoted prices (ICI's lor fd NWE low spot, EUR/t) in Q4 exceeded the average values in Q3 by 8-14%. Annual average quoted prices of polyethylene exceeded the average prices quoted in 2004 by 11-14%, while those of polypropylene rose by 16-17%.

In Q4 2005, the forint weakened against the USD and the EUR compared to the previous quarter. However, taking the year average into account, the EUR/HUF rate and the USD/HUF rate have dropped by some 1% and 2%, respectively, compared to the previous year. The EUR/USD exchange rate was 1.245 in 2005, which is nearly equal to that of the previous year. The changes in exchange rates compared to 2004 have negatively influenced TVK Group's profitability.

In Q4 2005, the integrated petrochemical margin measured in HUF improved by nearly 43% compared to the previous quarter, due to a further 5% decrease in quoted prices of feedstock for monomer production and the 8-14% increase in the prices of polymer products. In 2005, as a result of changes in quoted prices of feedstock for monomer production, polymer products and in FX rates, the integrated petrochemical margin calculated in HUF grew by 1%, and in EUR by 2% compared to last year.

- In 2005, the volume of **polymer products** produced in-house and sold was 162 kt higher than in 2004, of which 158 kt was provided by the new HDPE-2 Plant. The volume of **olefin products** produced in-house and sold grew by 291 kt, mainly due to the production of the new Olefin-2 Plant.
- Besides building up working capital required for the normal operation of the new capacities, the **operating cash flow** in 2005 came to HUF 10,806 million.
- In addition to newly introduced capacities - owing to efficient headcount rationalization and internal labour organization -, the **headcount** of the TVK Group was down 114 on 31 December 2005 compared to the same date last year.
- In December 2005, TVK Polska Sp z o.o. was fully consolidated retrospectively for the whole year with an operating profit contribution of HUF 67 million.

### Comment by the CEO of TVK Rt.

#### Árpád Olvasó emphasized:

"In 2004, production began at our new plants, as part of the Petrochemical Development Project. Consequently, in 2005 our ethylene production capacity grew by 68% and polymer production capacity by 33%. During the year, new HDPE polymer products were successfully introduced to the market, which can be seen in the 162 kt growth in polymer sales compared to 2004. Our growth in size helped strengthen our market positions, and greatly contributed to offsetting some rather unfavourable external factors in 2005, primarily the extreme rise of feedstock prices. In my opinion, TVK is well prepared to take advantages of an upturn in the cycle which could come from a pick up in EU economic growth and in regional demand and a reduction of feedstock prices. TVK is also well positioned to capture growth at the Eastern frontiers of EU."

### Financial overview

#### Operating profit

In 2005, the sales revenue at TVK Rt. reached HUF 250,196 million, while the consolidated group level sales amounted to HUF 249,793 million, up 53% and 42% respectively, compared to 2004, despite the fact that the previous year data of the trading subsidiaries also included the polymer sales of Slovnaft products. The increased consolidated group level sales reflect growth in the volume of parent company sales, as well as higher prices of polymer and olefin products. The group level sales are practically a result of the sales income at the parent company. In 2005, the unconsolidated sales of TVK Rt. rose by HUF 86,609 million, compared to 2004, including increases of HUF 52,876 million in the polymer segment, and HUF 32,094 million in the olefin segment. The increase in polymer sales volume was due mostly to the introduction of HDPE-2 products. 88% of the higher sales revenue of the olefin segment was a result of the increased sales volume.

#### **Factors influencing the changes in TVK Rt.'s product sales revenues, years 2005 – 2004 (HUF million)**

	Effect of variance n price	Effect of variance in exchange rates	Effect of variance in volume	Total
Olefin	4,083	(238)	28,249	<b>32,094</b>
LDPE	3,327	(404)	986	<b>3,909</b>
HDPE	6,115	(299)	31,856	<b>37,672</b>
PP	10,719	(879)	1,455	<b>11,295</b>
<b>Total</b>	<b>24,244</b>	<b>(1,820)</b>	<b>62,546</b>	<b>84,970</b>

During 2005, TVK Rt. made 48% of its sales revenue from export sales, which represents a 4% higher portion compared to 2004. The increase is due to the higher product sales at the new HDPE-2 Plant. Germany (19%), Italy (15%), Poland (13%), the United Kingdom (5%), France (5%) and Austria (3%) represented the majority of exports.

#### **Distribution of the TVK Group's sales by production unit, year 2005 (HUF million)**

	Domestic sales revenue	Export sales revenue	Total sales revenue
Olefin	67,171	3,680	<b>70,851</b>
LDPE	12,045	15,951	<b>27,996</b>
HDPE	11,054	66,986	<b>78,040</b>
PP	33,214	33,399	<b>66,613</b>
Other sales revenue	6,632	64	<b>6,696</b>
Effect on consolidation	(1,346)	943	<b>(403)</b>
<b>Total</b>	<b>128,770</b>	<b>121,023</b>	<b>249,793</b>

The total operating income reached HUF 251,331 million in 2005, representing an increase of 42% over 2004. This includes other operating income of HUF 1,538 million, which grew by 90%. A crucial driver of other income was the HUF 704 million growth in exchange rate profit from accounts receivable and payable on the one hand, and the HUF 135 million growth of fines, penalties, damages and default interests received on the other hand.

