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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep

2007

Annual Report

Árpád Olvasó
Chief Executive Officer

Tiszaújváros, 17 April 2008

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 2007 annual financial statements of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság ("the Company"), which comprises the balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 218,767 million and a profit for the year of HUF 25,594 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 2006 on 3 April 2007.

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 2007 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 42.4 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.

9.) Without further qualifying our opinion, we draw attention to the fact that this independent auditor's report has been issued for consideration by the forthcoming shareholders' meeting for decision making purposes and, as such, does not reflect the impact, if any, of the resolutions to be adopted at that meeting. Accordingly, the accompanying annual financial statements and this independent auditor's report are not suitable, nor should be used, for statutory reporting and disclosure purposes.

Budapest, 28 March 2008

(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 2007

(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**		**139,310**	**134,668**
A/I	**INTANGIBLE ASSETS**	**6**	**3,918**	**3,713**
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		3,907	3,714
A/I/5	Goodwill		11	(1)
A/I/6	Advances for intangible assets		0	0
A/I/7	Revaluation of intangible assets		0	0
A/II	**TANGIBLE ASSETS**	**7**	**130,966**	**126,558**
A/II/1	Real estate and related property rights		27,768	28,434
A/II/2	Technical machines and equipment		95,690	90,825
A/II/3	Other machines and equipment		5,616	5,142
A/II/4	Livestock		0	0
A/II/5	Assets in the course of construction		1,886	2,157
A/II/6	Advances for construction		6	0
A/II/7	Revaluation of tangible assets		0	0
A/III	**FINANCIAL INVESTMENTS**	**14**	**4,426**	**4,397**
A/III/1	Non-current investments in associates	11	4,197	4,198
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	52	28
A/III/6	Non-current debt securities	13	177	171
A/III/7	Revaluation of financial investments		0	0

Tiszaújváros, 17 April 2008

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 2007

(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**		**72,469**	**83,817**
B/I	**INVENTORIES**	**15, 16**	**9,274**	**13,222**
B/I/1	Materials		3,150	3,895
B/I/2	Work in process		850	1,378
B/I/3	Breeding stock		0	0
B/I/4	Finished products		5,174	7,882
B/I/5	Merchandises		97	62
B/I/6	Advances for inventories		3	5
B/II	**RECEIVABLES**		**50,272**	**59,777**
B/II/1	Trade receivables	17	39,522	47,387
B/II/2	Receivables from associates	18	6,674	7,425
B/II/3	Receivables from other related parties		0	0
B/II/4	Bill receivables		0	0
B/II/5	Other receivables	19	4,076	4,965
B/III	**MARKETABLE SECURITIES**		**0**	**0**
B/III/1	Securities in related parties		0	0
B/III/2	Other securities		0	0
B/III/3	Treasury shares, participations		0	0
B/III/4	Debt securities held for trading		0	0
B/IV	**CASH AND BANK**	**21**	**12,923**	**10,818**
B/IV/1	Petty cash		4	4
B/IV/2	Bank accounts		12,919	10,814
C	**PREPAYMENTS**	**22**	**523**	**282**
C/1	Accrued income		485	250
C/2	Prepaid expenses		38	32
C/3	Deferred expenses		0	0
	TOTAL ASSETS		**212,302**	**218,767**

Tiszaújváros, 17 April 2008

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 2007

(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**	**23**	**134,820**	**151,451**
D/I	Share capital		24,534	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		89,300	105,162
D/V	Allocated reserve	24	467	500
D/VI	Revaluation reserve		0	0
D/VII	Profit for the year		15,895	16,631
E	**PROVISIONS**	**25**	**8,190**	**7,895**
E/1	Provision for expected liabilities		8,190	7,895
E/2	Provision for future expenses		0	0
E/3	Other provisions		0	0
F	**LIABILITIES**		**67,847**	**57,652**
F/I	**SUBORDINATED LIABILITIES**		**0**	**0**
F/I/1	Subordinated liabilities due to associates		0	0
F/I/2	Subordinated liabilities due to other related parties		0	0
F/I/3	Subordinated liabilities due to third parties		0	0

Tiszaújváros, 17 April 2008

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 2007

(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**		**37,895**	**7,600**
F/I/1	Non-current loans		0	0
F/I/2	Convertible bonds		0	0
F/I/3	Non-current bonds		0	0
F/I/4	Investment and development loans		0	0
F/I/5	Other non-current loans		0	0
F/I/6	Non-current liabilities to associates	26	37,845	7,600
F/I/7	Non-current liabilities to other associates		0	0
F/I/8	Other non-current liabilities		50	0
F/III	**SHORT-TERM LIABILITIES**		**29,952**	**50,052**
F/III/1	Short-term debt		0	0
F/III/2	Short–term loans		0	0
F/III/3	Advances from customers		37	107
F/III/4	Trade payable	27	6,839	8,558
F/III/5	Bill of exchange		0	0
F/III/6	Current liabilities to associates	28	22,198	40,366
F/III/7	Current liabilities to other associates		0	5
F/III/8	Other current liabilities	29	878	1,016
G	**ACCRUED EXPENSES**	**22**	**1,445**	**1,769**
G/1	Deferred income		0	0
G/2	Accrued expenses		1,386	1,746
G/3	Deferred negative goodwill and extraordinary revenues		59	23
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**212,302**	**218,767**

Tiszaújváros, 17 April 2008

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 2007

(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		162,806	167,376
2	Net export sales		148,008	172,135
I	**NET SALES**	**30**	**310,814**	**339,511**
3	Change in self-produced stocks		(1,023)	3,235
4	Capitalised value of self-produced assets	31	450	619
II	**CAPITALIZED VALUE OF OWN PERFORMANCE**		**(573)**	**3,854**
III	**OTHER INCOME**	**32**	**3,889**	**5,449**
	-of which reversed impairment loss		503	5
5	Material costs		231,414	260,122
6	Material type services	34	12,636	14,111
7	Other services	35	1,514	1,286
8	Cost of goods sold		17,290	9,791
9	Cost of services sold		2,640	2,352
IV	**MATERIAL TYPE EXPENSES**		**265,494**	**287,662**
10	Wages and salaries	37	5,562	5,760
11	Other personnel expenses		1,254	1,114
12	Payroll related contributions		1,973	2,076
V	**PERSONNEL COSTS**		**8,789**	**8,950**
VI	**DEPRECIATION**	**8**	**10,975**	**10,924**
VII	**OTHER EXPENDITURES**	**32**	**10,939**	**11,674**
	-of which impairment loss		588	554
A	**OPERATING PROFIT**		**17,933**	**29,604**

