

Statistical code: 10725759-2416-114-05
Company registration number: 05-10-000065

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep

2006

Annual Report

Árpád Olvasó
Chief Executive Officer

Tiszaújváros, 3 April 2007

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of **Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság**

1.) We have audited the accompanying 2006 annual financial statements of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság ("the Company"), which comprises the balance sheet as at 31 December 2006 - showing a balance sheet total of HUF 212,302 million and a profit for the year of HUF 15,895 million -, the related profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's annual financial statements as at 31 December 2005 on 22 March 2006.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

7.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság as at 31 December 2006 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

8.) Without qualifying our opinion, we draw the attention to Note 43.5 to the financial statements that describe the environmental aspects of the Company's operations and highlights the risk of additional significant decontamination expenses that might incur over the current amount of the provision in relation to past environmental damage as may be identified by future environmental surveys.

Budapest, 3 April 2007

(The original Hungarian language version has been signed.)

Ernst & Young Kft.
Registration No. 001165

Szilágyi Judit
Registered Auditor
Chamber membership No.: 001368

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Assets for the year ending on 31 December 2006

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

Statistical code: 10725759-2416-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
A.	NON-CURRENT ASSETS		145,473	139,310
A/I	INTANGIBLE ASSETS	6	4,103	3,918
A/I/1	Capitalized value of foundation and restructuring		0	0
A/I/2	Capitalized value of research and development		0	0
A/I/3	Property rights		0	0
A/I/4	Intellectual property		4,054	3,907
A/I/5	Goodwill		49	11
A/I/6	Advances for intangible assets		0	0
A/I/7	Revaluation of intangible assets		0	0
A/II	TANGIBLE ASSETS	7	136,716	130,966
A/II/1	Real estate and related property rights		28,505	27,768
A/II/2	Technical machines and equipment		100,944	95,690
A/II/3	Other machines and equipment		6,467	5,616
A/II/4	Livestock		0	0
A/II/5	Assets in the course of construction		800	1,886
A/II/6	Advances for construction		0	6
A/II/7	Revaluation of tangible assets		0	0
A/III	FINANCIAL INVESTMENTS	14	4,654	4,426
A/III/1	Non-current investments in associates	11	4,215	4,197
A/III/2	Non-current loans to associates		0	0
A/III/3	Other non-current investments		0	0
A/III/4	Non-current loans to other related parties		0	0
A/III/5	Other non-current loans	12	281	52
A/III/6	Non-current debt securities	13	158	177
A/III/7	Revaluation of financial investments		0	0

Tiszaújváros, 3 April 2007

Árpád Olvasó
Chief Executive Officer

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Assets for the year ending on 31 December 2006

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

Statistical code: 10725759-2416-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
B	CURRENT ASSETS		66,888	72,469
B/I	INVENTORIES	15, 16	10,376	9,274
B//1	Materials		3,295	3,150
B//2	Work in process		688	850
B//3	Breeding stock		0	0
B//4	Finished products		6,360	5,174
B//5	Merchandises		3	97
B//6	Advances for inventories		30	3
B/II	RECEIVABLES		49,882	50,272
B/III/1	Trade receivables	17	37,540	39,522
B/III/2	Receivables from associates	18	5,520	6,674
B/III/3	Receivables from other related parties		0	0
B/III/4	Bill receivables		0	0
B/III/5	Other receivables	19	6,822	4,076
B/III	MARKETABLE SECURITIES	21	174	0
B/III/1	Securities in related parties		0	0
B/III/2	Other securities		0	0
B/III/3	Treasury shares, participations		174	0
B/III/4	Debt securities held for trading		0	0
B/IV	CASH AND BANK	22	6,456	12,923
B/IV/1	Petty cash		3	4
B/IV/2	Bank accounts		6,453	12,919
C	PREPAYMENTS	23	585	523
C/1	Accrued income		534	485
C/2	Prepaid expenses		51	38
C/3	Deferred expenses		0	0
	TOTAL ASSETS		212,946	212,302

Tiszaújváros, 3 April 2007

Árpád Olvasó
Chief Executive Officer

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Liabilities for the year ending on 31 December 2006

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

Statistical code: 10725759-2416-114-05
Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
D	SHAREHOLDERS' EQUITY	24	119,057	134,820
D/I	Share capital		24,666	24,534
	- of which redeemed treasury shares at face value		0	0
D/II	Issued unpaid capital		0	0
D/III	Capital reserve		4,624	4,624
D/IV	Retained earnings		84,555	89,300
D/V	Allocated reserve	25	674	467
D/VI	Revaluation reserve		0	0
D/VII	Profit for the year		4,538	15,895
E	PROVISIONS	26	6,704	8,190
E/1	Provision for expected liabilities		6,704	8,190
E/2	Provision for future expenses		0	0
E/3	Other provisions		0	0
F	LIABILITIES		86,252	67,847
F/I	SUBORDINATED LIABILITIES		0	0
F/II/1	Subordinated liabilities due to associates		0	0
F/II/2	Subordinated liabilities due to other related parties		0	0
F/II/3	Subordinated liabilities due to third parties		0	0

Tiszaújváros, 3 April 2007

Árpád Olvasó
Chief Executive Officer

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet – Liabilities for the year ending on 31 December 2006

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

Statistical code: 10725759-2416-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
F/II	NON-CURRENT LIABILITIES		53,220	37,895
F/II/1	Non-current loans		0	0
F/II/2	Convertible bonds		0	0
F/II/3	Non-current bonds		0	0
F/II/4	Investment and development loans		0	0
F/II/5	Other non-current loans		0	0
F/II/6	Non-current liabilities to associates	27	53,073	37,845
F/II/7	Non-current liabilities to other associates		0	0
F/II/8	Other non-current liabilities		147	50
F/III	SHORT-TERM LIABILITIES		33,032	29,952
F/III/1	Short-term debt		0	0
F/III/2	Short-term loans		0	0
F/III/3	Advances from customers		12	37
F/III/4	Trade payable	28	6,190	6,839
F/III/5	Bill of exchange		0	0
F/III/6	Current liabilities to associates	29	25,282	22,198
F/III/7	Current liabilities to other associates		0	0
F/III/8	Other current liabilities	30	1,548	878
G	ACCRUED EXPENSES	23	933	1,445
G/1	Deferred income		6	0
G/2	Accrued expenses		904	1,386
G/3	Deferred negative goodwill and extraordinary revenues		23	59
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		212,946	212,302

Tiszaújváros, 3 April 2007

Árpád Olvasó
Chief Executive Officer

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Income Statement for the year ending on 31 December 2006

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

Statistical code: 10725759-2416-114-05
 Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
1	Net domestic sales		132,560	162,806
2	Net export sales		117,074	148,008
I	NET SALES	31	249,634	310,814
3	Change in self-produced stocks		1,701	(1,023)
4	Capitalised value of self-produced assets	32	552	450
II	CAPITALIZED VALUE OF OWN PERFORMANCE		2,253	(573)
III	OTHER INCOME	33	1,529	3,889
	-of which reversed impairment loss		0	503
5	Material costs		199,441	231,414
6	Material type services	35	12,455	12,636
7	Other services	36	1,456	1,514
8	Cost of goods sold		3,291	17,290
9	Cost of services sold		2,047	2,640
IV	MATERIAL TYPE EXPENSES		218,690	265,494
10	Wages and salaries	38	5,700	5,562
11	Other personnel expenses		1,426	1,254
12	Payroll related contributions		2,113	1,973
V	PERSONNEL COSTS		9,239	8,789
VI	DEPRECIATION	8	8,095	10,975
VII	OTHER EXPENDITURES	33	8,671	10,939
	-of which impairment loss		996	486
A	OPERATING PROFIT		8,721	17,933

Tiszaújváros, 3 April 2007

Árpád Olvasó
Chief Executive Officer

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Income Statement for the year ending on 31 December 2006

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

Statistical code: 10725759-2416-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
13	Dividend received		392	510
	-of which received from related parties		392	510
14	Capital gain on financial investments sold		0	0
15	Interest income and capital gains on financial investments		21	15
16	Other received interest and similar income		203	536
	-of which received from related parties		79	305
17	Other financial income	39	1,988	3,679
VIII	FINANCIAL INCOME		2,604	4,740
18	Foreign exchange loss on financial investments		0	0
19	Interest payable		1,766	2,161
	-of which received to related parties		1,673	2,135
20	Impairment loss of participations, securities and bank deposits		(43)	(17)
21	Other financial expenditures	39	3,201	4,588
	-of which received to related parties		1,428	124
IX	FINANCIAL EXPENDITURES		4,924	6,732
B	FINANCIAL RESULT		(2,320)	(1,992)
C	PROFIT FROM ORDINARY ACTIVITIES		6,401	15,941
X	EXTRAORDINARY REVENUES	40	2	401
XI	EXTRAORDINARY EXPENDITURES	40	845	238
D	EXTRAORDINARY PROFIT/LOSS		(843)	163
E	PROFIT BEFORE TAXATION		5,558	16,104
XII	Taxation	44	0	209
F	PROFIT AFTER TAXATION		5,558	15,895
22	Retained earnings used for dividends		0	0
23	Dividends approved, paid		1,020	0
G	PROFIT FOR THE PERIOD		4,538	15,895