TVK Group's material costs amounted to HUF 196,989 million in 2005, of which the HUF 80,154 million (69%) increase was caused by the rise in costs of feedstock and energy costs. The rise in the quoted price and the volume of feedstock used is seen as the underlying cause of increased feedstock costs, which is partly off-set by the effect of the trend in exchange rate. The quantitative growth in feedstock used for monomer production was highly influenced by the use of feedstock at the new Olefin-2 Plant. The rise in energy costs reflects the increased energy consumption due to the new technologies' production besides the rise in energy prices.

**Variations in key feedstock costs incurred by TVK Rt., years 2005 – 2004 (HUF million)**

	Effect of variance in volume	Effect of variance in prices	Effect of variance in exchange rates	Total
Naphtha and light hydrocarbons	37,198	20,032	361	57,591
AGO	26,546	1,233	606	28,385
Chemical feedstock in total	63,744	21,265	967	85,976
Purchased propylene	(11,068)	64	(6)	(11,010)
<b>Total</b>	<b>52,676</b>	<b>21,329</b>	<b>961</b>	<b>74,966</b>

The value of material type services used rose by HUF 4,208 million (49%) mainly because of the increase in the freight related to export sale, agency commissions, and the costs of maintenance services in relation to commencing the new technologies.

COGS decreased by HUF 15,344 million (82%), as a consequence of a change in the sales arrangement of trade subsidiaries as of July 2004, as a result of which the sale of polymer products produced by Slovnaft are no longer recorded in TVK Group's reports.

The personnel expenses at TVK Group level fell by HUF 812 million (7%). The redundancy-related provision of HUF 1.3 billion created in 2004 was a sufficient source for the actual payment in 2005.

Depreciation grew due to the effect of depreciation accounted for new plants. At the same time, according to IAS 16, the useful life of technologies started-up formerly was reviewed and extended. As a result of this, depreciation accounted formerly was rebooked. Furthermore, impairment was accounted on the spare parts related to these technologies. As a result of the two modifications HUF 0.8 billion depreciation was rebooked.

The change in inventories produced in-house amounted to HUF 1,701 million, due partly to volume increase, and partly to the appreciation of inventories due to rise in feedstock costs.

The capitalized value of own production amounted to HUF 555 million, HUF 3.883 million lower than that in the previous year. The 2004 figures include the costs capitalized during the implementation of the Petrochemical Development Project.

The consolidated operating profit (EBIT) of the TVK Group reached HUF 13,127 million in 2005, as opposed to HUF 12,292 million a year earlier. Within the HUF 835 million rise in the operating profit, the parent company achieved an EBIT HUF 1,021 million lower than in the previous year. The subsidiaries contributed HUF 2,509 million to the Group's profit in 2005, of which HUF 2,050 million was contributed by TVK Power Plant Ltd. In December 2005, TVK Polska Sp z o.o. was fully consolidated, contributing HUF 67 million to the operating profit of the TVK Group.

In 2005, the Group's net financial result was a loss of HUF 4,996 million, as opposed to a loss of HUF 224 million in the reference period. The Group financial income decreased by HUF 836 million, mainly due to the reduced interest revenues, related to the drop in liquid financial assets. The underlying cause of the 285% increase in financial expenses is seen chiefly in the unrealised exchange rate loss of FX loans, as well as an increase in interest expenses. Interest incurred in 2004 on loans related to the capacity increasing investment projects was considered as capital expenditures, while in 2005 it was accounted as financial expenditures. Interest expenditures also include a proportional portion of the 2005 yield due to the TVK Power Plant Ltd.'s majority owner.

The profit before taxation, extraordinary items and minority interest of the TVK Group amounted to HUF 8,131 million in 2005. The Group's 2005 statements show a corporate tax liability at HUF 171 million on the subsidiaries' profit while the parent company intends to make use of a tax holiday in respect of the investment projects commissioned in 2004. Deferred tax payable amounted to HUF 1,886 million. Consolidated net profit amounted to HUF 6,075 million.

### ***Balance sheet data***

Total assets of the TVK Group increased by 12.5% to HUF 227,594 million between 31 December 2004 and 31 December 2005.

The consolidated long-term assets amounted to HUF 159,377 million on 31 December 2005. This increase was primarily seen in tangible assets due to the implementation of the Petrochemical Development Project. Within other long-term assets, advances given on capital expenditure decreased by HUF 936 million.

Following a rise of 40.9%, current assets reached HUF 68,217 million. The 40% increase in cash and cash equivalents was attributable mainly to inclusion of the cash and cash equivalents of the consolidated TVK Power Plant Ltd. Trade accounts receivable were up 45.3%, and amounted to HUF 43,146 million. The increase in trade accounts receivable was a result of the growth in sales volumes and prices. The 27.8% increase in inventories reflects appreciation arising from higher feedstock costs, as well as the lower volume of inventories produced in house. The HUF 1,817 million (35.5%) increase in other current assets is attributable to the higher refundable VAT-amount compared to that as of the balance-sheet date of 31 December 2004 due to the increase in naphtha and gas oil prices.

As of 31 December 2005, the TVK Group recorded HUF 117,519 million in shareholders' equity, which represents a 5.5% increase. The balance-sheet profit fell by HUF 3,011 million to HUF 6,075 million. The retained earnings rose by HUF 9,089 million to reach HUF 71,857 million.

Long-term debts increased by 15.3% to reach HUF 65,257 million by the end of the reporting period. The increase arises mainly from the full consolidation of TVK Power Plant Ltd. Gearing, calculated from the balance sheet of TVK Group, was 32.7%.