Tiszaújváros, 17 April 2008

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 2007

(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		510	798
	-of which received from related parties		510	798
14	Capital gain on financial investments sold		0	0
15	Interest income and capital gains on financial investments		15	18
16	Other received interest and similar income		536	794
	-of which received from related parties		305	529
17	Other financial income	38	3,679	3,406
VIII	**FINANCIAL INCOME**		**4,740**	**5,016**
18	Foreign exchange loss on financial investments		0	0
19	Interest payable		2,161	1,077
	-of which received to related parties		2,135	1,068
20	Impairment loss of participations, securities and bank deposits		(17)	6
21	Other financial expenditures	38	4,588	3,793
	-of which received to related parties		124	88
IX	**FINANCIAL EXPENDITURES**		**6,732**	**4,876**
B	**FINANCIAL RESULT**		**(1,992)**	**140**
C	**PROFIT FROM ORDINARY ACTIVITIES**		**15,941**	**29,744**
X	EXTRAORDINARY REVENUES	39	401	63
XI	EXTRAORDINARY EXPENDITURES	39	238	23
D	**EXTRAORDINARY PROFIT/LOSS**		**163**	**40**
E	**PROFIT BEFORE TAXATION**		**16,104**	**29,784**
XII	Taxation	43	209	4,190
F	**PROFIT AFTER TAXATION**		**15,895**	**25,594**
22	Retained earnings used for dividends		0	0
23	Dividends approved, paid		0	8,963
G	**PROFIT FOR THE PERIOD**		**15,895**	**16,631**

Tiszaújváros, 17 April 2008

Árpád Olvasó
Chief Executive Officer

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

Statistical code: 10725759-2416-114-05
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TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep

2007

Supplementary Notes

Árpád Olvasó
Chief Executive Officer

Tiszaújváros, 17 April 2008

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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 thise 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 2007, MOL Group owns the majority of the shares (See Note 3).

The Company, with its registered seat in Tiszaújváros 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 TVK Központi Irodaház), 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

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.

Between 1 October 1999 and 15 October 2007, TVK Plc. used the BPCS, an integrated information system for large companies with a modular structure. From 15 October 2007 led new version, it is SSA ERP LX 8,3,02 of BPCS.

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 Hungarian Oil and Gas Public Limited Company (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 2007, the date for preparing the balance sheet of the Company was specified for *15 January 2008*.

2.3. The form of Balance Sheet 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.

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. 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.

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 is 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.

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, which 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.

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 vale of new foreign exchange is recognised as other financial expense or income. The Company applies the above mentioned 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.

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

2.4.2. 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 differ 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.
The revision on years 2006 and 2007 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 it 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 reflects the real value in use of the asset or asst 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.

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 two 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 is shall accumulate provisions if, at the end of the year, the emission units owned by the company do not cover the CO_2 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 CO_2 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.

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

3. The shareholder's structure of the Company

Share capital as of 31 December 2006 and 2007 is summarized as follows:

Shareholder	Number of Shares		Total Nominal Value (HUF million)		Ownership percentage (%)	
	2006	2007	2006	2007	2006	2007
Domestic institutional investors	11,214,683	21,154,466	11,327	21,366	46.16	87.09
International institutional investors	12,824,697	1,976,426	12,953	1,996	52.80	8.14
Domestic private investors	185,847	65,711	188	67	0.77	0.27
Foreign private investors	4,376	941	4	1	0.02	0.00
Unregistered investors	61,240	1,093,299	62	1,104	0.25	4.50
Total	**24,290,843**	**24,290,843**	**24,534**	**24,534**	**100.00**	**100.00**

Note: In accordance with the resolution of 2007 Annual General Meeting, every ordinary share with a par value of HUF 1,010 (i.e. one thousand ten forint) entitles the holder thereof to have one and one hundredth vote.

Owners with investment above 5 % as of 31 December 2006 and 2007 based on the Share Register:

Owners	Location	Ownership percentage (%)	
		2006	2007
MOL Hungarian Oil and Gas Public Limited Company	Budapest	44.55	86.79
CE Oil & Gas Beteiligung und Verwaltung AG	Wien	31.56	0.00
Slovnaft a.s.	Bratislava	8.06	8.07

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 42.24% of TVK's share capital. Subsequent to the transaction, MOL Plc's direct and indirect influence over the Company increased to 94.86%.

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

(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	2006	2007	Percentage (%)		Change (%)
			2006	2007	
Non-current Assets	139,310	134,668	65.62	61.56	(3.33)
Current Assets	72,469	83,817	34.13	38.31	15.66
Prepayments and accrued income	523	282	0.25	0.13	(46.08)
Total	**212,302**	**218,767**	**100.00**	**100.00**	**3.05**

Total assets increased by HUF 6,465 million, compared to last year.
Of the non-current assets it is mainly the total tangible assets that decreased because of the depreciation expenses. In the case of current assets the increase of inventories, due to the higher cost of production due to the higher feedstock prices, and due to an increase in the volume of finished products.

4.1.2. Equity structure

Structure of sources of assets

Description	2006	2007	Percentage (%)		Change (%)
			2006	2007	
Shareholders' Equity	134,820	151,451	63.50	69.23	12.34
Provisions	8,190	7,895	3.86	3.61	(3.60)
Liabilities	67,847	57,652	31.96	26.36	(15.03)
Accrued expenses and deferred income	1,445	1,769	0.68	0.80	22.42
Total	**212,302**	**218,767**	**100.00**	**100.00**	**3.05**

In the 2007 liability portfolio there was minor change compared to the year before which manifested mainly in the increase of own capital and a decrease of liabilities.

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

Internal structure of shareholders' equity

Description	2006	2007	Percentage (%)		Change (%)
			2006	2007	
Share capital	24,534	24,534	18.20	16.20	0.00
Capital reserve	4,624	4,624	3.43	3.05	0.00
Retained earnings	89,300	105,162	66.24	69.44	17.76
Allocated reserve	467	500	0.34	0.33	7.07
Profit of the period	15,895	16,631	11.79	10.98	4.63
Total	**134,820**	**151,451**	**100.00**	**100.00**	**12.34**

The increase in shareholders' equity is mainly due to the net profit.

