

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

**BUSINESS REPORT ON THE YEAR 2008  
BASED ON THE TISZA CHEMICAL GROUP  
PUBLIC LIMITED COMPANY'S  
ANNUAL REPORT PREPARED IN ACCORDANCE  
WITH HUNGARIAN ACCOUNTING STANDARDS  
(with dividend)**



Tiszaújváros, 20 March 2009

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Chief Executive Officer

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# 1 INTRODUCTION

## 1.1 ECONOMIC ENVIRONMENT

The changes in the global markets and in the national macro environment, as well those in the trends of the industry made a more than ever intense impact on the results of our Company in 2008. The continuously and widely changing external conditions had both positive and negative effects on the profit making capacity of our Company.

### Macroeconomic Processes

For the world economy, the most decisive event in last year was the financial crisis, which began in the United States where it was triggered by the population's increasing consumption built on credits for decades and also by a wide scale financial liberalisation, which made purchases of credit possible. The loose financial control allowed the banking system to extend large volumes of high risk mortgage credits. Credit restraint and monetary stringency came about after the unsecured claims were written off.

This event makes each of the international economic research institutes give a lessening forecast for the growth rate of the world economy. Earlier estimates expected a slow economic expansion, which would be followed by a gradual speed up later on. In contrast, recent calculations show that this cycle will reach its down surge not earlier than in 2009 in the best case. The forecast prepared by the International Monetary Fund in October 2008 expects only a 3.9% growth for 2008 and only 3.0% for 2009. In particular, the prospects of the United States and of the euro zone are likely to impair. Instead of the 1.8-1.9% growth predicted in January, the forecast prepared in October indicated a probable growth of only 0.1-0.2% for the European and American economies. The European Commission too corrected its trade cycle forecast downwards.

The average oil price per barrel in 2008 was 99.7 USD. The oil price showed an increasing tendency before it reached its highest level, that is 144.2 USD/brl in July, then it kept decreasing to get down to its deepest level of 33.7 USD/brl in late December.

### Economy tendencies in Hungary

The growth rate of the Hungarian economy was barely 1.9% in the first half of 2008. The two top sectors were the industry and agriculture. The growth rate of the production sectors however, significantly slowed down in 2008. After a 2% increase in the first half of 2008, the gross domestic product of Hungary showed only 0.8% increase in the third quarter of the year. The processes going on in the real economy in the second half of the year caused stagnation or decrease in the areas sensitive to import markets.

During 2008, the Monetary Council of the Hungarian National Bank changed its base interest rate six times. Up until April 2008, the interest rate was 8%, which changed to 8.5% in May and went up to 11.5%, its highest level in October, and then, it went down to 10% at the end of the year.

At the beginning of the year, the domestic inflation rate amounted to 7.1%, which would fall to 3.5% in December: the yearly average inflation rate was 6.1%. The drop can be accounted for the decrease in the producer prices of the agricultural products and for the change in the world market price of the oil, and also for the evolving recession, primarily.

The national currency produced more than 8% strengthening against the common European currency in the next quarter following the cancellation of the price band according to ERM-II system in late February (in the period concerned the strongest and the weakest levels were 15% apart from each other). The average HUF/EUR rate of exchange dropped from the first quarter's 259.36 HUF/EUR to 247.93 HUF/EUR in the second quarter. The rate decreased in the third quarter of 2008 to 236.17 HUF/EUR, whereas the average rate of the fourth quarter was 262.42 HUF/EUR. In the last weeks of the year HUF moved within a narrow zone around 264 HUF/EUR and closed the year at a value of 264.78 HUF/EUR.

### **Petrochemical Trends**

In 2008 the price level of the raw materials necessary for monomer production increased in the first half of the year, and then it gradually lessened during the second half. In 2008 the average quoted (Naphta FOB med) price of naphtha (759 USD/t) showed a year on year increase of 17% whilst the average quoted (CIF med) (922 USD/t) price of atmospheric gas oil was 39% higher than in 2007. (Appendix no. 5)

The prices of TVK polymers quoted for the European market (ICI's lor fd NWE) decreased in the first quarter and increased in the second quarter of the year, while they continuously decreased in the second half. The average quoted price for polyethylenes was 1-2% lower; while the average quotation for polypropylenes was 6-7% lower than in 2007. For the year as a whole, the average quoted price of LDPE was 1,165 EUR/t, that of blown HDPE grade was 1,141 EUR/t, whilst PP homopolymer raffia and copolymer grades were 1,062 and 1,131 EUR/t. (Appendix no. 4)

The exchange rate of the forint against the euro remained almost unchanged, however the exchange rate of the forint against the dollar decreased by 6%, and the cross rate of the euro against the dollar increased by 7%.