The value of short-term liabilities increased by 30.4% from 31 December 2004 to 31 December 2005 to reach a total of HUF 37,442 million by the end of the reporting period. Accounts payable and other short-term liabilities increased by 36.6% to HUF 35,933 million. The change has come about due to the increased quantity of feedstock used and the higher feedstock prices. The sum of provisions created for expected liabilities was down by 57%, amounting to HUF 960 million. The decrease derives from the fact, that 2004 data included a HUF 1,261 million higher amounts created for redundancy payments and early retirement.

### ***Cash flow***

According to TVK Group's cash flow statement as of 31 December 2005, cash and cash equivalents rose by HUF 1,360 million since the beginning of the year, as opposed to the drop of HUF 8,435 million recorded during 2004.

Besides building up working capital required for the normal operation of the new capacities, operating cash flow for 2005 came to HUF 10,806 million. EBITDA increased cash flow by HUF 22,850 million, and changes in working capital (inventories, trade accounts receivable and payable, other receivables and other liabilities combined) reduced cash flow by HUF 10,367 million in the reporting period. The increased trade accounts receivable reflect higher product prices and the growth in sales volumes. Higher inventories, despite of the lower inventories volume, appeared due to the increase in the inventories value arising from an increase in feedstock prices. The dominant factors in the rise in trade accounts payable were the higher feedstock usage and prices. The changes in other receivables have decreased cash flow due to an increase in VAT receivables, while the change in other short-term liabilities increased cash flow due to higher carry-over of costs.

Investing activities reduced cash flow by HUF 3,966 million. Projects decreased the investment cash flow by HUF 4,860 million, against a decrease of HUF 43,253 million in 2004. Cash flow from tangible asset sales increased the investment cash flow by HUF 528 million, compared to HUF 144 in the previous year. In 2005, interest received and other financial incomes added HUF 352 million to investment cash flow, while HUF 1,245 million in 2004.

Cash flow from financial operations increased cash flow by HUF 5,480 million in the period under review, attributable mostly to the HUF 2,728 million increase in interest paid and other financial expenditure, and the HUF 2,459 million repayment of long-term loans. Repayment of long-term loans and borrowing of new loans shown on 31 December 2004 appeared due to changes in the arrangement of loans related to the implementation of the strategic project.

### ***Headcount***

On 31 December 2005, the total consolidated closing headcount of the TVK Group included 1,488 full-time employees, i.e. 114 fewer than in 2004, notwithstanding the operation-headcount of the newly introduced technologies. Additional reduction resulted mainly from streamlining at the parent company.

### ***Capital projects***

In 2005, the total capital expenditure of TVK Group reached HUF 6,827 million, which includes the HUF 324 million loss of the Olefin-2 test production in 2005. The 2005 capital expenditure value of strategic projects was carried over from the 2004 implementation.

Implementation of the Petrochemical Development Project was accomplished and each unit carries on normal operation. The HDPE-2 Plant and the off-site facilities were activated at the end of last year, and Olefin-2 Plant was activated on 30 September 2005.

Sustenance capital expenditures represented a value of HUF 2,588 million, of which HUF 1,668 million was recognized in the parent company, and the remaining sum has incurred mainly in relation to the consolidation of TVK Power Plant Ltd.

Tiszaújváros, 13 February 2006

**Árpád Olvasó**  
**Chief Executive Officer**

**Data sheet header (general)**

Company name: Tiszai Vegyi Kombinát Company Limited by Shares  
 Company address: H-3581 Tiszaiújváros, P.O.Box 20.  
 Sector group: Chemical industry, petrochemical  
 Reporting period: Year 2005