4.1.3. Important Ratios

Equity ratio

	2006	2007
$\frac{\text{Shareholders' Equity}}{\text{Total Liabilities and Shareholders' Equity}} * 100$	$\frac{134,820}{212,302}$ = 63.50 %	$\frac{151,451}{218,767}$ = 69.23 %

Liabilities ratio

	2006	2007
$\frac{\text{Debt}}{\text{Total Liabilities and Shareholders' Equity}} * 100$	$\frac{77,482}{212,302}$ = 36.50 %	$\frac{67,316}{218,767}$ = 30.77 %

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

Debt/equity ratio

$$\frac{\text{Debt}}{\text{Shareholders' Equity}} \qquad \frac{77{,}482}{134{,}820} = 0.57 \qquad \frac{67{,}316}{151{,}451} = 0.44$$

Indebtedness

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

$$\frac{24{,}922}{159{,}742} = 15.60\ \% \qquad \frac{(3{,}218)}{148{,}233} = (2.17)\ \%$$

4.1.4. Current assets

	2006	2007
$\frac{\text{Current Assets + Prepayments}}{\text{Non-current Assets}}$ * 100	$\frac{72{,}992}{139{,}310}$ = 52.40 %	$\frac{84{,}099}{134{,}668}$ = 62.45 %

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

4.2. Changes in the financial position

	2006	2007
Cash liquidity ratio		
$\frac{\text{Cash and Bank}}{\text{Short-Term Liabilities + Accrued expenses}}$	$\frac{12{,}923}{31{,}338}$ = 0.41	$\frac{10{,}818}{51{,}798}$ = 0.21
Liquidity quick ratio		
$\frac{\text{Cash and Bank + Receivables + Marketable Securities}}{\text{Short-Term Liabilities + Accrued expenses}}$	$\frac{63{,}195}{31{,}338}$ = 2.02	$\frac{70{,}595}{51{,}798}$ = 1.36
Liquidity ratio		
$\frac{\text{Current Assets + Accrued income}}{\text{Short-Term Liabilities + Accrued expenses}}$	$\frac{72{,}954}{31{,}338}$ = 2.33	$\frac{84{,}067}{51{,}798}$ = 1.62

The quick ratio of the company shows decreased between these two periods, because increase in the current assets was rate less, than increase in short-term liabilities.

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

	2006	2007

Maturity of receivables

$$\frac{\text{Average amount of receivables}}{\text{1 day sales}} \qquad \frac{50{,}077}{852} = 58.81 \qquad \frac{55{,}025}{930} = 59.16$$

Ratio of accounts receivables to accounts payables

$$\frac{\text{Accounts receivables}}{\text{Accounts payable}} \qquad \frac{46{,}196}{29{,}037} = 1.59 \qquad \frac{54{,}812}{40{,}426} = 1.36$$

4.3. Changes in the profitability

ROAA

	2006	2007

$$\frac{\text{Profit Before Taxation + Interest payable}}{\text{Average total assets}} *100 \qquad \frac{18{,}265}{212{,}624} = 8.59\ \% \qquad \frac{30{,}861}{215{,}535} = 14.32\ \%$$

ROAE

	2006	2007

$$\frac{\text{Profit After Taxation}}{\text{Average shareholders' equity}} *100 \qquad \frac{15{,}895}{126{,}939} = 12{,}52\ \% \qquad \frac{25{,}594}{143{,}136} = 17{,}88\ \%$$

The significant positive changes of ROAE indexes were mainly due to the HUF 9,699 million increases in profit after tax.

4.4. Yield and performance indices

Profit per number of employees

	2006	2007

$$\frac{\text{Profit After Taxation}}{\text{Average number of employees}} \qquad \frac{15{,}895}{1{,}396} = 11.39 \qquad \frac{25{,}594}{1{,}187} = 21.56$$

Profit per total assets and wages

$$\frac{\text{Profit After Taxation}}{\text{Total Assets + Wages and salaries}} * 100 \qquad \frac{15{,}895}{217{,}864} = 7.30\ \% \qquad \frac{25{,}594}{224{,}527} = 11.40\ \%$$

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

Equity proportionate profit

	2006	2007
$\frac{\text{Profit After Taxation}}{\text{Total Assets}} * 100$	$\frac{15,895}{212,302}$ = 7.49 %	$\frac{25,594}{218,767}$ = 11.70 %
$\frac{\text{Personnel Costs}}{\text{Profit After Taxation}} * 100$	$\frac{8,789}{15,895}$ = 55.29 %	$\frac{8,950}{25,594}$ = 34.97 %

The significant positive trend of yield and performance indices is mainly due to the 61.02 % increase of profit after tax.

Labour cost

	2006	2007
$\frac{\text{Personnel Costs}}{\text{Net Sales Income}} * 100$	$\frac{8,789}{310,814}$ = 2.83 %	$\frac{8,950}{339,511}$ = 2.64 %

There wasn't any significant change in labour cost.

ROACE

	2006	2007
$\frac{\text{After-tax operating profit}}{\text{Average capital employed}} * 100$	$\frac{17,724}{164,281}$ = 10.79 %	$\frac{25,414}{155,619}$ = 16.33 %

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

EBITDA ratio

	2006	2007
$\frac{\text{EBITDA}}{\text{Net Sales Income}} * 100$	$\frac{28,908}{310,814}$ = 9.30 %	$\frac{40,528}{339,511}$ = 11.94 %

The increase in profitability ratios is due to the 65,08% increase of the operating profit.

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

4.5. Changes in the Sales Revenues

Description	2006	2007	Division (%)		Change (%)
			2006	2007	
Net domestic sales	162,806	167,376	52.38	49.30	2.81
Net export sales	148,008	172,135	47.62	50.70	16.30
Net sales income	**310,814**	**339,511**	**100.00**	**100.00**	**9.23**

The 9.23% increase in net sales was due to increased domestic and international turnover.

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

5. Cash-flow

The table contains the summarized cash-flow information for the years 2006 and 2007:

Description	2006	2007
Profit before taxation	**16,104**	**29,784**
Dividends received	(510)	(798)
Unrealised foreign exchange gains/losses	504	(408)
Research expenses	*564*	*709*
Cash contribution free of charge	*0*	*0*
Profit on disposal of subsidiaries	*0*	*0*
Corrected profit before taxation	***16,662***	***29,287***
Depreciation	10,975	11,284
Impairment and reversal , scrap	517	176
Provisions made and used, net	1,486	(295)
Gain or loss of the sale of non-current	(87)	(3)
Change of liabilities to suppliers (incl. related parties)	(2,324)	18,548
Changes of other short-tem liabilities	(746)	153
Change of deferrals	512	324
Changes of receivables (incl. related parties)	(3,746)	(8,081)
Change of current assets (excluding trade receivables and cash)	3,745	(4,955)
Change of accruals and prepayments	62	241
Tax payable	(209)	(4,190)
Dividend payable	0	(8,963)
Cash-flow from operating activities	**26,847**	**33,526**
Purchases of non-current assets	(5,213)	(5,440)
Sale of non-current assets	135	9
Cash-flow from sale of investments	0	0
Other changes of non-current assets	47	0
Research expenses	(564)	(709)
Cash and cash equivalents transferred finally	0	0
Dividend and profit share received	510	798
Cash used in investing activities	**(5,085)**	**(5,342)**
Long-term credits and loans received	0	0
Repayment of long-term credits and loans	(15,163)	(30,277)
Change of short-term credits	0	0
Change of liabilities towards founders and other long term liabilities	(132)	0
Cash flow from financing activities	**(15,295)**	**(30,277)**
Net change in cash	**6,467**	**(2,093)**
Cash at the beginning of the year	6,456	12,923
Cash at the end of the year	12,923	10,830