Tiszaújváros, 3 April 2007

Árpád Olvasó
Chief Executive Officer

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

Statistical code: 10725759-2416-114-05
Company registration number: 05-10-000065

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-lpartelep

2006

Supplementary Notes

Árpád Olvasó
Chief Executive Officer

Tiszaújváros, 3 April 2007

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Table of Contents

1. BACKGROUND AND GENERAL INFORMATION	14
2. ACCOUNTING POLICY OF THE COMPANY	15
2.1. METHOD OF BOOKKEEPING, REPORT FORMAT	15
2.2. METHOD AND TIME SCHEDULE FOR REPORT PREPARATION	15
2.3. THE FORM OF BALANCE SHEET AND AND INCOME STATEMENT	15
2.4. VALUATION METHODS AND PROCEDURES USED IN THE PREPARATION OF ANNUAL REPORT	16
2.5. RULES FOR PROVISIONS	22
3. THE SHAREHOLDER'S STRUCTURE OF THE COMPANY	23
4. THE COMPANY'S TRUE ASSET, FINANCIAL AND EARNING POSITION	24
4.1. ANALYSIS OF THE ASSETS	24
4.2. CHANGES IN THE FINANCIAL POSITION	26
4.3. CHANGES IN THE PROFITABILITY	27
4.4. YIELD AND PERFORMANCE INDICES	27
4.5. CHANGES IN THE SALES REVENUES	29
5. CASH-FLOW	30
6. INTANGIBLE ASSETS	31
7. TANGIBLE ASSETS.....	32
8. DESCRIPTION OF DEPRECIATION	34
9. RESEARCH AND DEVELOPMENT	36
10. PROPERTY, PLANT AND EQUIPMENT USED FOR ENVIRONMENTAL PROTECTION	37
11. NON-CURRENT INVESTMENTS IN RELATED PARTIES	38
12. NON-CURRENT LOANS	42
13. NON-CURRENT DEBT SECURITIES.....	43
14. IMPAIRMENT OF NON-CURRENT FINANCIAL ASSETS	43

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

15. INVENTORIES	44
16. IMPAIRMENT OF INVENTORIES	45
17. TRADE RECEIVABLES.....	46
18. RECEIVABLES FROM RELATED PARTIES	46
19. OTHER RECEIVABLES.....	47
20. IMPAIRMENT OF RECEIVABLES	48
21. MARKETABLE SECURITIES.....	49
22. CASH AND BANK	49
23. PREPAYMENTS, ACCRUALS AND DEFERRALS	50
24. SHAREHOLDERS' EQUITY.....	51
25. ALLOCATED RESERVE	52
26. PROVISIONS.....	52
27. LONG-TERM LIABILITIES TOWARDS RELATED PARTIES.....	53
28. TRADE PAYABLES	54
29. SHORT-TERM LIABILITIES TO RELATED PARTIES	54
30. OTHER CURRENT LIABILITIES	55
31. NET SALES.....	56
32. CHANGE IN SELF-PRODUCED ASSETS.....	58
33. OTHER INCOME AND OTHER EXPENSES	59
34. EXPENSES ACCORDING TO "COST OF SALES" METHOD.....	60
35. MATERIAL TYPE SERVICES	61
36. OTHER SERVICES	62

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

37. REMUNERATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD	62
38. EMPLOYEES	63
39. OTHER FINANCIAL INCOME AND OTHER FINANCIAL EXPENSES	64
40. EXTRAORDINARY REVENUES AND EXPENDITURES	65
41. HAZARDOUS WASTE (NON AUDITED)	66
42. RELATED PARTY TRANSACTIONS	68
42.1. RELATED PARTY TRANSACTIONS	68
42.2. SHARE-BASED PAYMENT PLANS	69
43. OFF-BALANCE SHEET ITEMS	70
43.1. LETTER OF SUPPORT TO RELATED PARTIES	70
43.2. LEGAL DISPUTES OVER INVESTMENTS IN SECURITIES	70
43.3. CONTRACTUAL COMMITMENTS RELATED TO CAPITALIZATION PROJECTS	70
43.4. OTHER CONTRACTUAL LIABILITIES	70
43.5. ENVIROMENTAL PROTECTION	71
43.6. EXCISE TAX	72
43.7. CHANGE OF OWNERSHIP STRUCTURE	72
44. CORPORATE TAX	73
45. SUBSEQUENT EVENTS	74

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

1. Background And General Information

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

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

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

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

As at 31 December 2006, MOL Group own the majority of the shares (See Note 3).

The Company, with its registered seat in Tiszaújváros (H-3581 Tiszaújváros Pf.:20.) produces chemical raw materials including ethylene, propylene and polymers of these products for both domestic and foreign markets.

In 2002, the Company commenced a significant strategic development project and the last facility was capitalized in September 2005. As part of the capacity extending project, the Company built a new Olefin plant with an annual ethylene producing capacity of 250 kt and a new high-density polyethylene plant with an annual capacity of 200 kt. The Company implemented more off-battery facilities to supply the new plants; the largest was the new ethylene tank.

The registered seat of the Company is Tiszaújváros (H-3581 Tiszaújváros, TVK-Ipartelep, Gyári út, Hungary), web-site: <http://www.tvk.hu>.

The Company has no seats in abroad.

The person entitled to sign the company's financial statement is Árpád Olvasó, Chief Executive Officer, address: H-2440 Százhalombatta, Nyárfa u. 4., Hungary.

Person responsible for managing accounting services:

Attila Kmetti, accounting manager

Address: H-3532 Miskolc, Tátra u. 27., Hungary

PM (Ministry of Finance) registration number in the name register of person entitled to deal with accounting services: 128302

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

2. Accounting Policy of the Company

2.1. Method of bookkeeping, report format

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

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

As of 1 October 1999, TVK Plc. has been using the BPCS, an integrated information system for large companies with a modular structure.

Based on the 155. § (2) of the Accounting Act, the audit of books is compulsory for the Company, year-end financial statements are audited.

The Company, as a subsidiary, was fully consolidated in the financial statements of MOL Magyar Olaj- és Gázipari Nyilvánosan Működő Részvénytársaság (H-1117 Budapest, Október huszonharmadika u. 18., Hungary).

2.2. Method and time schedule for report preparation

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

In lien with the scheduling of processes for closing the year of 2006, the date for preparing the balance sheet of the Company was specified for *15 January 2007*. It differs from the balance sheet preparation date of year 2005, which was on 13 January. The impact of the deviation is not significant.

2.3. The form of Balance Sheet and and Income Statement

Form of balance sheet

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Form of the income statement

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

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

2.4.1. Changes in the Accounting policy

The following changes were effected in the Account Policies of the Company as a result of the amendment of Act C of the year 2000 (Accountancy Act) enacted as of January 1, 2006 regarding accountancy and amended on several occasions:

- Modifying the previous value limit of 50 thousand HUF, the depreciation allowance the Company discounted was the acquisition cost of ownership rights, intellectual products and fixed assets below the individual acquisition and production cost of 100 thousand HUF when those were put into use. (The effects on the profit and loss account of the Company caused by the change of the appraisal procedure are included in supplementary enclosure No 8.)
- The relevant rules regarding the contents of the business report were supplemented. In their business report, the Company being a firm trading in the stock exchange of the member states of the European Union is bound to present additional data over the information previously provided.
- In keeping with the Accountancy Law, the Accountancy Policies cancelled those regulations regarding the demarcation of rate differences resulting from the balance date evaluation of foreign money value investment related amounts owed to credit institutions and not covered by foreign-exchange resources, as well as the accumulation of the associated provisions.
- Among pending liabilities the Company lists its liabilities towards third parties existing on the balance sheet date, however their inclusion as positions on the balance sheet depends on future events.

Other revisions reflected in the Accountancy Policies:

- The carbon dioxide emission units (CO₂ quotas) granted by the State of Hungary free of charge and those obtained in the framework of quota trading are recorded by the Company as commodities. The regulations regarding the recording, accounting and evaluation of the quota as well as the accumulation of provisions mandated by the purchase obligation due to the excess greenhouse gas emission not covered by the quota reserves were incorporated in the Accountancy Policies.

2.4.2. Valuation methods applied

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

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

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

The company values *the inventories* individually. The valuation of assets booked in groups having the same parameters at average purchase price is also deemed to be individual valuation.

In case of purchased inventories, purchase value was determined as the weighted average price method, as according to the Hungarian Accounting Standards. The value of inventories produced in house equals to the value of calculated production cost.

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

- ◆ do not comply with the requirements applicable to inventories (standards, terms of shipping, professional requirements, etc.) or are damaged. Inventories in this group are continuously written-off to the value of waste or utility materials throughout the year. Write-off is always accounted for regardless of the amount of the difference. This type of impairment means a final reduction in inventory value that cannot be reversed later even if such inventories are sold at a price higher than book value.

- ◆ for other inventories – including those that have become unnecessary or are not fit for their purpose -, the cost is considerably higher than the market price known at the time of preparing the balance sheet. In this case, impairment is accounted for up to the market value known at the time of preparing the balance sheet or the expected sales price. The expected sales price must be reduced by the costs expected to be incurred in order for sale.
The difference between the carrying amount and the value determined as recoverable value is deemed to be significant if it reaches 10% of the book value by individual inventory or homogeneous inventory group.

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

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

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

The Company records the emission rights (CO₂ quota) granted by the State of Hungary as goods.

Acquisition cost of carbon dioxide emission units in the case of the CO₂ quota granted by the State of Hungary free of charge, it is the market price valid on the credit date in the emission unit register, in case of quotas purchased, it is the actual equivalent sum paid with agency fee added. Evaluation of carbon dioxide quotas is being done individually. While there is group registration evaluation is done on an individual basis using the FIFO method.

The acquisition cost of emission units shall be reduced by the depreciation expenses if the book value of the emission units is consistently and significantly higher than the quota trading market value registered on date for preparing the balance sheet. Depreciation expenses are qualified as significant if the amount adds up to 10 million HUF.