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**ANNEX 1**

	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 <input type="checkbox"/>	

**PK4. Q4 and Year 2005 PROFIT AND LOSS STATEMENT**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

	Q4 2004	Q4 2005	Change	2004	2005	Change
	HUF million	HUF million	%	HUF million	HUF million	%
Sales	47 774	75 095	57.2	175 883	249 793	42.0
Other operating income	149	342	129.5	811	1 538	89.6
<b>Total operating income</b>	<b>47 923</b>	<b>75 437</b>	<b>57.4</b>	<b>176 694</b>	<b>251 331</b>	<b>42.2</b>
Material costs	32 939	59 170	79.6	116 835	196 989	68.6
Cost of purchased material like services	2 828	3 736	32.1	8 613	12 821	48.9
COGS	2 062	2 067	0.2	18 818	3 474	(81.5)
Mediated services	28	11	(60.7)	688	663	(3.6)
<b>Material related expenditure</b>	<b>37 857</b>	<b>64 984</b>	<b>71.7</b>	<b>144 954</b>	<b>213 947</b>	<b>47.6</b>
Wages	1 416	1 785	26.1	6 018	6 396	6.3
HR related disbursements	1 366	479	(64.9)	2 450	1 565	(36.1)
Wage benefits	811	596	(26.5)	2 531	2 226	(12.1)
<b>HR related expenditure</b>	<b>3 593</b>	<b>2 860</b>	<b>(20.4)</b>	<b>10 999</b>	<b>10 187</b>	<b>(7.4)</b>
<b>Depreciation charge</b>	<b>1 753</b>	<b>2 647</b>	<b>51.0</b>	<b>6 925</b>	<b>9 723</b>	<b>40.4</b>
<b>Other operating costs</b>	<b>3 187</b>	<b>1 779</b>	<b>(44.2)</b>	<b>6 771</b>	<b>6 603</b>	<b>(2.5)</b>
<b>Change in inventories produced in house</b>	<b>(344)</b>	<b>764</b>	<b>n.a.</b>	<b>809</b>	<b>1 701</b>	<b>110.3</b>
<b>Capitalized value of assets produced in house</b>	<b>2 791</b>	<b>43</b>	<b>(98.5)</b>	<b>4 438</b>	<b>555</b>	<b>(87.5)</b>
<b>Total operating costs</b>	<b>43 943</b>	<b>71 463</b>	<b>62.6</b>	<b>164 402</b>	<b>238 204</b>	<b>44.9</b>
<b>Operating (trading) profit, EBIT</b>	<b>3 980</b>	<b>3 974</b>	<b>(0.2)</b>	<b>12 292</b>	<b>13 127</b>	<b>6.8</b>
Income from financial operations	80	85	6.3	1 159	323	(72.1)
Costs of financial operations	304	1 821	499.0	1 383	5 319	284.6
<b>Net financial result</b>	<b>(224)</b>	<b>(1 736)</b>	<b>n.a.</b>	<b>(224)</b>	<b>(4 996)</b>	<b>n.a.</b>
<b>Profit before taxation, extraordinary items and participations</b>	<b>3 756</b>	<b>2 238</b>	<b>(40.4)</b>	<b>12 068</b>	<b>8 131</b>	<b>(32.6)</b>
Corporate tax liability	559	108	(80.7)	1 267	171	(86.5)
Deferred tax	798	503	(37.0)	1 676	1 886	12.5
<b>Profit before minority interest</b>	<b>2 399</b>	<b>1 627</b>	<b>(32.2)</b>	<b>9 125</b>	<b>6 074</b>	<b>(33.4)</b>
Minority share of profit after tax	(10)	0	n.a.	(39)	1	n.a.
<b>Net profit</b>	<b>2 389</b>	<b>1 627</b>	<b>(31.9)</b>	<b>9 086</b>	<b>6 075</b>	<b>(33.1)</b>

## ANNEX 2

**PK3. BALANCE SHEET FOR THE PERIOD ENDED ON DECEMBER 31, 2005**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

	31.12.2004	31.12.2005	Variance
	HUF million	HUF million	%
<b>Long-term Assets</b>	<b>153 910</b>	<b>159 377</b>	<b>3.6</b>
Net Value of Intangible Assets	3 886	4 143	6.6
Net Value of Tangible Assets	148 080	154 516	4.3
Investments	285	211	(26.0)
Other Long Term Assets	1 659	507	(69.4)
<b>Current Assets</b>	<b>48 416</b>	<b>68 217</b>	<b>40.9</b>
Inventories	7 375	9 425	27.8
Accounts Receivable, Net	29 703	43 146	45.3
Other current assets	5 115	6 932	35.5
Cash and cash equivalents	6 223	8 714	40.0
<b>TOTAL ASSETS</b>	<b>202 326</b>	<b>227 594</b>	<b>12.5</b>
<b>Shareholder's Equity</b>	<b>111 421</b>	<b>117 519</b>	<b>5.5</b>
Registered Capital	24 495	24 492	0.0
Capital Reserves	15 022	15 022	0.0
Retained Earnings	62 768	71 857	14.5
Revaluation difference	7	31	342.9
Profit Per Balance Sheet	9 086	6 075	(33.1)
Minority Interest	43	42	(2.3)
<b>Long-term Liabilities</b>	<b>62 191</b>	<b>72 633</b>	<b>16.8</b>
Long-term Loans	56 576	65 257	15.3
Provisions for the Expected Liabilities	3 437	3 375	(1.8)
Deferred Tax Liability	1 945	3 832	97.0
Other Long-Term Liabilities	233	169	(27.5)
<b>Short-term liabilities</b>	<b>28 714</b>	<b>37 442</b>	<b>30.4</b>
Accounts Payable and Other Short-term Liabilities	26 314	35 933	36.6
Provisions for the Expected Liabilities	2 215	960	(56.7)
Short-term Loans	185	549	196.8
<b>TOTAL LIABILITIES</b>	<b>202 326</b>	<b>227 594</b>	<b>12.5</b>

**PK6. Significant Off-Balance Sheet Items<sup>1</sup>**

None.

<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 3

**CHANGES IN SHAREHOLDER'S EQUITY IN YEAR 2005**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

	Registered Capital	Retained Earnings	Capital Reserves	Revaluation difference	Profit Per B/S	Minority interest	Shareholder's Equity
<b>Balance on January 1, 2004</b>	<b>24,501</b>	<b>57,543</b>	<b>15,022</b>	<b>19</b>	<b>5,278</b>	<b>38</b>	<b>102,401</b>
Transfer of 2003 profits	0	5,278	0	0	(5,278)	0	0
Repurchased employee shares	(6)	0	0	0	0	0	(6)
Disbursements charged to retained earnings	0	(53)	0	0	0	0	(53)
Revaluation difference	0	0	0	(12)	0	0	(12)
2004 profits	0	0	0	0	9,086	0	9,086
Minority interest	0	0	0	0	0	5	5
<b>Balance on December 31, 2004</b>	<b>24,495</b>	<b>62,768</b>	<b>15,022</b>	<b>7</b>	<b>9,086</b>	<b>43</b>	<b>111,421</b>
Transfer of 2004 profits	0	9,086	0	0	(9,086)	0	0
Repurchased employee shares	(3)	0	0	0	0	0	(3)
Disbursements charged to retained earnings	0	3	0	0	0	0	3
Revaluation difference	0	0	0	24	0	0	24
Profit of year 2005	0	0	0	0	6,075	0	6,075
Minority interest	0	0	0	0	0	(1)	(1)
<b>Balance on December 31, 2005</b>	<b>24,492</b>	<b>71,857</b>	<b>15,022</b>	<b>31</b>	<b>6,075</b>	<b>42</b>	<b>117,519</b>