(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 2006 and 2007:

Gross Value

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2006	**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**
Increase due to purchases	0	200	200
Other increase	0	22	22
Scrapping	0	(24)	(24)
Closing balance as of 31 December 2007	**191**	**6,774**	**6,965**

Accumulated Amortization

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2006	**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**
Ordinary Amortisation	13	415	428
Scrapping	0	(24)	(24)
Other changes	(1)	0	(1)
Closing balance as of 31 December 2007	**192**	**3,060**	**3,252**

Net Value as of 31 December 2006	**11**	**3,907**	**3,918**
Net Value as of 31 December 2007	**(1)**	**3,714**	**3,713**

(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 2006 and 2007:

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 2006	**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**
Increase due to purchases	0	0	0	6,497	0	6,497
Capitalisation	1,956	3,583	648	(6,187)	0	0
Other increase	0	0	0	0	0	0
Scrapping	(187)	(340)	(284)	(12)	0	(823)
Sales	0	0	(108)	(6)	0	(114)
Other changes	(1)	(13)	(22)	(21)	(6)	(63)
Closing balance as of 31 December 2007	**37,049**	**143,938**	**15,562**	**2,157**	**0**	**198,706**

(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 2006	**6,406**	**37,131**	**9,170**	**0**	**0**	**52,707**
Ordinary Depreciation	1,110	8,199	1,216	0	0	10,525
Extraordinary depreciation based on scrapping	5	4	7	66	0	82
Scrapping	(8)	(309)	(184)	(66)	0	(567)
Sales	0	(5)	(470)	0	0	(475)
Other changes	0	(2)	(27)	0	0	(29)
Closing balance as of 31 December 2006	**7,513**	**45,018**	**9,712**	**0**	**0**	**62,243**
Ordinary Depreciation	1,106	8,286	1,104	0	0	10,496
Extraordinary depreciation based on scrapping	183	149	16	12	0	360
Scrapping	(187)	(340)	(284)	(12)	0	(823)
Sales	0	0	(108)	0	0	(108)
Other changes	0	0	(20)	0	0	(20)
Closing balance as of 31 December 2007	**8,615**	**53,113**	**10,420**	**0**	**0**	**72,148**

Net Value as of 31 December 2006	**27,768**	**95,690**	**5,616**	**1,886**	**6**	**130,966**
Net Value as of 31 December 2007	**28,434**	**90,825**	**5,142**	**2,157**	**0**	**126,558**

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

8. Description of Depreciation

Ordinary Depreciation

Title	Straight line		Lump sum		Unit of production		Total	
	2006	2007	2006	2007	2006	2007	2006	2007
Property rights	0	0	0	0	0	0	0	0
Goodwill	39	13	0	0	0	0	39	13
Intellectual property	409	411	2	4	0	0	411	415
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	**448**	**424**	**2**	**4**	**0**	**0**	**450**	**428**
Real estate and related property rights	1,110	1,106	0	0	0	0	1,110	1,106
Technical machines and equipment	8,199	8,286	0	0	0	0	8,199	8,286
Other machines and equipment	1,201	1,075	15	29	0	0	1,216	1,104
Tangible Assets	**10,510**	**10,467**	**15**	**29**	**0**	**0**	**10,525**	**10,496**
Total	**10,958**	**10,891**	**17**	**33**	**0**	**0**	**10,975**	**10,924**

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

Extraordinary Depreciation and rebooking of extraordinary depreciation

Title	Extraordinary depreciation based on market evaluation		Extraordinary depreciation based on scrapping, damages, losses		Reversal of extraordinary depreciation		Total	
	2006	2007	2006	2007	2006	2007	2006	2007
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	47	6	136	0	0	6	183
Technical machines and equipment	0	108	4	41	0	0	4	149
Other machines and equipment	0	16	7	0	0	0	7	16
Assets under construction	0	0	65	12	0	0	65	12
Tangible Assets	**0**	**171**	**82**	**189**	**0**	**0**	**82**	**360**
Total	**0**	**171**	**82**	**189**	**0**	**0**	**82**	**360**

In 2007 impairment expenses of HUF 360 million were recorded, from this HUF 171 million is the halt of the LDPE at the end 2008 and the other HUF 189 million is scrapping of the property, plant and equipment (reconstruction of pipe-bridge and refurbishment of factory road). The LDPE-1 plant will have to be shut down later as the related environmental permission will expire in early 2009.

9. Research and development

Research and development areas	2006			2007		
	Current year expenses	Of which		Current year expenses	Of which	
		capitalised	expensed		capitalised	expensed
Product development	229	0	229	120	0	120
Environment	24	0	24	19	0	19
Other (studies)	354	43	311	606	36	570
Total	**607**	**43**	**564**	**745**	**36**	**709**

(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 2006	**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**
Increase	68	143	42	30	283
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2007	**98**	**334**	**70**	**169**	**671**

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 2006	**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**
Increase	1	28	5	0	34
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2007	**1**	**63**	**12**	**0**	**76**

	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total
Net Value as of 31 December 2006	**30**	**156**	**21**	**139**	**346**
Net Value as of 31 December 2007	**97**	**271**	**58**	**169**	**595**

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

11. Non-current investments in related parties

As of 31 December 2006 and 2007, the Company's non-current investments are summarized as follows:

Description	Location	Share (%)	Net book value		Proportionate amount of equity	
		31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007
Subsidiaries:						
TVK-Ingatlankezelõ Kft.	Tiszaújváros	100.0	2,970	2,970	2,741	2,784
TVK InterChemol GmbH	Frankfurt am Main	100.0	151	151	370	431
TVK UK Ltd.	London	100.0	74	74	138	80
TVK Italia S.r.l.	Milan	100.0	26	26	214	268
TVK-France S.a.r.l.	Paris	100.0	20	20	41	50
TVK Polisec Kft.*	Tiszaújváros	-	0	0	0	0
TVK Polska Sp. z o.o.	Warsawa	100.0	6	6	149	279
TVK Ukraina tov	Kiev	100.0	1	2	1	59
TVK Austria GmbH.**	Wiener Neustadt	-	0	0	0	0
Associates:						
VIBA-TVK Kft.	Tiszaújváros	40.0	82	82	86	102
Tiszai Hulladékégetõ Kft.	Tiszaújváros	49.9	8	8	7	7
TMM Tűzoltó és Műszaki Mentõ Kft.	Tiszaújváros	30.0	1	1	114	116
TVK Erőmű Kft.	Tiszaújváros	26.0	858	858	926	909
Total			**4,197**	**4,198**	**4,787**	**5,085**

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.