If the reason for accounting depreciation expenses no longer exists, the depreciation shall be retrieved to the market value but to no more than the amount of the depreciation expenses accounted.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

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

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

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

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

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

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

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

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

If the stock exchange price does not reflect the fair market price of the given company, TVK Plc. determines the market value that serves as the basis of the comparison in individual valuation, based on the information available (analytical studies, plans for the future).

For unquoted investments, if the price paid on acquisition is higher than the equity share in the investment, TVK Plc. analysis the Company's operating efficiency, the trend of its profitability and the durability of this trend to determine the amount of impairment loss to be accounted for.

The Company values *long-term credit securities* based on weighted average price.

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

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

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

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

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

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

Rating is done at company level, and the expected percentage of collection of the receivable is estimated. The rating shall set out in the criteria that serve as the basis for determining the percentage of expected collection.

Major criteria for debtor rating:

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

If the amount expected to be recovered out of the receivable based on the rating of the customer or debtor on the balance sheet date considerably exceeds the book value of the receivable (criteria for write-off are not in place or are in place only in part) the Company will reverse all or a part of the impairment accounted for earlier. The book value of the receivables following the reversal may not exceed the book value of the original receivable that is not yet settled. The amount will be deemed to be significant if it exceeds HUF 1 million.

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

procedure in case of transfers between foreign exchange and foreign currency accounts and between accounts with same foreign exchange.

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

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

2.4.3. Depreciation policy

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

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

The depreciation time and the depreciation rates were chosen based on the expected economic life of the given asset, determined by technical evaluation.

Straight line depreciation rates are as follows:

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

No further depreciation may be recognised if the carrying value of the asset has already reached its residual value.

The residual value is not nil if it is clearly decided at the time of acquiring the asset that the asset's useful life for the Company will not reach 75 % of the asset's technical-economical useful life and the residual value expected to be significant at the end of its useful life. The residual value may be determined in respect of individual asset or asset groups required to undertake the core activities, representing a significant value at company level. The residual value is subject to yearly revision, modification should be made if the expectations significantly differs from previous expectations. The residual value is significant if the value that can be realized, reaches 30% of the gross value of the individual asset or group of assets, but at least 10 million HUF.

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

The effect of the revision on year 2005 Income Statement is provided in section 7. The revision on year 2006 has no significant effect to the Balance Sheet and Income Statement.

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

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

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

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

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

2.5. Rules for provisions

The Company recognises provisions for contingent liabilities.

Provision for expected liabilities

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

According to the covenant of December 19, 2006 modifying the collective agreement, the Company provides the employees with service recognition awards in the following way. Every 5 years, TVK Plc. pays a single sum bonus to each of their employees who had worked at least 10 years in the Company. It accumulates provisions to cover the future amounts to be paid out as service recognition awards to current employees of the Company as calculated by actuary.

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

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

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

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

As from 2005, the Company creates provisions for the amount of quantity discounts based on the contractual conditions, if it is not financially performed until the balance sheet date.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

3. The shareholder's structure of the Company

Share capital as of 31 December 2005 and 2006 is summarized as follows:

Shareholder	Number of Shares (thousand)		Total Nominal Value (HUF million)		Ownership percentage (%)	
	2005	2006	2005	2006	2005	2006
Domestic institutional investors	10,830	11,215	10,938	11,327	44.35	46.16
International institutional investors	9,643	12,825	9,739	12,953	39.48	52.80
Domestic private investors	3	186	3	188	0.01	0.77
TVK Plc.	174	0	174	0	0.71	-
Employees	15	0	15	0	0.06	-
Foreign private investors	0	4	0	4	0.00	0.02
Unregistered investors	3,759	61	3,797	62	15.39	0.25
Total	24,424	24,291	24,666	24,534	100.00	100.00

Note: The par value of the shares owned by TVK Plc. and its employees is HUF 1,000 / share, in other cases it is HUF 1,010 / share.

At the Company there was a retirement of 132,440 employees' shares with a 1000 HUF par value each. In agreement with the transaction TVK Plc. reduced their joint capital from 24,666 million HUF to 24,534 million HUF. The 56,560 employees' shares with 1000 HUF par value each, were converted into 56,000 dematerialized ordinary shares of 1,010 individual par value. The number of ordinary shares of TVK Plc. changed from 24,423,843 to 24,290,843.

Owners with investment above 5 % as of 31 December 2005 and 2006 based on the Share Register:

Owners	Ownership percentage (%)	
	2005	2006
MOL Hungarian Oil and Gas Public Limited Company	44.31	44.55
CE Oil & Gas Beteiligung und Verwaltung AG*	31.39	31.56
Slovnaft a.s.	8.02	8.06

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

On February 27 and 28, MOL Plc. purchased TVK shares that represent 42.25% of TVK's share capital. Subsequent to the transaction, MOL Plc's direct and indirect influence over the Company increased to 94.86%.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

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

4.1. Analysis of the assets

4.1.1 Changes of the Company's structure of assets

Description	2005	2006	Percentage (%)		Change (%)
			2005	2006	
Non-current Assets	145,473	139,310	68.32	65.62	(4.24)
Current Assets	66,888	72,469	31.41	34.13	8.34
Prepayments and accrued income	585	523	0.27	0.25	(10.60)
Total	212,946	212,302	100.00	100.00	(0.30)

Total assets less by HUF 644 million, compared to last year.

Of the invested assets it is mainly the total tangible assets that decreased because of the increased depreciation expenses. In the case of current assets the increase of customer claims due to price increase and rate changes is a determining factor.

4.1.2. Equity structure

Structure of sources of assets

Description	2005	2006	Percentage (%)		Change (%)
			2005	2006	
Shareholders' Equity	119,057	134,820	55.91	63.50	13.24
Provisions	6,704	8,190	3.15	3.86	22.17
Liabilities	86,252	67,847	40.50	31.96	(21.34)
Accrued expenses and deferred income	933	1,445	0.44	0.68	54.88
Total	212,946	212,302	100.00	100.00	(0.30)

In the 2006 liability portfolio there was minor change compared to the year before which manifested mainly in the increase of own capital and rate of provisions and a decrease of liabilities.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Internal structure of shareholders' equity

Description	2005	2006	Percentage (%)		Change (%)
			2005	2006	
Share capital	24,666	24,534	20.72	18.20	(0.54)
Capital reserve	4,624	4,624	3.88	3.43	0.00
Retained earnings	84,555	89,300	71.02	66.24	5.61
Allocated reserve	674	467	0.57	0.35	(30.71)
Profit of the period	4,538	15,895	3.81	11.79	250.26
Total	119,057	134,820	100.00	100.00	13.24

The increase in shareholders' equity is mainly due to the net profit. The net proceeds of sales increasing in a higher ratio compared to the raise of material expenses played a major role in the increase of results.

4.1.3. Important Ratios

	2005	2006
Equity ratio		
$\frac{\text{Shareholders' Equity}}{\text{Total Liabilities and Shareholders' Equity}} * 100$	$\frac{119,057}{212,946} = 55.91 \%$	$\frac{134,820}{212,302} = 63.50 \%$
Liabilities ratio		
$\frac{\text{Debt}}{\text{Total Liabilities and Shareholders' Equity}} * 100$	$\frac{93,889}{212,946} = 44.09 \%$	$\frac{77,482}{212,302} = 36.50 \%$

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Debt/equity ratio

$$\frac{\text{Debt}}{\text{Shareholders' Equity}} = \frac{93,889}{119,057} = 0.79 \qquad \frac{77,482}{134,820} = 0.57$$

Indebtedness

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

$$\frac{46,443}{165,500} = 28.06 \% \qquad \frac{24,922}{159,742} = 15.60 \%$$

4.1.4. Current assets

	2005	2006
$\frac{\text{Current Assets} + \text{Prepayments}}{\text{Non-current Assets}} * 100$	$\frac{67,473}{145,473} = 46.38 \%$	$\frac{72,992}{139,310} = 52.40 \%$

The significant change in the working capital / fixed asset ratio was due to a significant increase in receivables.

4.2. Changes in the financial position

	2005	2006
Cash liquidity ratio		
$\frac{\text{Cash and Bank}}{\text{Short-Term Liabilities} + \text{Accrued expenses}}$	$\frac{6,456}{33,936} = 0.19$	$\frac{12,923}{31,338} = 0.41$

Liquidity quick ratio

$$\frac{\text{Cash and Bank} + \text{Receivables} + \text{Marketable Securities}}{\text{Short-Term Liabilities} + \text{Accrued expenses}} = \frac{56,512}{33,936} = 1.67 \qquad \frac{63,195}{31,338} = 2.02$$

Liquidity ratio

$$\frac{\text{Current Assets} + \text{Accrued income}}{\text{Short-Term Liabilities} + \text{Accrued expenses}} = \frac{67,422}{33,936} = 1.99 \qquad \frac{72,954}{31,338} = 2.33$$

The quick ratio of the company shows positive changes between these two periods. Within the change of current assets, the total of monetary assets and liabilities shows increase while the total of short-term liabilities decreased in the period in question.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

	2005	2006
Maturity of receivables		
$\frac{\text{Average amount of receivables}}{\text{1 day sales}}$	$\frac{41,613}{684} = 60.84$	$\frac{50,077}{852} = 58.81$

Ratio of accounts receivables to accounts payables

$\frac{\text{Accounts receivables}}{\text{Accounts payable}}$	$\frac{37,540}{6,190} = 6.06$	$\frac{39,522}{6,839} = 5.78$
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4.3. Changes in the profitability

ROAA

	2005	2006
$\frac{\text{Profit Before Taxation + Interest payable}}{\text{Average total assets}} * 100$	$\frac{7,324}{205,592} = 3.56 \%$	$\frac{18,265}{212,624} = 8.59 \%$

ROAE

	2005	2006
$\frac{\text{Profit After Taxation}}{\text{Average shareholders' equity}} * 100$	$\frac{5,558}{116,788} = 4.76 \%$	$\frac{15,895}{126,939} = 12.52 \%$

The significant positive changes of ROAE indexes were mainly due to the HUF 10,337 million increase in profit after tax.