## ANNEX 4

**PK5. CASH FLOW STATEMENT FOR YEAR 2005**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

	Year 2004	Year 2005
	HUF million	HUF million
<b>1. NET CASH FROM OPERATIONS</b>		
<b>Operating (trading) profit (EBIT)</b>	<b>12 292</b>	<b>13 127</b>
Depreciation charge	6 925	9 723
Impairment of inventories	9	58
Profit/loss on the disposal of tangible assets	(90)	(167)
Impairment of receivables	7	194
Due date revaluation difference of trade accounts receivable and accounts payable	40	(110)
Change in environmental protection provisions	784	(355)
Change in other provisions	1 194	(1 297)
Change in inventories	(407)	(2 007)
Change in trade accounts receivable	(4 227)	(13 534)
Change in other receivables	2 931	(1 913)
Change in trade accounts payable	(1 089)	6 063
Change in other short term liabilities	(2 834)	1 024
<b>1. NET CASH FROM OPERATIONS</b>	<b>15 535</b>	<b>10 806</b>
<b>2. INVESTING</b>		
Capital projects	(43 253)	(4 860)
Proceeds from the disposal of fixed assets	144	528
Proceeds from disposal of subsidiary	192	0
Acquisition of financial investments	0	(1)
Changes in loans extended, long-term bank deposits and receivables	162	15
Changes in short-term securities held	8 517	0
Interest received and other financial income	1 245	352
Dividend received	118	0
<b>2. NET CASH USED IN INVESTING</b>	<b>(32 875)</b>	<b>(3 966)</b>
<b>3. NET CASH PROVIDED BY (AND DISBURSED FOR) FINANCING OPERATIONS</b>		
Issuing of long-term debt	70 022	0
Repayment of long-term debt	(54 538)	(2 459)
Changes of long-term debt	0	443
Other long-term liabilities	(110)	(63)
Changes in short-term loans	(3 577)	(670)
Interest paid and other financial expenditure	(2 857)	(2 728)
Dividend paid to minority shareholders	(29)	0
Repurchased treasury shares	(6)	(3)
<b>3. NET CASH PROVIDED BY (AND DISBURSED FOR) FINANCING OPERATIONS</b>	<b>8 905</b>	<b>(5 480)</b>
<b>NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS</b>	<b>(8 435)</b>	<b>1 360</b>
Opening value of cash and cash equivalents	14 658	6 223
Effect of consolidating a subsidiary on cash	0	1 131
Closing value of cash and cash equivalents	6 223	8 714
<b>NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS</b>	<b>(8 435)</b>	<b>1 360</b>

## ANNEX 5

## PK2. CONSOLIDATED COMPANIES

Name	Equity/Registered Capital*	Interest held (%)	Ratio of votes <sup>1</sup>	Classification <sup>2</sup>
TVK Ingatlankezelő Kft.	2 970 000	100.00%	L	L
TVK Inter-Chemol GmbH (EUR 000)	615	100.00%	L	L
VIBA-TVK Termelő és Kereskedelmi Kft.	205 000	40.00%	T	T
TVK UK Ltd. (GBP 000)	200	100.00%	L	L
TVK Polisec Vagyonvédelmi Szolg. és Tanácsadó Kft.**	14 300	100.00%	L	T
TVK Italia S.r.l. (EUR 000)	100	100.00%	L	L
Tiszai Hulladékégető Kft.	25 000	49.96%	T	T
TVK FRANCE S.a.r.l. (EUR)	76 225	100.00%	L	L
TVK Austria GmbH (EUR) **	36 336	51.00%	L	L
TVK Polska Spzoo (PLN 000)	109	100.00%	L	T
Tűzoltó és Műszaki Mentő Kft.	3 000	30.00%	T	T
TVK Erőmű Term. Szolg. Kft.	3 298 000	26.00%	T	L
TVK Ukrajna (hrivnya)	33 996	100.00%	L	T

<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,

\* Equity/registered capital is expressed in HUF 000, unless otherwise indicated, when registered capital is denominated in a foreign currency,