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

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

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK-Ingatlankezelõ 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
Associates:					
VIBA-TVK Kft.	HUF million	214	205	(27)	36
Tiszai Hulladékégetõ Kft.	HUF million	14	25	(11)	0
TMM Tűzoltó és Műszaki Mentõ	HUF million	380	3	376	1
TVK Erőmű Kft.	HUF million	3,564	3,298	227	39

Shareholders' equity of the Company's investments as of 31 December 2007:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK-Ingatlankezelõ Kft.	HUF million	2, 784	2,970	(229)	43
TVK InterChemol GmbH.	EUR thousand	1,701	615	0	1,086
TVK UK Ltd.	GBP thousand	232	200	0	32
TVK Italia S.r.l.	EUR thousand	1,059	100	13	946
TVK-France S.a.r.l.	EUR thousand	198	76	8	114
TVK Ukraina tov	EUR thousand	234	6	(4)	232
TVK Polska Sp. z o.o.	PLN thousand	3,969	109	238	3,622
Associates:					
VIBA-TVK Kft.	HUF million	254	205	9	40
Tiszai Hulladékégetõ Kft.	HUF million	14	25	(11)	0
TMM Tűzoltó és Műszaki Mentõ Kft.	HUF million	385	3	377	5
TVK Erőmű Kft.	HUF million	3,497	3,298	199	0

(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 Reva-luation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK-Ingatlankezelõ 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	1	0	0	0	0	26
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 Hulladékégetõ Kft.	12	0	0	4	0	0	0	8
TMM Tűzoltó és Műszaki Mentõ Kft.	1	0	0	0	0	0	0	1
TVK Erőmű Kft.	857	1	0	0	0	0	0	858
Total	**4,219**	**2**	**20**	**4**	**0**	**0**	**0**	**4,197**

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

Changes of the non-current investments in associate companies in 2007:

Name	Gross value of investments			Write-off			Year-end Reva-luation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK-Ingatlankezelõ 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.	26	0	0	0	0	0	0	26
TVK-France S.a.r.l.	20	0	0	0	0	0	0	20
TVK Polska Sp. z .o.o.	6	0	0	0	0	0	0	6
TVK Ukraina tov.	1	1	0	0	0	0	0	2
Associates:								
VIBA-TVK Kft.	82	0	0	0	0	0	0	82
Tiszai Hulladékégetõ Kft.	12	0	0	4	0	0	0	8
TMM Tűzoltó és Műszaki Mentõ Kft.	1	0	0	0	0	0	0	1
TVK Erőmű Kft.	858	0	0	0	0	0	0	858
Total	**4,201**	**1**	**0**	**4**	**0**	**0**	**0**	**4,198**

12. Non-current loans

Other non-current loans as of 31 December 2006 and 2007:

Title	31 December 2006	31 December 2007
Loan to Plastico S.A.*	575	575
Write-off of loan to Plastico S.A.*	(575)	(575)
House-building loan	52	28
Total	**52**	**28**

* In 2002, TVK Plc. sold its investment in Plastico S.A. 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. Net of write-off of loan was HUF 575 million as of 31 December 2007 and 2006, respectively. (See Note 19)

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

13. Non-current debt securities

The Company's securities as of 31 December 2006 and 2007 are summarized as follows:

Title	Maturity	31 December 2006	31 December 2007
2013/C government bond *	20.12.2013.	177	171
Total		**177**	**171**

* Non-current securities include type 2013/C government bonds with variable interest rates maturing in December 2013.The net value of government bonds decreased by HUF 6 million as the Company discounted the bonds on 31 December 2007.

14. Impairment of non-current financial assets

Impairment loss of non-current financial assets recognised in 2006 and 2007 by balance sheet item:

Description	Non-current investments	Other non-current loans	non-current securities	Total
Opening balance as of 1 January 2006	**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**
Increase of impairment	0	0	6	6
Decrease of impairment	0	0	0	0
Reversal of impairment	0	0	0	0
Closing balance as of 31 December 2007	**4**	**575**	**60**	**639**

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

15. Inventories

Inventories as of 31 December 2006 and 2007 were as follows:

Description	31 December 2006	31 December 2007
Self-produced inventories	6,024	9,260
Purchased goods*	3,247	3,957
Advances for inventories	3	5
Total	**9,274**	**13,222**

As of 31 December 2006, the Company had slow-moving inventories aged over one year (mainly spare parts) amounting to HUF 2,114 million, and totalling HUF 2,138 million in 2007.
In 2006 scrapping involved HUF 20 million, and the amount of recognised devaluation loss was HUF 272 million, in 2007 scrapping involved HUF 9 million, and the amount of recognised devaluation loss was HUF 153 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)
Increase of impairment	0	(194)
Closing balance as of 31 December 2006	**35,630**	**36**
2005 yearly CO2 quotas	17,854	139
2006 yearly CO2 quotas	17,854	92
2007 yearly CO2 quotas	17,854	5
Total of quotas granted free of charge	**53,562**	**236**
2005 yearly surrender for GHG emission	(78)	(1)
2006 yearly surrender for GHG emission	(69)	(1)
Increase of impairment	0	(235)
Reversal of impairment	0	1
Closing balance as of 31 December 2007	**53,415**	**0**

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

16. Impairment of Inventories

Impairment loss of inventories recognised in 2006 and 2007 by balance sheet item:

Description	Materials	Work in process	Finished products	Commodities	Advances for inventories	*Total inventories*
Opening balance as of 1 January 2006	**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**
Increase of impairment	112	0	0	41	0	153
Decrease of impairment	0	0	0	0	0	0
Reversal of impairment	0	0	(4)	(1)	0	(5)
Closing balance as of 31 December 2007	**1,465**	**0**	**0**	**234**	**0**	**1,699**

17. Trade receivables

Receivables as of 31 December 2006 and 2007 were as follows:

Description	31 December 2006	31 December 2007
Domestic receivables	18,159	19,320
Foreign receivables	21,372	28,108
Impairment	(9)	(41)
Total	**39,522**	**47,387**

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

18. Receivables from related parties

As of 31 December 2006 and 2007 accounts receivables from related parties are the following:

Description	31 December 2006	31 December 2007
MOL Group	6,132	6,801
Accounts receivable from Subsidiaries	75	52
Accounts receivable from Associate companies	467	572
Impairment	0	0
Total	**6,674**	**7,425**

19. Other Receivables

The Company's other receivables as of 31 December 2006 and 2007 are summarized as follows:

Description	31 December 2006	31 December 2007
Reclaimable VAT	3,959	3,897
Corporate income tax	6	864
Receivables from Plastico S.A due in 360 days *	323	323
Write-off of receivables from Plastico S.A due in 360 days*	(323)	(323)
Prepayments for services	29	58
Local tax	0	52
Receivables due to house-building loans	39	23
Excise tax	14	0
Other	29	71
Total	**4,076**	**4,965**

*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.)
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. Net of write-off of loan was HUF 323 million as of 31 December 2007 and 2006, respectively.