4.4. Yield and performance indices

Profit per number of employees

	2005	2006
$\frac{\text{Profit After Taxation}}{\text{Average number of employees}}$	$\frac{5,558}{1,542} = 3.60$	$\frac{15,895}{1,396} = 11.39$

Profit per total assets and wages

$\frac{\text{Profit After Taxation}}{\text{Total Assets + Wages and salaries}} * 100$	$\frac{5,558}{218,646} = 2.54 \%$	$\frac{15,895}{217,864} = 7.30 \%$
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TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Equity proportionate profit

		2005		2006
$\frac{\text{Profit After Taxation}}{\text{Total Assets}} * 100$		$\frac{5,558}{212,946} = 2.61 \%$		$\frac{15,895}{212,302} = 7.49 \%$
$\frac{\text{Personnel Costs}}{\text{Profit After Taxation}} * 100$		$\frac{9,239}{5,558} = 166.23 \%$		$\frac{8,789}{15,895} = 56.29 \%$

The significant positive trend of yield and performance indices is mainly due to the 185.98 % increase of profit after tax.

Labour cost

		2005		2006
$\frac{\text{Personnel Costs}}{\text{Net Sales Income}} * 100$		$\frac{9,239}{249,634} = 3.70 \%$		$\frac{8,789}{310,814} = 2.83 \%$

The significant change in labour cost was a result of the increase in net sales.

ROACE

		2005		2006
$\frac{\text{After-tax operating profit}}{\text{Average capital employed}} * 100$		$\frac{8,721}{129,454} = 6.74 \%$		$\frac{17,933}{164,284} = 10.92 \%$

The return on average capital employed increased significantly, due to the higher after-tax operating profit.

EBITDA ratio

		2005		2006
$\frac{\text{EBITDA}}{\text{Net Sales Income}} * 100$		$\frac{16,816}{249,634} = 6.74 \%$		$\frac{28,908}{310,814} = 9.30 \%$

The increase in profitability ratios is due to the 105,63% increase of the operating profit.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY
Supplementary Notes for the year ending on 31 December 2006

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

4.5. Changes in the Sales Revenues

Description	2005	2006	Division (%)		Change (%)
			2005	2006	
Net domestic sales	132,560	162,806	53.10	52.38	22.82
Net export sales	117,074	148,008	46.90	47.62	26.42
Net sales income	249,634	310,814	100.00	100.00	24.51

The 24.51% increase in net sales was due to increased domestic and international turnover.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

5. Cash-flow

The table contains the summarized cash-flow information for the years 2005 and 2006:

Description	2005	2006
Profit before taxation	5,558	15,895
Dividends received	(392)	(510)
Unrealised foreign exchange gains/losses	1,266	504
Research expenses	486	564
Cash contribution free of charge	553	0
Profit on disposal of subsidiaries	0	0
Corrected profit before taxation	7,471	16,453
Depreciation	8,095	10,975
Impairment and reversal , scrap	1,156	517
Provisions made and used, net	2,537	1,486
Gain or loss of the sale of non-current	(163)	(87)
Change of liabilities to suppliers (incl. related parties)	9,104	(2,324)
Changes of other short-term liabilities	589	(746)
Change of deferrals	(1,026)	512
Changes of receivables (incl. related parties)	(13,710)	(3,746)
Change of current assets (excluding trade receivables and cash)	(4,893)	3,745
Change of accruals and prepayments	(517)	62
Tax payable	0	0
Dividend payable	(1,020)	0
Cash-flow from operating activities	7,623	26,847
Purchases of non-current assets	(4,870)	(5,213)
Sale of non-current assets	360	135
Cash-flow from sale of investments	0	0
Other changes of non-current assets	920	47
Research expenses	(486)	(564)
Cash and cash equivalents transferred finally	(553)	0
Dividend and profit share received	392	510
Cash used in investing activities	(4,237)	(5,085)
Long-term credits and loans received	0	0
Repayment of long-term credits and loans	(2,459)	(15,163)
Change of short-term credits	(4)	0
Change of liabilities towards founders and other long term liabilities	0	(132)
Cash flow from financing activities	(2,463)	(15,295)
Net change in cash	923	6,467
Cash at the beginning of the year	5,533	6,456
Cash at the end of the year	6,456	12,923

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

6. Intangible assets

The following table contains a summary of intangible asset movements during the years ended 31 December 2005 and 2006:

Gross Value

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2005	191	5,795	5,986
Increase due to purchases	0	603	603
Other increase	0	8	8
Scrapping	0	(51)	(51)
Closing balance as of 31 December 2005	191	6,355	6,546
Increase due to purchases	0	254	254
Other increase	0	10	10
Scrapping	0	(43)	(43)
Closing balance as of 31 December 2006	191	6,576	6,767

Accumulated Amortization

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2005	104	2,000	2,104
Ordinary amortisation	39	352	391
Scrapping	0	(51)	(51)
Other changes	(1)	0	(1)
Closing balance as of 31 December 2005	142	2,301	2,443
Ordinary Amortisation	39	411	450
Scrapping	0	(43)	(43)
Other changes	(1)	0	(1)
Closing balance as of 31 December 2006	180	2,669	2,849

Net Value as of 31 December 2005	49	4,054	4,103
Net Value as of 31 December 2006	11	3,907	3,918

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

7. Tangible Assets

The following table contains a summary of tangible asset movements during the years ended 31 December 2005 and 2006:

Gross Value

Movements	Real estate and related property rights	Technical machines and equipment	Other machines and equipment	Assets under construction	Advances for construction	Total property, plant and equipment
Opening balance as of 1 January 2005	27,948	74,367	14,061	70,684	967	188,027
Increase due to purchases	0	0	0	4,266	0	4,266
Capitalisation	7,730	64,393	2,016	(74,139)	0	0
Other increase	0	0	39	0	0	39
Scrapping	(504)	(646)	(428)	0	0	(1,578)
Sales	(224)	(6)	(40)	0	0	(270)
Other changes	(39)	(33)	(11)	(11)	(967)	(1,061)
Closing balance as of 31 December 2005	34,911	138,075	15,637	800	0	189,423
Increase due to purchases	0	0	0	4,958	0	4,958
Capitalisation	384	2,993	419	(3,796)	0	0
Other increase	0	0	2	0	6	8
Scrapping	(8)	(309)	(184)	(66)	0	(567)
Sales	(1)	(5)	(517)	0	0	(523)
Other changes	(5)	(46)	(29)	(10)	0	(90)
Closing balance as of 31 December 2006	35,281	140,708	15,328	1,886	6	193,209

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Depreciation

Movements	Real estate and related property rights	Technical machines and equipment	Other machines and equipment	Assets under construction	Advances for construction	Total property, plant and equipment
Opening balance as of 1 January 2005	5,844	32,297	8,378	0	0	46,519
Ordinary Depreciation	955	5,481	1,268	0	0	7,704
Scrapping	(364)	(641)	(428)	0	0	(1,433)
Sales	(29)	(6)	(38)	0	0	(73)
Other changes	0	0	(10)	0	0	(10)
Closing balance as of 31 December 2005	6,406	37,131	9,170	0	0	52,707
Ordinary Depreciation	1,110	8,199	1,216	0	0	10,525
Scrapping	(3)	(305)	(177)	0	0	(485)
Sales	0	(5)	(470)	0	0	(475)
Other changes	0	(2)	(27)	0	0	(29)
Closing balance as of 31 December 2005	7,513	45,018	9,712	0	0	62,243
Net Value as of 31 December 2005	28,505	100,944	6,467	800	0	136,716
Net Value as of 31 December 2006	27,768	95,690	5,616	1,886	6	130,966

The Company reviewed the useful life of tangible assets. In case of those assets, whose useful life has changed significantly the planned depreciation was changed, resulting in a HUF 1,529 million positive effect.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

8. Description of Depreciation

Ordinary Depreciation

<i>Title</i>	Straightline		Lump sum		Unit of production		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
Property rights	0	0	0	0	0	0	0	0
Goodwill	39	39	0	0	0	0	39	39
Intellectual property	352	409	0	2	0	0	352	411
Capitalized value of research and development	0	0	0	0	0	0	0	0
Capitalized value of foundation and restructuring	0	0	0	0	0	0	0	0
Intangible Assets	391	448	0	2	0	0	391	450
Real estate and related property rights	955	1,110	0	0	0	0	955	1,110
Technical machines and equipment	5,481	8,199	0	0	0	0	5,481	8,199
Other machines and equipment	1,259	1,201	9	15	0	0	1,268	1,216
Tangible Assets	7,695	10,510	9	15	0	0	7,704	10,525
Total	8,086	10,958	9	17	0	0	8,095	10,975

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Extraordinary Depreciation and rebooking of extraordinary depreciation

<i>Title</i>	Extraordinary depreciation based on market evaluation		Net values of scrapping, damages, losses		Reversal of extraordinary depreciation		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
Property rights	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Intellectual property	0	0	0	0	0	0	0	0
Capitalized value of research and development	0	0	0	0	0	0	0	0
Capitalized value of foundation and restructuring	0	0	0	0	0	0	0	0
Intangible Assets	0	0	0	0	0	0	0	0
Real estate and related property rights	0	0	140	6	0	0	140	6
Technical machines and equipment	0	0	5	4	0	0	5	4
Other machines and equipment	0	0	1	7	0	0	1	7
Assets under construction	0	0	0	65	0	0	0	65
Tangible Assets	0	0	146	82	0	0	146	82
Total	0	0	146	82	0	0	146	82