Under the combined effect of the changed polymer raw material prices and of the changes in the cross rate of the euro against the dollar, the integrated yearly average margin on petrochemical products remained 19% below the yearly average margin in 2007 when these yearly average values are calculated both in forint and dollar.

## 1.2 STOCK EXCHANGE SITUATION

### TVK share on the Budapest Stock Exchange

In 2008, the performance of the global capital markets was determined by the financial crisis. Eroding liquidities and long seen changes in the exchange rates were typical of the capital markets in the third part of the year, primarily. In response to market changes, the BUX of the Budapest Stock Exchange reached its deepest level in last October when it settled at 10,751 points, representing 58% drop when compared to the index level at the beginning of the year. At the end of the year, the BUX closed at 12,242 points, or 53% below the 25,890 points at the beginning of the year. On the spot markets, the share section including the shares gave a larger part of the trading (92%). The brokerage trading accounted for 85% of the total turnover including 67% generated by resident investors.

TVK shares were among those domestic shares, which suffered the highest losses in 2008: TVK share price went down by 66%. The two extreme share prices are HUF 7,060 on January 2, 2008 and HUF 2,405 as the closing share price as of December 31, the last trading day of the year. TVK share price followed the changes in the BUX and continuously decreased throughout the year. The annual volatility was 30.7%. (Appendix no. 3)

In 2008 the TVK shares had an annual turnover of HUF 5,637 million and 1,284,152 shares were sold with an average daily volume of HUF 22.5 million. TVK's market capitalisation reached HUF 58,420 and remained 67% below last year's level of HUF 179,752 million; however, the Company managed to keep its position and still remained the eighth among the listed companies in terms of market capitalisation. The TVK share was not one of the specifically liquid securities during 2008 either due to the limited free float.

### Ownership Structure

In 2008 the ownership structure of the company didn't change significantly, as in the person and share of shareholders holding a property of more than 5% a significant change didn't happen. According to MOL Plc. shareholder's book, MOL Plc. possesses 86.79% of TVK shares, while MOL Plc.'s subsidiary, Slovnaft a.s. owns 8.07%. MOL Plc's direct and indirect influence over the Company is 94.86%.

During the year, domestic institutional investors accounted for 90%, while foreign institutional investors possessed 10% of the shares, the same percentage as in the previous year. The ownership share of private investors was not significant this year, it was hardly 1% at the end of the year. The Company had no treasury shares in 2008 either. According to a resolution of the Company's General Meeting held on April 17, 2008, a part of the Company's profit after tax generated in the business year of 2007, that is, HUF 8,963,321,067 had to be paid as dividend, beginning on June 2, 2008, representing HUF 369 earning per share.

### Ownership Structure as per the Share Register

Description of owner	December 31, 2007			December 31, 2008		
	Ownership ratio (%)	Voting ratio (%)	Holdings (of shares)	Ownership ratio (%)	Voting ratio (%)	Holdings (of shares)
Domestic institutional investors	87.09	87.09	21,154,466	88.63	88.63	21,530,125
Foreign institutional investors	8.14	8.14	1,976,426	9.95	9.95	2,416,138
Domestic private investors	0.27	0.27	65,711	1.40	1.40	339,587
Foreign private investors	0.00	0.00	941	0.01	0.01	2,391
Employees, senior officers	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Shares held by unidentified parties	4.50	4.50	1,093,299	0.01	0.01	2,602
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>24,290,843</b>	<b>100.00</b>	<b>100.00</b>	<b>24,290,843</b>

### Shareholders with more than 5% interest

On December 31, 2008, as per Share Register

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

Remark:

In accordance with the resolution of 2008 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.