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

20. Impairment of Receivables

In 2006 and 2007, 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 2006	**39,531**	**6,674**	**0**	**0**	**4,399**	**50,604**
Closing balance as 2007	**47,428**	**7,425**	**0**	**0**	**5,288**	**60,141**

Impairment

Movements	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Opening balance as 2006	**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**
Increase	32	0	0	0	0	32
Decrease	0	0	0	0	0	0
Closing balance as 2007	**41**	**0**	**0**	**0**	**323**	**364**

Net book value

Description	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Closing balance as 2006	**39,522**	**6,674**	**0**	**0**	**4,076**	**50,272**
Closing balance as 2007	**47,387**	**7,425**	**0**	**0**	**4,965**	**59,777**

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

21. Cash and Bank

The Company's cash at bank balances as of 31 December 2006 and 2007 are summarized as follows:

Description	31 December 2006	31 December 2007
Cash in hand, cheques	4	4
Short-term deposits	0	0
Bank accounts	12,919	10,814
Total	**12,923**	**10,818**

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

22. Prepayments, accruals and deferrals

Prepayments as of 31 December 2006 and 2007 are summarized as follows:

Description	31 December 2006	31 December 2007
Interest receivables	80	44
Dividend receivables*	203	202
Other deferred income **	202	4
Deferred income	**485**	**250**
Subscription fees	8	2
Other deferred expenses	30	30
Prepayment of costs and expenses	**38**	**32**
Total	**523**	**282**

* 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 2006 and 31 December 2007 are as follows:

Description	31 December 2006	31 December 2007
Deferred revenues	0	0
Deferred revenues	**0**	**0**
Accrued agent's fees	144	150
Accrued share-based payment plans	173	130
Other accrues costs and expenses	348	735
Expected carriage	229	370
Accrued energy costs	476	356
Interest payable to financial institutions	16	5
Accrues costs and expenses	**1,386**	**1,746**
Book value of assets received free of charge, found as a surplus, or received as a gift or legacy	59	23
Deferred income	**59**	**23**
Total	**1,445**	**1,769**

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

23. Shareholders' Equity

Shareholders' equity consisted of the following during 2006 and 2007:

Description	Share capital	Capital reserve	Retained earnings	Allocated reserve	Net income	Total
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**
Appropriation of 2006 net income	0	0	15,895	0	(15,895)	**0**
Share capital decrease due to withdrawal off treasury shares	0	0	0	0	0	**0**
Change of allocation of development reserve	0	0	(33)	33	0	**0**
Profit for 2007	0	0	0	0	16,631	**16,631**
31 December 2007	**24,534**	**4,624**	**105,162**	**500**	**16,631**	**151,451**

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

24. Allocated reserve

Allocated reserves as at 31 December 2006 and 2007:

Description	31 December 2006	31 December 2007
Development reserve	467	500
Redeemed treasury shares	0	0
Total	**467**	**500**

25. Provisions

The Company's provisions as of 31 December 2006 and 2007 are summarized as follows:

Description	Environ-mental **	Severance	Other ***	Total
Opening balance as of 1 January 2006	**3,983**	**60**	**2,661**	**6,704**
Provisions made in 2005 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 2006 and reassessment of previous year's estimate *	193	0	4,374	4,567
Provisions used during the year *	(859)	(15)	(3,988)	(4,862)
Closing balance as of 31 December 2007	**3,009**	**0**	**4,886**	**7,895**

* Provisions made in the current year are disclosed within other expenses (See Note 32), while provisions used in the current year are disclosed within other incomes (See Notes 32).

** The information on environmental provision is disclosed in Note 42.4

*** 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.

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

Provision for long term employee retirement benefits
As of 31 December 2007 the Company has recognised a provision of HUF 147 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 2007, based on actuarial calculations, the Company made a HUF 224 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.

Provision for the amount of quantity discounts
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. The value of provisions for the amount of quantity discounts HUF 4,438 million, include the quantity discounts pays due but not yet paid as at 31 December 2007.

26. Long-term liabilities towards related parties

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%	29 Dec 2009
Total	**37,845**		

Non-current liabilities towards related parties on 31 December 2007:

Description	Balance	Interest Rate	Repayment Period
MOL Hungarian Oil and Gas Public Limited Company	7,600	EURIBOR+0.90%	29 Dec 2009
Total	**7,600**		

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. The Company prepaid EUR 120 million in 2007, and value of loan from MOL is EUR 30 million at the end of 2007.

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

27. Trade payables

Accounts payable consisted of the following as of 31 December 2006 and 2007:

Description	31 December 2006	31 December 2007
Domestic creditors	3,677	6,686
Foreign creditors	3,162	1,872
Total	**6,839**	**8,558**

28. Short-term liabilities to related parties

Short-term liabilities to related parties consisted of the following as of 31 December 2006 and 2007:

Description	31 December 2006	31 December 2007
Liabilities to MOL Group	21,515	39,524
Liabilities to Subsidiaries	103	119
Liabilities to associated companies	580	723
Total	**22,198**	**40,366**

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

29. Other current liabilities

Other current liabilities as of 31 December 2006 and 2007 are summarized as follows:

Description	31 December 2006	31 December 2007
Dividends payable*	5	465
Payables to employees, and related contributions	405	334
Personal income tax	60	98
Taxes and similar charges	67	52
Financial lease	97	50
Liabilities from conversion of employees' shares	222	5
Local taxes	11	0
Other	11	12
Total	**878**	**1,016**

*Dividend payable in 2007 is related to 2005's dividend (5 million) which hasn't been paid yet.