\*\* Under liquidation

## ANNEX 6

## MAJOR EXTERNAL FACTORS

	Q4 2004	Q3 2005	Q4 2005	Variance %	Variance %	2004	2005	Variance %
				Q4 2005/ Q4 2004	Q4 2005/ Q3 2005			2005/2004
Naphtha FOB med USD/t	397	499	476	19.7	(4.6)	352	448	27.2
AGO CIF med USD/t	449	579	549	22.2	(5.1)	365	517	41.7
Ethylene ICI's lor fd NWE contract EUR/t	700	640	825	17.9	28.9	631	739	17.2
Propylene ICI's lor fd NWE contract EUR/t	620	640	810	30.6	26.6	551	710	28.8
LDPE Film ICI's lor fd NWE low EUR/t	1 092	1 002	1 086	(0.6)	8.4	910	1 012	11.2
HDPE Film ICI's lor fd NWE low EUR/t	974	877	996	2.3	13.6	800	899	12.4
HDPE Blow ICI's lor fd NWE low EUR/t	973	876	1 002	3.0	14.4	792	901	13.8
PP Homo raffia ICI's lor fd NWE low EUR/t	959	945	1 050	9.5	11.1	828	960	15.9
PP Homo Injection ICI's lor fd NWE low EUR/t	962	953	1 053	9.5	10.5	829	966	16.5
PP Copolymer ICI's lor fd NWE low EUR/t	987	994	1 098	11.3	10.5	871	1 010	16.0
EUR/HUF	246.01	245.58	251.82	2.36	2.54	251.81	248.06	(1.5)
USD/HUF	189.94	201.30	211.79	11.50	5.21	202.74	199.58	(1.6)
EUR/USD	1.296	1.220	1.189	(8.3)	(2.5)	1.243	1.245	0.1

**ANNEX 7**  
**ST1. EXTRAORDINARY ANNOUNCEMENT IN 2005 UNTIL PREPARING THE REPORT**

<b>Date</b>	<b>Published in</b>	<b>Subject Matter, Brief Contents</b>
Jan 01, 2005 Jan 01, 2005	Magyar Tőkepiac Napi Gazdaság	Hermész Mérnöki Tanácsadó és Nagykereskedelmi Kft.'s stake in TVK decreased from 8.02 % to 0 % as of January 04, 2005 Slovnaft A.S. was registered with a 8.02 % stake in TVK's Share Register as of January 04, 2005.
Jan 26, 2005 Jan 26, 2005	Magyar Tőkepiac Napi Gazdaság	The liquidation process of TVK's consolidated subsidiary, TVK Austria Kunststoff. Vertriebs GmbH was started.
Feb 11, 2005 Feb 11, 2005	Magyar Tőkepiac Napi Gazdaság	Communication on completion of the Annual Flash Report for 2004 and the site where it is accessible.
Feb 11, 2005 Feb 11, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Annual Flash Report for 2004.
March 03, 2005 March 03, 2005	Magyar Tőkepiac Napi Gazdaság	The shareholding of CE Oil & Gas Beteiligung und Verwaltung AG (A-1010 Wien, Annagasse 6, Austria) in TVK increased from 15.99% to 31.39% as of March 2, 2005.
March 10, 2005 March 10, 2005	Magyar Tőkepiac Napi Gazdaság	On March 8, 2005 there was a breakdown in TVK Rt.'s Olefin-2 Plant.
March 11, 2005 March 11, 2005	Magyar Tőkepiac Napi Gazdaság	On March 10, 2005 TVK Rt.'s Olefin-2 Plant was restarted.
March 25, 2005 March 25, 2005	Magyar Tőkepiac Napi Gazdaság	Announcement of the Board of Directors of TVK Rt. on the convocation the 2005 Annual General Meeting.
Apr 13, 2005 Apr 13, 2005	Magyar Tőkepiac Napi Gazdaság	Communication of the key figures of managing the business of TVK Rt. in 2004.
Apr 20, 2005	BSE web site	The proposed resolutions of the Board of Directors of TVK Rt. to the 2005 Annual General Meeting.
Apr 27, 2005	BSE web site	Shareholder structure according to the shareholder identification prepared in connection with the ordinary General Meeting of the company, to be held on April 28, 2005.
Apr 28, 2005 Apr 28, 2005	Magyar Tőkepiac Napi Gazdaság	The following members of the Board of Directors and the Supervisory Board resigned from membership with effect from the date of the Annual General Meeting, to be held on April 28, 2005: members of the Board: Zoltán Áldott, Zsoltán Bács, Michel-Marc Delcommune, Zoltán Horváth, József Molnár, Árpád Olvasó, and dr. Ilona Bánhegyi, the chairwoman of the Supervisory Board, and Simola József, member of the Supervisory Board, with effect from the close of the Annual General Meeting.
Apr 28, 2005	BSE website	TVK Rt's declaration on corporate governance practices.
Apr 29, 2005 Apr 29, 2005	Magyar Tőkepiac Napi Gazdaság	<p>Disclosure of the resolutions of the 2005 Annual General Meeting of TVK Rt. The General Meeting:</p> <ul style="list-style-type: none"> <li>- accepted the reports by the Board of Directors (Business Report on the year 2004) by a 62.51% majority of the votes;</li> <li>- accepted by a 62.51% majority of the votes; the consolidated financial statement of TVK Group prepared according to international financial reporting standards; the financial statement of Tiszai Vegyi Kombinát Részvénytársaság prepared according to international financial reporting standards; the consolidated annual report of TVK Group prepared according to the requirements of the Hungarian Accounting Law; the annual report of Tiszai Vegyi Kombinát Részvénytársaság prepared according to the Hungarian Accounting Law for the year ending as of December 31, 2004. The General Meeting acknowledged that the Company's profit before tax for the year 2004 is HUF 11,807 million and its net retained earnings are HUF 10,634 million, taking into consideration the dividends payable upon the retained earnings for the year 2004, the General Meeting determines that the financing requirements for the strategic development project are 0 HUF per share with the profit after tax to be transferred into the profit reserve.</li> <li>- amendment of item 33. of the Articles of Association by a 99.95% majority of the votes;</li> <li>- elected Ernst &amp; Young Könyvvizsgáló Kft as the Auditor of the Company (appointed Auditor: Judit Szilágyi) for the business year of 2005 until the time of adjourning the Annual General Meeting of 2006, until 30 April, 2006, by a 62.55% majority of the votes; and determined the Auditor's fee (HUF 30,986,460 + VAT) for the whole period of the appointment, and authorised the Board of Directors to conclude the commission contract.</li> <li>- Amended the item 13.e.; 14.b. 14.c.; 14.d.; 26.b.; 30.; and a subtitle of the Articles of Association by a 100% majority of the votes;</li> <li>- elected Vratko Kassovic, as a Member of the Board, with the effect from the adjourning of the GM for</li> </ul>