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

9. Research and development

Research and development areas	2005			2006		
	Current year expenses	Of which		Current year expenses	Of which	
		capitalised	expensed		capitalised	expensed
Product development	319	0	319	229	0	229
Environment	21	0	21	24	0	24
Other (studies)	146	0	146	311	0	311
Total	486	0	486	564	0	564

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

10. Property, plant and equipment used for environmental protection

Gross Value

Movements	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2005	19	89	19	14	141
Increase	2	77	0	36	115
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2005	21	166	19	50	256
Increase	9	25	9	89	132
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2006	30	191	28	139	388

Accumulated Amortization

Movements	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2005	0	8	1	0	9
Increase	0	12	3	0	15
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2005	0	20	4	0	24
Increase	0	15	3	0	18
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2006	0	35	7	0	42

	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total
Net Value as of 31 December 2005	21	146	15	50	232
Net Value as of 31 December 2006	30	156	21	139	346

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

11. Non-current investments in related parties

As of 31 December 2005 and 2006, the Company's non-current investments are summarized as follows:

Description	Location	Share (%)	Net book value		Proportionate amount of equity	
			31.12.2006	31.12.2005	31.12.2006	31.12.2005
Subsidiaries:						
TVK-Ingatlankezelő Kft.	Tiszaújváros	100.0	2,970	2,970	2,932	2,741
TVK InterChemol GmbH	Frankfurt am Main	100.0	151	151	294	370
TVK UK Ltd.	London	100.0	74	74	120	138
TVK Italia S.r.l.	Milan	100.0	27	27	57	214
TVK-France S.a.r.l.	Paris	100.0	20	20	73	41
TVK Polisec Kft.*	Tiszaújváros	-	14	0	13	0
TVK Polska Sp. z o.o.	Warsawa	100.0	6	6	86	149
TVK Ukraina tov	Kiev	100.0	0	1	0	1
TVK Austria GmbH.**	Wiener Neustadt	-	5	0	44	0
Associates:						
VIBA-TVK Kft.	Tiszaújváros	40.0	82	82	71	86
Tiszai Hulladékégető Kft.	Tiszaújváros	49.9	8	8	7	7
Tűzoltó és Műszaki Mentő Kft.	Tiszaújváros	30.0	1	1	114	114
TVK Erőmű Kft.	Tiszaújváros	26.0	857	857	917	926
Total			4,215	4,197	4,728	4,787

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

* TVK Polisec Kft.'s liquidation finished on 18 April 2006.

** TVK Austria GmbH's liquidation finished on 26 July 2006.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Shareholders' equity of the Company's investments as of 31 December 2005:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK-Ingatlankezelő Kft.	HUF million	2,932	2,970	0	(38)
TVK InterChemol GmbH.	EUR thousand	1,165	615	0	550
TVK UK Ltd.	GBP thousand	325	200	44	81
TVK Italia S.r.l.	EUR thousand	226	100	146	(20)
TVK-France S.a.r.l.	EUR thousand	288	76	8	204
TVK Polisec Kft.	HUF million	13	14	26	(27)
TVK Polska Sp. z o.o.	PLN thousand	1,311	109	236	966
TVK Austria GmbH.	EUR thousand	343	36	315	(8)
Associates:					
VIBA-TVK Kft.	HUF million	178	205	(20)	(7)
Tiszai Hulladékégető Kft.	HUF million	14	25	(12)	1
Tűzoltó és Műszaki Mentő Kft.	HUF million	379	3	375	1
TVK Erőmű Kft.	HUF million	3,525	3,298	10	217

Shareholders' equity of the Company's investments as of 31 December 2006:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK-Ingatlankezelő Kft.	HUF million	2,741	2,970	(38)	(191)
TVK InterChemol GmbH.	EUR thousand	1,468	615	0	853
TVK UK Ltd.	GBP thousand	367	200	125	42
TVK Italia S.r.l.	EUR thousand	851	100	127	624
TVK-France S.a.r.l.	EUR thousand	161	76	8	77
TVK Ukraina tov	EUR thousand	2	6	(1)	(3)
TVK Polska Sp. z o.o.	PLN thousand	2,263	109	236	1,918
TVK Austria GmbH.	EUR thousand				
Associates:					
VIBA-TVK Kft.	HUF million	214	205	(27)	36
Tiszai Hulladékégető Kft.	HUF million	14	25	(11)	0
Tűzoltó és Műszaki Mentő Kft.	HUF million	380	3	376	1
TVK Erőmű Kft.	HUF million	3,564	3,298	227	39

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Changes of the non-current investments in associate companies in 2005:

Name	Gross value of investments			Write-off			Year-end Revaluation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK-Ingatlankezelő Kft.	2,970	0	0	0	0	0	0	2,970
TVK InterChemol GmbH.	151	0	0	0	0	0	0	151
TVK UK Ltd.	74	0	0	0	0	0	0	74
TVK Italia S.r.l.	27	0	0	0	0	0	0	27
TVK-France S.a.r.l.	20	0	0	0	0	0	0	20
TVK Polisec Kft.	14	0	0	0	0	0	0	14
TVK Polska Sp. z .o.o.	6	0	0	0	0	0	0	6
Chemopetrol Kft.	6	0	6	0	0	0	0	0
TVK Austria GmbH.	5	0	0	0	0	0	0	5
Associates:								
VIBA-TVK Kft.	82	0	0	0	0	0	0	82
Tiszai Hulladékégető Kft.	12	0	0	4	0	0	0	8
Tűzoltó és Műszaki Mentő Kft.	1	0	0	0	0	0	0	1
TVK Erőmű	0	857	0	0	0	0	0	857
Total	3,368	857	6	4	0	0	0	4,215

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Changes of the non-current investments in associate companies in 2006:

Name	Gross value of investments			Write-off			Year-end Revaluation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK-Ingatlankezelő Kft.	2,970	0	0	0	0	0	0	2,970
TVK InterChemol GmbH.	151	0	0	0	0	0	0	151
TVK UK Ltd.	74	0	0	0	0	0	0	74
TVK Italia S.r.l.	27	0	0	0	0	0	0	27
TVK-France S.a.r.l.	20	0	0	0	0	0	0	20
TVK Polisec Kft.	14	0	14	0	0	0	0	0
TVK Polska Sp. z .o.o.	6	0	0	0	0	0	0	6
TVK Ukraina tov.	0	1	0	0	0	0	0	1
TVK Austria GmbH.	5	0	5	0	0	0	0	0
Associates:								
VIBA-TVK Kft.	82	0	0	0	0	0	0	82
Tiszai Hulladékégető Kft.	12	0	0	4	0	0	0	8
Tűzoltó és Műszaki Mentő Kft.	1	0	0	0	0	0	0	1
TVK Erőmű Kft.	857	0	0	0	0	0	0	857
Total	4,219	1	19	4	0	0	0	4,197

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

12. Non-current loans

Other non-current loans as of 31 December 2005 and 2006:

Title	2005	2006
Loan to Plastico S.A.*	575	575
Write-off of loan to Plastico S.A.*	(369)	(575)
House-building loan	75	52
Total	281	52

* In 2002, TVK Plc. sold its investment in Plastico S.A. Due to the company's solvency problems, the recoverable amount decreased to HUF 369 million as at 31 December 2005, and as a result an impairment loss of HUF 205 million was recognized. In 2006, based on a legal opinion, the Company reassessed the recoverability of its outstanding loan receivable from Plastico S.A. and decided to fully write it off. (See Note 19)

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

13. Non-current debt securities

The Company's securities as of 31 December 2005 and 2006 are summarized as follows:

Title	Maturity	2005	2006
2013/C government bond *	20.12.2013.	158	177
Total		158	177

* Non-current securities include type 2013/C government bonds with variable interest rates maturing in December 2013. The net value of government bonds increased by HUF 19 million as the Company discounted the bonds on 31 December 2006.

14. Impairment of non-current financial assets

Impairment loss of non-current financial assets recognised in 2005 and 2006 by balance sheet item:

Description	Non-current investments	Other non-current loans	non-current securities	Total
Opening balance as of 1 January 2005	4	353	120	477
Increase of impairment	0	65	0	65
Decrease of impairment	0	(49)	0	(49)
Reversal of impairment	0	0	(47)	(47)
Closing balance as of 31 December 2005	4	369	73	446
Increase of impairment	0	206	0	206
Decrease of impairment	0	0	0	0
Reversal of impairment	0	0	(19)	(19)
Closing balance as of 31 December 2006	4	575	54	633

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

15. Inventories

Inventories as of 31 December 2005 and 2006 were as follows:

Description	2005	2006
Self-produced inventories	7,048	6,024
Purchased goods*	3,298	3,247
Advances for inventories	30	3
Total	10,376	9,274

As of 31 December 2005, the Company had slow-moving inventories aged over one year (mainly spare parts) amounting to HUF 2,307 million, and totalling HUF 2,114 million in 2006.

In 2006 scrapping involved HUF 20 million, and the amount of recognised devaluation loss was HUF 272 million, in 2005 the amount of recognised devaluation loss was HUF 660 million.