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

30. Net sales

Sales in 2006 and 2007 are summarized as follows:

Market segment description	2006		2007	
	Net sales	Rate %	Net sales	Rate%
Europe	141,642	45.57	164,617	48.49
America	5,083	1.64	6,372	1.87
Asia	1,278	0.41	823	0.24
Africa	5	0.00	0	0.00
Other areas	0	0.00	323	0.10
Total foreign sales	148,008	47.62	172,135	50.70
Total domestic sales	162,806	52.38	167,376	49.30
Total	**310,814**	**100.00**	**339,511**	**100.00**

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

Foreign sales by geographical area in Europe in 2006 and 2007 are summarized as follows:

Market segment description	2006		2007	
	Net sales	Rate %	Net sales	Rate%
European Union	**125,327**	**88.48**	**143,055**	**86.90**
Germany	28,408	20.06	31,883	19.37
Italy	25,332	17.88	29,160	17.71
Poland	20,455	14.44	24,103	14.64
Slovakia	6,961	4.92	9,220	5.60
Rumania	2,937	2.07	8,021	4.87
United Kingdom	7,129	5.03	7,962	4.84
France	6,238	4.40	6,570	3.99
Austria	6,061	4.28	6,360	3.87
Bohemia	7,926	5.60	5,637	3.43
Greece	3,366	2.38	5,035	3.06
Slovenia	2,231	1.58	3,579	2.17
Lithuania	2,449	1.73	2,196	1.33
Spain	2,319	1.64	1,063	0.65
Latvia	681	0.48	830	0.50
Finland	444	0.31	491	0.30
Cyprus	53	0.04	417	0.25
Netherlands	1,732	1.22	275	0.17
Sweden	171	0.12	101	0.06
Denmark	190	0.13	85	0.05
Portugal	33	0.02	40	0.02
Belgium	211	0.15	27	0.02
Without European Union	**16,315**	**11.52**	**21,562**	**13.10**
Turkey	3,025	2.14	3,576	2.17
Switzerland	1,162	0.82	2,989	1.82
Ukraine	1,451	1.02	2,134	1.30
Other	10,677	7.54	12,863	7.81
Total	**141,642**	**100.00**	**164,617**	**100.00**

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

Sales in 2006 according to operational segments are as follows:

Operational segments	Domestic sales	Foreign sales	Total sales
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**

Sales in 2007 according to operational segments are as follows:

Operational segments	Domestic sales	Foreign sales	Total sales
Olefin	94,688	9,275	103,963
LDPE	14,185	15,484	29,669
HDPE	11,447	106,741	118,188
PP	38,664	40,451	79,115
Other	8,392	184	8,576
Total	**167,376**	**172,135**	**339,511**

31. Change in self-produced assets

Title	2006	2007
Change in self-produced assets	450	619

The items capitalized in 2006 include mostly those capitalized due to the improvements carried out during the planned general overhaul. The items capitalized in 2007 include those capitalized due to the improvements carried out during the planned general overhaul and pipe rack reconstruction.

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

32. Other income and other expenses

Other income for 2006 and 2007 is summarized as follows:

Other operative income	2006	2007
Provisions used**	3,100	4,862
Received default interests, penalties, compensations	40	513
Received amount from bad debts and written-off receivables	34	25
Revenues from the disposal of tangible and intangible assets	135	9
Reversed write-off of trade receivables, loans and inventories	503	5
Other profit increasing items	77	35
Total	**3,889**	**5,449**

Other expenses for 2006 and 2007 are summarized as follows:

Other operative expenses	2006	2007
Retrospective discount	4,050	5,416
Provisions*, **	4,586	4,567
Local taxes	818	776
Impairment and extraordinary depreciation	588	554
Assistance, benefits	120	92
Tax payables connecting to previous years	0	73
Paid compensation, fines, default interest	4	62
Expenses related to damages and losses	140	36
Shortage of tangible assets, inventories	0	8
Bad debt write-off	483	7
Book value of disposed tangible assets, intangible assets	48	6
Other profit decreasing items	102	77
Total	**10,939**	**11,674**

*Further environmental provisions are expected subject to the results of future environmental surveys. (See Note 42.4)

** The provision is disclosed in Note 25.

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

33. 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 2006 and 2007 (the table below presents only those items that cannot be found in the Profit and Loss Account prepared with the “Total cost” method):

Description	2006	2007
Direct cost of sold products	253,984	279,173
Purchase Cost of goods sold	17,290	9,791
Cost of services sold	2,640	2,352
Total direct costs of sales	**273,914**	**291,316**
Sales, distribution expenses	2,466	2,470
Administration expenses	9,064	9,582
Other general overhead expenses	387	314
Total indirect costs of sales	**11,917**	**12,366**
Total costs	**285,831**	**303,682**

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

34. Material type services

Material type services in 2006 and 2007 are as follows:

Description	2006	2007
Maintenance costs	4,200	3,706
Sundry sales costs	3,137	3,530
Fee of outsourcing service	428	1,842
Rental fee cost	724	630
Services provided by Petrolszolg Kft	501	536
PR, advertisement expenses, telecommunication	479	517
Environmental expenses	487	506
Transportation, loading, storage	596	444
Technical development cost	209	275
Public sanitation	245	251
Fire protection service	227	232
Advisory, consultant and audit expenses	158	200
Software development	173	194
Security service	172	173
Training cost	81	142
Hiring cost of labour	91	128
Travel and accommodation expenses	103	116
Waste material utilization, cost of elimination	145	106
Health care service	58	53
Fees paid to non natural entities	34	44
Payroll	42	43
Translation	19	25
Leasing	15	12
External data processing	3	0
Other	309	406
Total	**12,636**	**14,111**

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

35. Other services

Other services in 2006 and 2007 are as follows:

Description	2006	2007
Insurance fees	1,188	944
Authority charges	180	185
Bank charges	146	157
Total	**1,514**	**1,286**

36. 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 2006 and 2007 is summarized below:

Description	2006	2007
Board of Directors	5	67
Supervisory Board	5	22
Total	**10**	**89**

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.

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

37. Employees

In 2006 and 2007 the average number of employees per profit centres or service units was the following:

Description	2006			2007		
	Blue collar (persons)	White collar (persons)	Total (persons)	Blue Collar (persons)	White collar (persons)	Total (persons)
Petrochemical	531	111	642	387	88	475
Energy supply unit	95	71	166	95	69	164
General management	4	52	56	4	55	59
Maintenance units	0	34	34	0	35	35
Other units	147	351	498	118	336	454
Total	**777**	**619**	**1,396**	**604**	**583**	**1,187**

Personnel related costs for 2006 and 2007 are detailed below:

Description	2006			2007		
	Blue collar	White collar	Total	Blue collar	White collar	Total
Petrochemical	1,454	633	2,087	1,291	525	1,816
Energy supplying unit	272	327	599	298	342	640
General management	8	352	360	9	480	489
Maintenance units	0	167	167	0	199	199
Other units	420	1,929	2,349	378	2,238	2,616
Total	**2,154**	**3,408**	**5,562**	**1,976**	**3,784**	**5,760**

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

38. Other financial income and other financial expenses

Other financial income for 2006 and 2007 are summarized as follows:

Other financial income	2006	2007
FX gain on monetary assets and liabilities denominated in foreign exchange	3,664	3,386
Other	15	20
Total	**3,679**	**3,406**

Other financial expenses for 2006 and 2007 are summarized as follows:

Other financial expenses	2006	2007
FX loss on monetary assets and liabilities denominated in foreign exchange	4,081	3,286
Other	507	507
Total	**4,588**	**3,793**

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

39. Extraordinary revenues and expenditures

Extraordinary revenues for 2006 and 2007 are summarized as follows:

Extraordinary revenues	2006	2007
Sales value and market value of assets received free of charge	195	40
Cash received not for developments	0	17
Surplus of finished products	0	6
Sales value and market value of own shares repurchased	189	0
In kind contribution value of TVK Polisec Kft.	12	0
In kind contribution value of TVK Austria GmbH	5	0
Total	**401**	**63**

Extraordinary expenditures for 2006 and 2007 are summarized as follows:

Extraordinary expenses	2006	2007
Book value of receivables remitted	32	19
Book value of assets received free of charge	0	4
Value of repurchased own shares retirement by record	189	0
Book Value of TVK Polisec Kft.	12	0
Book Value of TVK Austria GmbH	5	0
Total	**238**	**23**

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

40. Hazardous waste (non audited)

The following table shows the movement of hazardous waste at the Company in 2006 and 2007 (data in tons):

EWC code	Dangerous waste	2006	2007
201035	Scrapped electric and electronic equipments	0.0	4.5
130205	Waste oil	5.1	0.0
170601	Asbestos containing scrap	1.0	0.0
150202	Oil stained cloth	0.9	0.0
200121	Used fluorescent lamp	0.9	0.0
150110	Chromium III stained drum	0.7	0.0
130307	Transformer oil	0.6	0.0
160107	Oil filters	0.5	0.0
070704	Non- halogenous solvent mixture	0.3	0.0
080317	Toners containing hazardous materials	0.3	0.0
150110	Oil drum	0.2	0.0
070710	Other filter-cakes	0.1	0.0
070703	Halogenous solvent mixture	0.1	0.0
	Total	**10.7**	**4.5**

Dangerous wastes 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 2006 and in 2007(data in tons):

	Opening value	Increases	Decreases	Closing value
2006	28	2,426	2,444	10
2007	11	1,843	1,849	5

In connection with the management of hazardous waste HUF 58 million and HUF 36 million expenses incurred for 2006 and 2007, respectively.

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

41. 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.

41.1. Related party transactions

	2006 HUF million	2007 HUF million
Sales		
- of which: to MOL Group companies	51,496	57,412
of which : MOLTRADE- Mineralimpex Zrt	45,363	49,404
to related parties	6,092	6,082
Purchase		
- of which: from MOL Group companies	210,747	233,389
of which : MOLTRADE- Mineralimpex Zrt	195,101	221,544
from related parties	12,566	13,390

41.2. Share-based payment plans

General Incentive Schemes for management to 2007

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 2006 will be held in 2007, and based on this that part which is due within one year will be paid in May 2007, while deferred part will be settled in 2009.

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.

42. Off-balance sheet items

42.1. 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.

42.2. Contractual commitments related to capitalization projects

The total value of capital commitments as of 31 December 2007 is HUF 487 million, which is fully attributable to TVK Plc.

42.3. 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 flow rate/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.

42.4. 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.

From 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 2007 and in 2006 HUF 261 million and 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 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.

In line with strategic environmental planning, the highest priorities at the TVK-TIFO industrial site are to protect human ecological receptors and to minimise environmental exposures (i.e. to identify and prevent the both horizontal and vertical spread of pollution).

In order to gauge the deep pollutant towards the south-east of the Company's premises, the boundaries of the polluted area (both vertically and horizontally) was identified with a so called "pollutant dynamism monitoring system". Sampling and analyses already in progress need to be finalised in order to understand the pollutant's movement and dynamics.
Pollution is unchanged or is receding at the Emergency storage facility area of the Olefin container park.
The results of risk assessment reviews first started in 2006 have already limited the number of risks. Health hazards reviews of farmland in 2006 and 2007 found that crops produced in farmland at the eastern boundary of the TVK-TIFO site as reviewed in phase 1 and phase 2, did not represent over-the-limit health hazard for breeding stock or for humans.

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.

Two major waste treatment projects that aim to restrict the source of pollution were completed in 2007. By eliminating the defecation mud containers, a project started in 2004, in the northern southern parts of the plant, all the defecation mud had been cleared away. Again in 2007, we completed the in-situ decontamination of emergency waste water containers at the former olefin and paint factory.

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 3,009 million as of 31 December 2007 (2006: HUF 3,675 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.

42.5. 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 26.5 million (financially settled in 2006) plus HUF 41.9 million tax penalties and late payment interest. The total financial impact was HUF 41.9 million loss recognized in 2007.

The Company contested the resolution of second instance of the Tax Authorities but the court rejected our claim on the grounds that tax penalty is within the Company's sphere of influence. No appeal has been filed.

42.6. Change of Ownership Structure

On February 27 and 28, MOL Plc. purchased TVK Plc shares that represent 42.24% of TVK's share capital. Subsequent to the transaction, MOL Plc's direct and indirect influence over the Company increased to 94.86%.

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

43. Corporate tax

The differences between the profit before tax and the tax base for 2006 and 2007 are presented below:

Description	2006	2007
Profit before taxation	**16,104**	**29,784**
Inventory and fixed asset write-offs	(10,011)	(7,539)
Provisions	1,486	(295)
Contribution of foundations	119	93
Gives cash finally	0	0
Debt assumption	0	0
Non-business related expenditure	414	9
Development reserve	0	(500)
Research and development costs according to the Act on accounting	(112)	(203)
Dividend received	(510)	(798)
Local corporate tax accounted as expense (100% in 2006, 100% in 2007)	(709)	(666)
Application of accrued loss	0	(1,111)
Other	40	194
Tax base	**6,821**	**18,968**
Corporate tax (16%)	1,091	3,035
Tax relief	1,091	0
Taxation	**0**	**3,035**
Solidarity surplus tax	**209**	**1,155**
Profit after taxation	**15,895**	**25,594**

The applicable corporate income tax rate in Hungary was 16% in 2007.
As TVK Plc. could not meet the requirement to increase the number of employees, a condition of tax allowances related to strategic investment projects started before December 31, 2002 that can be used up to 2011, it could not take advantage of this allowance.
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.

44. Subsequent events

The Board of Directors approved the Financial Statements on 28 March 2008.

Based on the Resolution of the Shareholders' Meeting held on 17 April 2008, HUF 8,963 million dividend will be paid out of the 2007 profit.