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

### 1.3 SUBSIDIARIES

For the detailed list of the associated companies of TVK Plc. see Enclosure no. 13.

## 2 ANALYSIS OF THE AUDITED BALANCE SHEET AND PROFIT AND LOSS DATA OF TVK PLC. FOR THE YEARS 2007 AND 2008

### 2.1 STRATEGIC FINANCIAL RATIOS

Financial Ratios	2007	2008
<b>EPS</b> – Earnings per share (HUF/share) (Profit after tax / number of ordinary shares)*	1,053.65	27.79
<b>OCF/Shares</b> – Operating cash-flow per share (HUF/share) (Operating cash flow / number of ordinary shares)*	1,380.18	59.28
<b>Net debt/equity</b> – Net debt to equity % ((Long-term and short-term loans less cash and bank less securities, except repurchased employee shares) /equity)*100	(2.12)	8.24

\*The total number of ordinary shares was 24,290,843 in 2007 and in 2008.

### 2.2 PROFITABILITY AND PROFITS

	2007	2008
Net domestic sales	167,376	172,119
Net export sales	172,135	154,258
<b>Net sales</b>	<b>339,511</b>	<b>326,377</b>
Capitalized value of own performance	3,854	(3,092)
Other income	5,449	5,386
Material type expenses	287,662	294,906
Personnel costs	8,950	8,421
Depreciation	10,924	11,157
Other expenditures	11,674	11,797
<b>Operating profit</b>	<b>29,604</b>	<b>2,390</b>
<b>Financial result</b>	<b>140</b>	<b>(1,716)</b>
<b>Ordinary result</b>	<b>29,744</b>	<b>674</b>
<b>Extraordinary result</b>	<b>40</b>	<b>1</b>
<b>Profit before taxation</b>	<b>29,784</b>	<b>675</b>
<b>Profit after taxation</b>	<b>25,594</b>	<b>675</b>
<b>Net income</b>	<b>16,631</b>	<b>0</b>

In 2008, the net sales of TVK Plc. came to HUF 326,377 million which is 3.9% higher than in the previous year, owing fundamentally to lower volumes sold and the unfavourable turn of exchange rates and polymer prices, which was mitigated partially by the increasing sales price of olefin products. Net domestic sales amounted to HUF 172,119 million after an 2.8% increase. Net export sales amounted to HUF 154,258 million after an 10.4% decrease. Domestic sales represented 52.7% of the net sales of the Company compared to 49.3% a year earlier.

Enclosure no. 8 presents the net sales of the Company by region. In 2008, TVK Plc. realized 47.3% of its sales income from exports.

The capitalised value of own production amounted to HUF -3,092 million in 2008. The change in self-manufactured inventories was HUF -3,993 million (that includes HUF 338 million effects of volume changes, and HUF -4,331 million effect of price changes) as compared to the value of HUF 3,235 million a year earlier. The capitalised value of self-manufactured assets was HUF 901 million.

Other income decreased by HUF 63 million as compared the previous year, due to decreased amount of compensation received from insurance companies.

Material type expenses amounted to HUF 294,906 million, 2.5% higher than in 2007. Material costs totalled at HUF 271,690 million as opposed to HUF 260,122 million in 2007. The higher cost of feedstock reflects the higher quoted price of the feedstock used for producing monomers, but the effect was mitigated substantially by the HUF appreciating against the USD and on a smaller scale by the reduction of the volume of feedstock used. Energy costs were up by 24% in 2008, but the volume consumed dropped slightly due to curbing production.

The value of services used fell by HUF 867 million to HUF 13,244 million.

The main reasons for the decrease are a reduction of freight costs by HUF 279 million and a decrease of the fee paid for outsourced logistics services by HUF 110 million due to reduced sales volumes.

In 2008, the value of other services reached HUF 1,136 million, decreased by 11.7% compared to the previous year, due to the decline of property and breakdown insurance fees.

The cost of goods sold was HUF 6,038 million compared to the value of HUF 9,791 million in 2007. The cost of services sold was up by HUF 446 million to reach HUF 2,798 million in 2008.

Personnel costs decreased by 6% to HUF 529 million, despite implemented wage increases. The main item behind the reduction includes the change of accrued items.