- a 2 year period, by a 62.51% majority of the votes; and accepted, that Vratko Kassovic upholds Board and Supervisory Board memberships in other companies by a 62.50% majority of the votes;
- elected József Simola, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, by a 62.51% majority of the votes; and accepted that József Simola József upholds Board memberships in Slovnaft S.A. by a 62.50% majority of the votes;
  - elected Árpád Olvasó, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, by a 62.51% majority of the votes;
  - elected Michel-Marc Delcommune, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, accepted, that Michel-Marc Delcommune upholds Board membership in MOL Rt. by a 62.51% majority of the votes;
  - elected József Molnár, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period and accepted, that József Molnár upholds Board membership in Slovnaft S.A. by a 62.51% majority of the votes;
  - elected Ildikó Keményné Újvári, as a Member of the Supervisory Board, with the effect from the adjourning of the GM for a 5 year period by a 62.55% majority of the votes;
  - elected dr. Ilona Bánhegyi, as a Member of the Supervisory Board, with the effect from the adjourning of the GM for a 5 year period, and accepted, that dr. Ilona Bánhegyi upholds Supervisory Board membership in Slovnaft S.A. by a 62.51% majority of the votes;
  - elected Krisztina Dorogházi, as a Member of the Supervisory Board, on, with the effect from the adjourning of the GM for a 5 year period. and accepted, that Krisztina Dorogházi upholds Supervisory Board membership in Slovnaft S.A. by a 62.50% majority of the votes;
  - accepted to define as follows the scope of employees considered managers according to Section 188/A paragraph (1) of the Labour Code as follows: “As managers shall be regarded the following leaders who fill in such jobs as have a determining significance for the operations of the Company and manage organisation units published in the Operating Rules of the Company: directors, deputy directors, factory managers, project managers and heads of “organisational units”.

Apr 29, 2005 Apr 29, 2005	Magyar Tőkepiac Napi Gazdaság	Disclosure on completing the annual report of TVK Rt. on the 2004 business year and the site where it is accessible.
Apr 29, 2005 Apr 29, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Annual Report for the business year of 2004
May 11, 2005 May 11, 2005	Magyar Tőkepiac Napi Gazdaság	The liquidation process of TVK’s not fully consolidated subsidiary, CHEMOPETROL Ltd. has commenced.
May 13, 2005 May 13, 2005	Magyar Tőkepiac Napi Gazdaság	Notice on completing the TVK Rt. Flash Report for Q1 2005 and the site where it is accessible.
May 13, 2005 May 13, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Flash Report for Q1 2005.
May 27, 2005	BSE website	Minutes of the Annual General Meeting, held on April 28, 2005
June 8, 2005	BSE website	TVK Rt.’s Articles of Association
August 12, 2005 August 12, 2005	Magyar Tőkepiac Napi Gazdaság	Notice on completing the TVK Rt. Flash Report for H1 2005 and the site where it is accessible.
August 12, 2005 August 12, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Flash Report for H1 2005.
Sept. 1, 2005 Sept. 1, 2005	Magyar Tőkepiac Napi Gazdaság	Notice on the announcement channels of TVK Rt.
Oct. 19, 2005	Magyar Tőkepiac	Notice on the inauguration ceremony of the units of the Petrochemical Development Project
Oct. 28, 2005	Magyar Tőkepiac	Extraordinary notice on closing the liquidation process of Chemopetrol Ltd.
Nov. 2, 2005	Magyar Tőkepiac	Declaration on the disclosure language
Nov. 2, 2005	Magyar Tőkepiac	Extraordinary notice on starting the liquidation process of TVK Polisec Kft.
Nov. 4, 2005	Magyar Tőkepiac	Extraordinary notice on changes in the senior management: the number of members of the Board of Directors decreased from 7 to 6, as the mandate of Mr. Fred Faiz, who was elected the member of the Board on 3 <sup>rd</sup> November 2000, has expired on 3 <sup>rd</sup> November 2005.
Nov 11, 2005 Nov 11, 2005	Magyar Tőkepiac BSE website	Notice on completing the TVK Rt. Flash Report for Q1-3 2005 and the site where it is accessible. TVK Rt. Flash Report for Q1-3 2005.
Jan 20, 2006	Magyar Tőkepiac	TVK founded a new foreign trading subsidiary in Ukraine, TVK Ukrajna, with a seat in Kiev, and an issued capital of hrvnva 33,995.89.