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

Change of carbon dioxide emission units

Description	Quantity (pc)	Value (million HUF)
2005 yearly CO2 quotas	17,854	139
2006 yearly CO2 quotas	17,854	92
Total of quotas granted free of charge	35,708	231
2005 yearly surrender for GHG emission	(78)	(1)
Depreciation expenses	0	(194)
Closing balance as of 31 December 2006	35,630	36

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

16. Impairment of Inventories

Impairment loss of inventories recognised in 2005 and 2006 by balance sheet item:

Description	Materials	Work in process	Finished products	Commodities	Advances for inventories	Total inventories
Opening balance as of 1 January 2005	619	0	0	0	0	619
Increase of impairment	660	0	0	0	0	660
Decrease of impairment	0	0	0	0	0	0
Reversal of impairment	0	0	0	0	0	0
Closing balance as of 31 December 2005	1,279	0	0	0	0	1,279
Increase of impairment	74	0	4	194	0	272
Decrease of impairment	0	0	0	0	0	0
Reversal of impairment	0	0	0	0	0	0
Closing balance as of 31 December 2006	1,353	0	4	194	0	1,551

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

17. Trade receivables

Receivables as of 31 December 2005 and 2006 were as follows:

Description	2005	2006
Domestic receivables	15,053	18,159
Foreign receivables	22,995	21,372
Impairment	(508)	(9)
Total	37,540	39,522

18. Receivables from related parties

As of 31 December 2005 and 2006 accounts receivables from related parties are the following:

Description	2005	2006
MOL Group	5,015	6,132
Accounts receivable from Subsidiaries	165	75
Accounts receivable from Associate companies	344	467
Impairment	(4)	0
Total	5,520	6,674

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

19. Other Receivables

The Company's other receivables as of 31 December 2005 and 2006 are summarized as follows:

Description	2005	2006
Reclaimable VAT	6,544	3,959
Receivables from Plastico S.A due in 360 days *	323	323
Write-off of receivables from Plastico S.A due in 360 days*	(315)	(323)
Receivables due to house-building loans	42	39
Prepayments for services	1	29
Excise tax	0	14
Corporate income tax	178	6
Employer contribution	17	0
Health contribution	4	0
Other	28	29
Total	6,822	4,076

*The long-term part of the loan receivable from Plastico S.A. reduced by the proportionate impairment loss has been disclosed among other fixed assets (See Note 12.)

Plastico S.A a HUF 323 million receivables, less a HUF 315 million impairment on this loan has been recorded as other current assets as at 31 December 2005.

In 2006, based on a legal opinion, the Company reassessed the recoverability of its outstanding loan receivable from Plastico S.A. and decided to fully write it off.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

20. Impairment of Receivables

In 2005 and 2006, the following impairments of receivables were accounted:

Original historical cost

Description	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Closing balance as 2005	38,048	5,524	0	0	7,137	50,709
Closing balance as 2006	39,531	6,674	0	0	4,399	50,604

Impairment

Movements	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Opening balance as 2005	293	22	0	0	116	431
Increase	215	0	0	0	199	414
Decrease	0	(18)	0	0	0	(18)
Closing balance as 2005	508	4	0	0	315	827
Increase	0	0	0	0	8	8
Decrease	(499)	(4)	0	0	0	(503)
Closing balance as 2006	9	0	0	0	323	332

Net book value

Description	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Closing balance as 2005	37,540	5,520	0	0	6,822	49,882
Closing balance as 2006	39,522	6,674	0	0	4,076	50,272

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

21. Marketable Securities

Marketable Securities as of 31 December 2005 and 2006 are summarized as follows:

Description	2005	2006
Redeemed employee shares	174	0
Total	174	0

As of 31 December 2005, the parent company owned 173,650 redeemed employee shares at par value, amounting to 0.71% of the Company's total shares. The book value and par value of the shares is HUF 1,000. On June 16, 2006, 132,440 employees' shares were retired by the Company, and 56,560 employees' shares were converted into dematerialized ordinary shares.

22. Cash and Bank

The Company's cash at bank balances as of 31 December 2005 and 2006 are summarized as follows:

Description	2005	2006
Cash in hand, cheques	3	4
Short-term deposits	0	0
Bank accounts	6,453	12,919
Total	6,456	12,923

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

23. Prepayments, accruals and deferrals

Prepayments as of 31 December 2005 and 2006 are summarized as follows:

Description	2005	2006
Interest receivables	10	80
Dividend receivables*	340	203
Other deferred income **	184	202
Deferred income	534	485
Subscription fees	5	8
Other deferred expenses	46	30
Prepayment of costs and expenses	51	38
Total	585	523

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

** Includes the HUF 157 million redemption due according to the Company's insurance agreement.

Accrued expenses and deferred income as of 31 December 2005 and 31 December 2006 are as follows:

Description	2005	2006
Deferred revenues	6	0
Deferred revenues	6	0
Other accrues costs and expenses *	637	665
Accrued energy costs	2	476
Expected carriage	248	229
Interest payable to financial institutions	17	16
Accrues costs and expenses	904	1,386
Book value of assets received free of charge, found as a surplus, or received as a gift or legacy	23	59
Deferred income	23	59
Total	933	1,445

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

24. Shareholders' Equity

Shareholders' equity consisted of the following during 2005 and 2006:

Description	Share capital	Capital reserve	Retained earnings	Allocated reserve	Net income	Total
31 December 2004.	24,666	4,624	73,923	672	10,634	114,519
Appropriation of 2004 net income	0	0	10,634	0	(10,634)	0
Allocation of retained earnings to the redemption of employee shares	0	0	(2)	2	0	0
Profit for 2005	0	0	0	0	4,538	4,538
31 December 2005	24,666	4,624	84,555	674	4,538	119,057
Appropriation of 2005 net income	0	0	4,538	0	(4,538)	0
Share capital decrease due to withdrawal off treasury shares	(132)	0	174	(174)	0	(132)
Change of allocation of development reserve	0	0	33	(33)	0	0
Profit for 2006	0	0	0	0	15,895	15,895
31 December 2006	24,534	4,624	89,300	467	15,895	134,820

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

25. Allocated reserve

Allocated reserves as at 31 December 2005 and 2006:

Description	2005	2006
Development reserve	500	467
Redeemed treasury shares	174	0
Total	674	467

26. Provisions

The Company's provisions as of 31 December 2005 and 2006 are summarized as follows:

Description	Environmental **	Severance	Other ***	Total
Opening balance as of 1 January 2005	4,015	0	152	4,167
Provisions made in 2005 and reassessment of previous year's estimate	504	60	2,555	3,119
Provisions used during the year	(536)	0	(46)	(582)
Closing balance as of 31 December 2005	3,983	60	2,661	6,704
Provisions made in 2006 and reassessment of previous year's estimate *	195	15	4,376	4,586
Provisions used during the year *	(503)	(60)	(2,537)	(3,100)
Closing balance as of 31 December 2006	3,675	15	4,500	8,190

* Provisions made in the current year are disclosed within other expenses (See Note 33), while provisions used in the current year are disclosed within other incomes (See Notes 33).

** The information on environmental provision is disclosed in Note 43.5

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

Environmental provision

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

Provision for severance

The provision for severance pays equals the amount of severance pays due but not yet paid as at 31 December 2006.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Provision for long term employee retirement benefits

As of 31 December 2006 the Company has recognised a provision of HUF 221 million to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire from group entities. TVK operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. TVK employees are entitled for maximum of 2 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds. The value of provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the TVK. Principal actuarial assumptions states an approximately 2% difference between the discount rate and the future salary increase.

Provision for Old Team benefits

On 31 December 2006, based on actuarial calculations, the Company made a HUF 201 million provision for the future Old Team benefits of current employees. Every five years, TVK pays a fix set amount to all employees who had worked at least 10 years for the Company.

27. Long-term liabilities towards related parties

Non-current liabilities towards related parties on 31 December 2005:

Description	Balance	Interest Rate	Repayment Period
MOL Hungarian Oil and Gas Public Limited Company	53,073	EURIBOR+0.90%	12.29.2009
Total	53,073		

Non-current liabilities towards related parties on 31 December 2006:

Description	Balance	Interest Rate	Repayment Period
MOL Hungarian Oil and Gas Public Limited Company	37,845	EURIBOR+0.90%	12.29.2009
Total	37,845		

On 22 December 2004, the Company drew EUR 220 million from a loan facility of EUR 280 million granted by MOL Plc. According to the underlying contract, the loan is repayable in one sum upon expiry. Loan is free from additional costs. On 29 July 2005 the Company prepaid EUR 10 million from the EUR 220 million parent company loans. The Company prepaid EUR 60 million in 2006, and EUR 70 million was irrevocably withdrawn from the parent company's loan.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

28. Trade payables

Accounts payable consisted of the following as of 31 December 2005 and 2006:

Description	2005	2006
Domestic creditors	2,896	3,677
Foreign creditors	3,294	3,162
Total	6,190	6,839

29. Short-term liabilities to related parties

Short-term liabilities to related parties consisted of the following as of 31 December 2005 and 2006:

Description	2005	2006
Liabilities to MOL Group	24,465	21,515
Liabilities to Subsidiaries	251	103
Liabilities to associated companies	566	580
Total	25,282	22,198

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

30. Other current liabilities

Other current liabilities as of 31 December 2005 and 2006 are summarized as follows:

Description	2005	2006
Payables to employees, and related contributions	309	405
Liabilities from conversion of employees' shares	0	222
Financial lease	94	97
Taxes and similar charges	41	67
Personal income tax	21	60
Local taxes	40	11
Dividends payable*	1,020	5
Payables to customs authorities	5	0
Other	18	11
Total	1,548	878

*Dividend payable in 2006 is related to 2005's dividend which hasn't been paid yet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

31. Net sales

Sales in 2005 and 2006 are summarized as follows:

Market segment description	2005		2006	
	Net sales	Rate %	Net sales	Rate%
Europe	109,951	44.04	141,642	45.57
America	4,080	1.64	5,083	1.64
Asia	2,959	1.19	1,278	0.41
Africa	84	0.03	5	0.00
Total export sales	117,074	46.90	148,008	47.62
Total domestic sales	132,560	53.10	162,806	52.38
Total	249,634	100.00	310,814	100.00

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Export sales by geographical area in Europe in 2005 and 2006 are summarized as follows:

Market segment description	2005		2006	
	Net sales	Rate %	Net sales	Rate%
European Union	92,006	83.68	122,390	86.41
Germany	22,039	20.05	28,408	20.06
Italy	17,600	16.01	25,332	17.88
Poland	15,541	14.13	20,455	14.44
Bohemia	2,981	2.71	7,926	5.60
United Kingdom	6,002	5.46	7,129	5.03
Slovakia	5,180	4.71	6,961	4.91
France	5,951	5.41	6,238	4.40
Austria	3,825	3.48	6,061	4.28
Greece	3,473	3.16	3,366	2.38
Lithuania	2,883	2.62	2,449	1.73
Spain	927	0.84	2,319	1.64
Slovenia	1,441	1.31	2,231	1.58
Netherlands	2,957	2.69	1,732	1.22
Latvia	258	0.24	681	0.48
Finland	297	0.27	444	0.31
Belgium	226	0.21	211	0.15
Denmark	102	0.09	190	0.13
Sweden	190	0.17	171	0.12
Cyprus	110	0.10	53	0.04
Portugal	23	0.02	33	0.02
Without European Union	17,945	16.32	19,252	13.59
Turkey	6,282	5.71	3,025	2.14
Rumania	3,508	3.19	2,937	2.07
Ukraine	532	0.49	1,451	1.02
Switzerland	1,043	0.95	1,162	0.82
Other	6,580	5.98	10,677	7.54
Total	109,951	100.00	141,642	100.00

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

Sales in 2005 according to operational segments are as follows:

<u>Operational segments</u>	<u>Domestic sales</u>	<u>Export sales</u>	<u>Total sales</u>
Olefin	67,171	3,610	70,781
LDPE	12,409	15,527	27,936
HDPE	11,246	65,134	76,380
PP	34,991	32,732	67,723
Other	6,743	71	6,814
Total	132,560	117,074	249,634

Sales in 2006 according to operational segments are as follows:

<u>Operational segments</u>	<u>Domestic sales</u>	<u>Export sales</u>	<u>Total sales</u>
Olefin	85,362	4,725	90,087
LDPE	13,930	18,548	32,478
HDPE	13,220	86,765	99,985
PP	42,082	37,657	79,739
Other	8,212	313	8,525
Total	162,806	148,008	310,814

32. Change in self-produced assets

<u>Title</u>	<u>2005</u>	<u>2006</u>
Change in self-produced assets	552	450

The 2005 figure included items recognized in connection with the profit of the test operation of the Petrochemical Development Project. The items capitalized this year include mostly those capitalized due to the improvements carried out during the planned general overhaul.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

33. Other income and other expenses

Other income for 2005 and 2006 is summarized as follows:

Other operative income	2005	2006
Provisions used**	582	3,100
Reversed write-off of trade receivables, loans and inventories	0	503
Revenues from the disposal of tangible and intangible assets	360	135
Received default interests, penalties, compensations	248	40
Received amount from bad debts and written-off receivables	62	34
Other profit increasing items	277	77
Total	1,529	3,889

Other expenses for 2005 and 2006 are summarized as follows:

Other operative expenses	2005	2006
Provisions*, **	3,119	4,586
Retrospective discount	3,117	4,050
Local taxes	756	818
Impairment	996	486
Bad debt write-off	47	483
Expenses related to damages and losses	84	140
Assistance, benefits	111	120
Scrapping tangible assets, inventories	177	102
Book value of disposed tangible assets, intangible assets	197	48
Paid compensation, fines, default interest	12	4
Other profit decreasing items	55	102
Total	8,671	10,939

*Further environmental provisions are expected subject to the results of future environmental surveys. (See Note 43.5)

** The provision is disclosed in Note 26.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

34. Expenses according to "Cost of sales" method

The Profit and Loss Account prepared according to the „Cost of sales" method for the years ended 31 December 2005 and 2006 (the table below presents only those items that cannot be found in the Profit and Loss Account prepared with the "Total cost" method):

Description	2005	2006
Direct cost of sold products	216,721	253,984
Purchase Cost of goods sold	3,291	17,289
Cost of services sold	2,047	2,640
Total direct costs of sales	222,059	273,913
Sales, distribution expenses	2,130	2,466
Administration expenses	8,526	9,064
Other general overhead expenses	1,056	388
Total indirect costs of sales	11,712	11,918
Total costs	233,771	285,831

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

35. Material type services

Material type services in 2005 and 2006 are as follows:

Description	2005	2006
Maintenance costs	3,963	4,200
Sundry sales costs	2,824	3,137
Rental fee cost	815	724
Transportation, loading, storage	632	596
Public sanitation	405	537
Environmental expenses	537	487
PR, advertisement expenses, telecommunication	468	479
Fee of outsourcing service	0	428
Fire protection service	205	227
Services provided by Petrolszolg Kft	124	209
Technical development cost	158	209
Software development	183	173
Security service	182	172
Advisory, consultant and audit expenses	278	158
Waste material utilization, cost of elimination	166	145
Travel and accommodation expenses	71	103
Hiring cost of labour	117	91
Training cost	53	81
Health care service	70	58
Payroll	48	42
Fees paid to non natural entities	36	34
Translation	61	19
Leasing	17	15
External data processing	24	3
Cost of supervision performed	682	0
Other	336	309
Total	12,455	12,636

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

36. Other services

Other services in 2005 and 2006 are as follows:

Description	2005	2006
Insurance fees	1,144	1,188
Authority charges	171	180
Bank charges	141	146
Total	1,456	1,514

37. Remuneration of the Board of Directors and Supervisory Board

The remuneration of the members of the Board of Directors and Supervisory Board of the Company for 2005 and 2006 is summarized below:

Description	2005	2006
Board of Directors	2	5
Supervisory Board	5	5
Total	7	10

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

38. Employees

In 2005 and 2006 the average number of employees per profit centers or service units was the following:

Description	2005			2006		
	Blue collar (persons)	White collar (persons)	Total (persons)	Blue Collar (persons)	White collar (persons)	Total (persons)
Petrochemical	592	124	716	531	111	642
Energy supply unit	102	72	174	95	71	166
General management	4	52	56	4	52	56
Maintenance units	0	34	34	0	34	34
Other units	175	387	562	147	351	498
Total	873	669	1,542	777	619	1,396

Personnel related costs for 2005 and 2006 are detailed below:

	2005			2006		
	Blue collar	White collar	Total	Blue collar	White collar	Total
Petrochemical	1,537	702	2,239	1,454	633	2,087
Energy supplying unit	283	318	601	272	327	599
General management	8	279	287	8	352	360
Maintenance units	0	154	154	0	167	167
Other units	487	1,932	2,419	420	1,929	2,349
Total	2,315	3,385	5,700	2,154	3,408	5,562

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

39. Other financial income and other financial expenses

Other financial income for 2005 and 2006 are summarized as follows:

Other financial income	2005	2006
FX gain on monetary assets and liabilities denominated in foreign exchange	1,964	3,664
Other	24	15
Total	1,988	3,679

Other financial expenses for 2005 and 2006 are summarized as follows:

Other financial expenses	2005	2006
FX loss on monetary assets and liabilities denominated in foreign exchange	2,711	4,081
Other	490	507
Total	3,201	4,588

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

40. Extraordinary revenues and expenditures

Extraordinary revenues for 2005 and 2006 are summarized as follows:

Extraordinary revenues	2005	2006
Sales value and market value of assets received free of charge	0	195
Sales value and market value of own shares repurchased	0	189
In kind contribution value of TVK Polisek Kft.	0	12
In kind contribution value of TVK Austria GmbH	0	5
In kind contribution value of Chemopetrol Kft.	2	0
Total	2	401

Extraordinary expenditures for 2005 and 2006 are summarized as follows:

Extraordinary expenses	2005	2006
Value of repurchased own shares retirement by record	0	189
Book value of receivables remitted	272	32
Book Value of TVK Polisek Kft.	0	12
Book Value of TVK Austria GmbH	0	5
Cash given finally not for developments*	554	0
Contractual value of debt assumption	17	0
Book Value of Chemopetrol Kft.	2	0
Total	845	238

*Includes the total amount of cash finally given to TVK Erőmű Kft. in 2005.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

41. Hazardous waste (non audited)

The following table shows the movement of hazardous waste at the Company in 2005 and 2006 (data in tons):

EWC code	Dangerous waste	2005	2006
130205	Waste oil	5,9	5,1
170601	Asbestos containing scrap	0,1	1,0
150202	Oil stained cloth	0,8	0,9
200121	Used fluorescent lamp	0,0	0,9
150110	Chromium III stained drum	2,0	0,7
130307	Transformer oil	0,0	0,6
160107	Oil filters	0,1	0,5
070704	Non- halogenous solvent mixture	4,1	0,3
080317	Toners containing hazardous materials	0,1	0,3
150110	Oil drum	0,0	0,2
070710	Other filter-cakes	2,1	0,1
070703	Halogenous solvent mixture	0,1	0,1
201035	Scrapped electric and electronic equipments	8,0	0,0
160601	Lead battery	1,8	0,0
060405	Heavy metal scrap	1,5	0,0
160213	Unused equipments containing hazardous materials	1,2	0,0
160602	Ni-Cd battery	0,2	0,0
050108	Other tars	0,1	0,0
160506	Laboratory chemical mix	0,1	0,0
191307	Polluted CH waste	0,0	0,0
160802	Ni-katalyst	0,0	0,0
160807	CH stained catalyst	0,0	0,0
160802	Chrome VI. Containing catalyst	0,0	0,0
070704	Isodecan	0,0	0,0
160213	Static condenser	0,0	0,0
150110	Toluene stained can	0,0	0,0
070709	Adsorbent contaminated with halogenous solvent	0,0	0,0
	Total	28,2	10,7