## ANNEX 8

## STRUCTURE OF OWNERSHIP - % AND TREASURY SHARES

**RS1. Ownership Structure, Ratio of Holdings and Votes**

Description of owner	Total equity						Listed series					
	Year opening (January 1, 2005)			Period closing (December 31, 2005)			Year opening (January 1, 2005)			Period closing (December 31, 2005)		
	% <sup>2</sup>	% <sup>3</sup>	Pc	% <sup>2</sup>	% <sup>3</sup>	Pc	% <sup>2</sup>	% <sup>3</sup>	Pc	% <sup>2</sup>	% <sup>3</sup>	Pc
Domestic institution/company	45.10	id.	11 013 985	44.34	id.	10 830 252	45.45	id.	11 013 985	44.69	id.	10 830 252
Foreign institution/company	34.79	id.	8 495 832	39.48	id.	9 642 266	35.06	id.	8 495 832	39.79	id.	9 642 266
Domestic individual	0.96	id.	235 378	0.01	id.	3 200	0.97	id.	235 378	0.01	id.	3 200
Foreign individual	0.02	id.	5 067	0.00	id.	0	0.02	id.	5 067	0.00	id.	0
Employees, senior officers	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Government held owner*	0.007	id.	1 750	0.03	id.	8 149	0.007	id.	1 750	0.03	id.	8 149
International Development Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other												
TVK Rt. employee shares	0.77	id.	189 000	0.77	id.	189 000		id.			id.	
Ordinary shares held by unidentified parties	18.36	id.	4 484 581	15.40	id.	3 759 125	18.5	id.	4 484 581	15.51	id.	3 759 125
<b>TOTAL</b>	<b>100</b>	<b>id.</b>	<b>24 423 843</b>	<b>100</b>	<b>id.</b>	<b>24 423 843</b>	<b>100</b>	<b>id.</b>	<b>24 234 843</b>	<b>100</b>	<b>id.</b>	<b>24 234 843</b>

\* Also included under domestic institutions

<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.**RS2. Volume (Qty) of Treasury Shares Held in the Period Under Review**

	January 1	March 31	June 30	September 30	December 31
Corporate level	0	0	0	0	0
Subsidiaries	0	0	0	0	0
<b>Grand total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**RS3/1. List and Description of Shareholders with more than 5% of the listed Series (at the end of the period)**

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (of shares)	Interest (%)	Voting ratio (%) <sup>3,4</sup>	Remark
Magyar Olaj- és Gázipari Rt.	B (HU)	T	10 821 029	44.65	44.65	Strategic investor
CE Oil & Gas Beteiligung und Verwaltung AG	K (AT)	T	7 666 850	31.64	31.64	n.a.
Slovnaft, a.s.	K (SK)	T	1 958 743	8.08	8.08	Strategic investor

**RS3/2. List and Description of Shareholders with more than 5% of Equity Total (at the end of the period)**

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (of shares)	Interest (%)	Voting ratio (%) <sup>3,4</sup>	Remark
Magyar Olaj- és Gázipari Rt.	B (HU)	T	10 821 029	44.31	44.31	Strategic investor
CE Oil & Gas Beteiligung und Verwaltung AG	K (AT)	T	7 666 850	31.39	31.39	n.a.
Slovnaft, a.s.	K (SK)	T	1 958 743	8.02	8.02	Strategic investor

<sup>1</sup> Domestic (B), Foreign (K)<sup>2</sup> Corporate (T)<sup>3</sup> Figure rounded to two decimal points<sup>4</sup> Voting right entitling the holder to participate in decision making at the general meetings of consolidated companies

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

**TSZ2. Changes in the Number of Full Time Employees**

	Reference Period Ended December 31, 2004	Year Opening January 1, 2005	Period Closing December 31, 2005
Corporate level	1 571	1 571	1 454
Group level	1 602	1 602	1 488

**TSZ3. 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)
IT	György Mosonyi	Chairman of the Board	26.04.2002	26.04.2007	0
IT	Árpád Olvasó	Deputy Chairman of the Board	29.08.2000	28.04.2007	0
IT	Michel-Marc Delcommune	Board member	03.11.2000	28.04.2007	0
IT	Fred Faiz	Board member	03.11.2000	03.11.2005	0
IT	József Molnár	Board member	20.04.2001	28.04.2007	0
IT	József Simola	Board member	28.04.2005	28.04.2007	0
IT	Vratko Kassovic	Board member	28.04.2005	28.04.2007	0
FB	Dr. Ilona Bánhegyi	SB chairperson	29.08.2000	28.04.2010	0
FB	Dr. András Huszár	SB deputy chair	24.04.2003	24.04.2008	0
FB	Ildikó Keményné Újvári	SB member, employee representative	28.04.2000	28.04.2010	0
FB	Tamás Magyar	SB member, employee representative	20.04.2001	20.04.2006	0
FB	Krisztina Dorogházi	SB member	28.04.2005	28.04.2010	0
SP	Árpád Olvasó	Chief Executive Officer	01.07.2003	Indefinite term	0
SP	Tivadar Vályi Nagy	Chief Financial Officer, Deputy CEO	01.01.2005	Indefinite term	0
SP	László Piry	Director of Polymer Marketing and Sales, Deputy CEO	07.06.2004	Indefinite term	0
SP	Árpád Deák	Petrochemical Technology and Project Development Director	01.06.2001	Indefinite term	0
SP	Tamás Péntes	Human Resources Manager	01.07.2004	Indefinite term	0
SP	László Sebestyén	Production Director	01.01.2004	Indefinite term	0

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

**During the fourth quarter of 2005 there was no significant change in company structure.**

**During the fourth quarter of 2005 there was the following change in the senior management:**

The number of members of the Board of Directors decreased from 7 to 6, as the mandate of Mr. Fred Faiz, who was elected the member of the Board on 3<sup>rd</sup> November 2000, expired on 3<sup>rd</sup> November 2005.