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

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

The following table shows the movement of hazardous waste at the Company in 2005 and in 2006 (data in tons):

	Opening value	Increases	Decreases	Closing value
2005	331	2,725	3,028	28
2006	28	2,426	2,444	10

In connection with the management of hazardous waste HUF 124 million and HUF 58 million expenses incurred for 2005 and 2006, respectively.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

42. Related party transactions

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

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

42.1. Related party transactions

	2005	2006
	HUF million	HUF million
Sales		
- of which: to MOL Group companies	43,025	51,496
of which : MOLTRADE- Mineralimpex Zrt	38,717	45,363
to related parties	4,513	6,092
Purchase		
- of which: from MOL Group companies	180,412	210,747
of which : MOLTRADE- Mineralimpex Zrt	169,158	195,101
from related parties	9,907	12,566

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

42.2. Share-based payment plans

General Incentive Schemes for management to 2006

The incentive aim involves company and organizational level financial and operational targets, evaluation of the contribution to the strategic goals of the company and determined individual tasks in the System of Performance Management (TMR), and competencies. From the settled incentive scheme based on evaluation of indicators and qualification of individual tasks and competencies, 60% will be paid after the evaluation and 40% will be paid in shares after a two years waiting period. The ratio of the incentive may change according to the individual agreements. Evaluation of the contribution relating to the performance provided during 2005 will be held in 2006, and based on this that part which is due within one year will be paid in May 2006, while deferred part will be settled in 2008.

Share-option incentive from 2006

The incentive system based on stock options and launched in 2006 ensures the interest of the management of the MOL Group in the long-term increase of MOL stock price.

The incentive stock option is a material incentive disbursed in cash, calculated based on call options concerning MOL shares, with annual recurrence, which

- operates covering periods of 5 years (3 year vesting plus 2 year exercising period) starting annually,
- its rate is defined by the quantity of units specified by MOL job category
- the value of the units is set annually (in 2006 and 2007, 1 unit equals to 100 MOL shares).

It is not possible to redeem the share option until the end of the third year of the period (waiting period); the redemption period lasts from 1 January of the 4th year until 31 December of the 5th year.

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

43. Off-balance sheet items

43.1. Letter of support to related parties

TVK Plc. has issued a comfort letter to Raiffeisen Bank Zrt. in relation to the HUF 60,000,000 overdraft of TVK-Ingatlankezelő Kft. TVK Plc. has a 100% ownership in TVK-Ingatlankezelő Kft. TVK Plc. has assumed an early warning obligation in the event its shareholding in TVK-Ingatlankezelő Kft. should drop below 50%. The comfort letter is valid while the overdraft is available, i.e. until 31 January 2007.

43.2. Legal disputes over investments in securities

In 1998, a former executive of the Company misused her authority and instructed stockbrokers Quantum Bróker Rt to invest HUF 1,000 million in an equity portfolio and financial instruments instead of treasury bills as approved by TVK Rt's management. The Company disputed the proper authorisation of the transaction and believed that the broker firm did not perform its duty with proper professional care and stewardship, and the Company reported the case to the police in October 1998. The police took custody of the portfolio of shares and delivered them to TVK Plc.

In the lawsuit against Quantum Bróker Rt, the Supreme Court rejected TVK's appeal, therefore the Company wrote off its receivable amounting to HUF 569 million from Quantum Bróker Rt in 2001.

In 2002, TVK Rt had pecuniary demands of app. HUF 450 million at the Metropolitan Court against Insider Kft as Insider Kft is alleged to have contributed to causing losses to TVK Plc. The case was stalled throughout 2006. On 1 February 2007, TVK received the court's verdict rejecting the case. No appeal has been filed.

43.3. Contractual commitments related to capitalization projects

The total value of capital commitments as of 31 December 2006 is HUF 1,133 million, which is fully attributable to TVK Plc.

43.4. Other contractual liabilities

The Company and TVK-Erőmű Kft. concluded a contract valid until December 31, 2018 for booking the heat and electrical energy capacities of the power plant in long term, and to supply and purchase heat and electrical energy.

According to the contract, the heat and electrical energy capacity of TVK-Erőmű Kft. is at the Company's disposal, and the power plant supplies heat and electricity to the Company according to its claims.

The contract price includes disposability fee (which cannot be bounded to the real disposability of the power plant) and energy fees.

The Company and Tisza-WTP Kft. have concluded a contract with expiry on December 31, 2018 with regard to the supply and receipt of raw water and feed water supply.

Tisza-Wtp Kft supplies the water quantity and the flowrate/hour as agreed, in the quality specified in the agreement to the Company and the Company will receive this water quantity.

Tisza-WTP Kft. is obliged to receive the condensate water resulting from the processes of the Company. The unit price of the condensate water will be modified annually, according to the industrial production price index published by the Central Office for Statistics for the period of time preceding the period of time concerned.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

43.5. Environmental protection

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

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

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

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

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

The submitted Technical Interference Plan has been prepared in accordance with relevant legislation in force and contains, in a scheduled manner, all the strategic measures and actions to be taken in the short and middle-term to achieve standard management of environmental responsibilities and to ensure compliance with environmental regulations with respect to the entire area of the TVK-TIFO industrial site.

The Company manages liabilities and commitments related to past operations as part of an integrated project in co-operation with MOL Plc. The joint liability was agreed to by both TVK Plc and MOL Plc in their Co-operation Agreement signed in July 2006.

In 2006 the Company was focusing on the localization of underground pollution within the TVK Plc's site, to avoid further pollution on the southern part of the plant and is making significant efforts to gauge the extent of the pollution as well as to identify and map the possible movement of pollutants.

In 2006 HUF 112 million was spent on this action. Resulted from the complexity and the measure of the polluted areas, beside this project there was also initiated the common risk based concept strategy approach of recognizing environmental liability at TVK-TIFO plant participating by contracted external consultants.

In its decision dated in December 2006 in relation to the complex Technical Intervention Plan, the Authority issued a decontamination order to both TVK and MOL with respect to the entire area of the TVK-TIFO industrial site. The decision approved the companies' short and middle-term action plan that aims manage decontamination commitments on a risk and exposure basis while focusing on the continuous optimisation of environmental expenses and on decontamination solutions. As a major milestone, the plan aims to draw a complete

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

pollution risk map by the beginning of 2009. The map will then be used to re-define middle-term environmental goals and to prioritise implementation.

The Company's environmental commitments and the related action plan were reviewed by an independent environmental auditor in 2006. The review found that the Company has deep awareness and detailed knowledge of its environmental commitments and liabilities.

The Company continuously analyses the progress of the clean-up process and has made significant financial and intellectual efforts in order to comply with relevant legal requirements by eliminating environmental problems inherited from the past. These potentially substantial future financial expenses will be reliably quantifiable only once the results of further surveys are known as currently available information is not adequate to identify either the extent of the pollution or the suitable restoration technology.

The Company recognized— consideration of above-mentioned - an environmental provision based on the currently available quantifiable future expenses HUF 3,675 million as of 31 December 2006 (2005: HUF 3,983 million).

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

43.6. Excise tax

The regional excise centre of the customs authority conducted a full scope excise audit at the Company with respect to the year 2001 to 2005. The result of the excise audit was unpaid excise tax of HUF 27.6 million (on account law financially settled) plus HUF 43.4 million tax penalty and late payment interest. TVK has appealed against the initial decision and the appeal is currently under consideration. For the findings of the tax audit the Company did not generate provisions on the basis of the contents of the appeal.

43.7. Change of Ownership Structure

On February 27 and 28, MOL Plc. purchased TVK Plc shares that represent 42.25% of TVK's share capital. Subsequent to the transaction, MOL Plc's direct and indirect influence over the Company increased to 94.86%.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

44. Corporate tax

The differences between the profit before tax and the tax base for 2005 and 2006 are presented below:

Description	2005	2006
Profit before taxation	5,558	16,104
Inventory and fixed asset write-offs	(8,991)	(10,011)
Provisions	2,537	1,486
Contribution of foundations	110	119
Gives cash finally	554	0
Debt assumption	17	0
Non-business related expenditure	64	414
Development reserve	(500)	0
Research and development costs according to the Act on accounting	(132)	(112)
Dividend received	(392)	(510)
Local corporate tax accounted as expense (50% in 2005, 100% in 2006)	(320)	(709)
Other	298	40
Tax base	(1,197)	6,821
Corporate tax (16%)	0	1,091
Tax relief	0	1,091
Taxation	0	0
Profit after taxation	5,558	16,104

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2006

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

The applicable corporate income tax rate in Hungary was 16% in 2006.

As the combined effect of the pre-tax profit and the corporate tax base adjusting items resulted in a positive tax base (i.e. net profit), the Company opted for the 100% tax allowance available on ground of commissioned strategic project (Olefin 2 plant).

Since 1 September 2006, the Company has had to pay 4% extra tax further to act LIX of 2006 on solidarity surplus taxes and contributions aimed to improve the government budget.

45. Subsequent events

The Board of Directors approved the Financial Statements on 3 April 2007.

Based on the Resolution of the Shareholders' Meeting held on 19 April 2007, no dividend will be paid out of the 2006 profit.