Depreciation increased by HUF 233 million to come to HUF 11,157 million.

Other expenses amounted to HUF 11,797 million, which represent an increase of HUF 123 million, year on year. The change is mainly due to the increased amount of bonus granted to the customers.

Operating profit fell from HUF 29,604 million to HUF 2,390 million according to the above.

Financial loss amounted to HUF 1,716 million contrary to a profit of HUF 140 million in the preceding year. Financial income of the Company increased by HUF 5,750 million, financial expenses rose by HUF 7,606 million as compared to the previous year. The reason for the growth in both cases is the FX volatility of monetary assets and liabilities denominated in foreign exchange. Due to the downturn of cash generation capacity, the interest income decreased. Interest expense reduced by HUF 98 million year on year due to the lower average amount of debt on the books.

Profit on ordinary activities reached HUF 674 million, which is HUF 29,070 million lower than in 2007.

The extraordinary profit amounted to HUF 1 million decreased by HUF 39 million on the previous year.

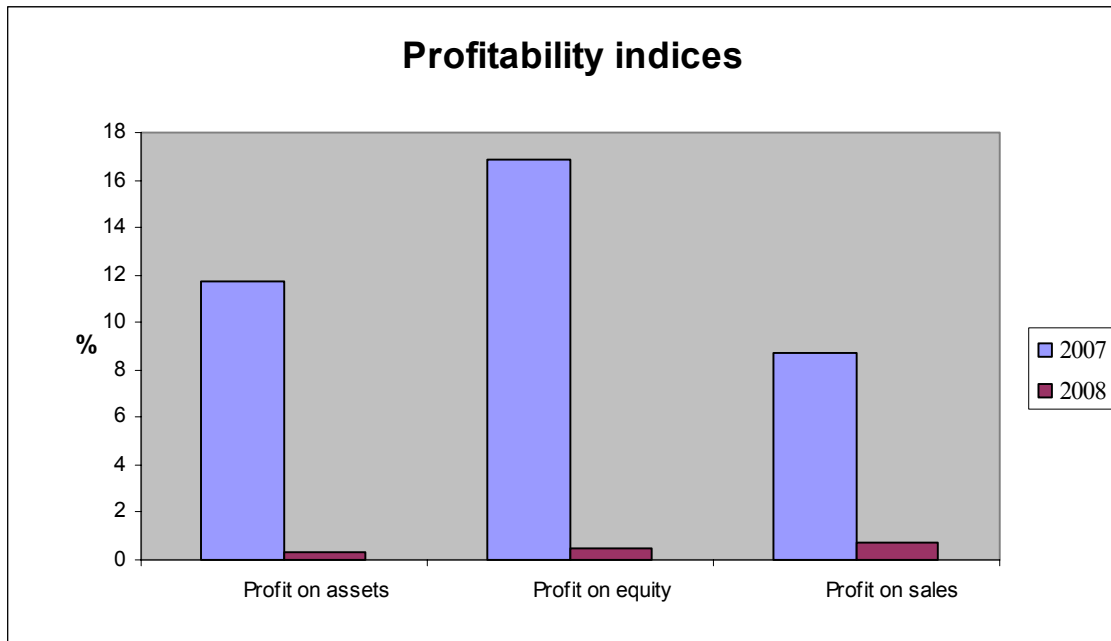
In 2008, profit before taxation was HUF 675 million, which is HUF 29,109 million (97.7%) lower than in the preceding year.

Due to the effect of tax base corrections, the positive profit before taxation turned into negative in 2008, so no tax income liability was arisen.

Based on the Resolution of the Shareholders' Meeting held on 16 April 2009, HUF 1,992 million dividend will be paid, on the one hand from the profit of 2008 (HUF 675 million) and on the other hand from the retained earnings (HUF 1,317 million).

## Ratios that Measure Profitability

	2007	2008
Return on Assets ( % ) (Profit after tax / Total assets)*100	11.70	0.35
Return on Equity ( % ) (After-tax profit / Equity)*100	16.90	0.45
Return on Sales ( % ) (Operating profit / Net sales income)*100	8.72	0.73



The reason for the decrease of all three ratios is the decline of profit before tax in 2008.

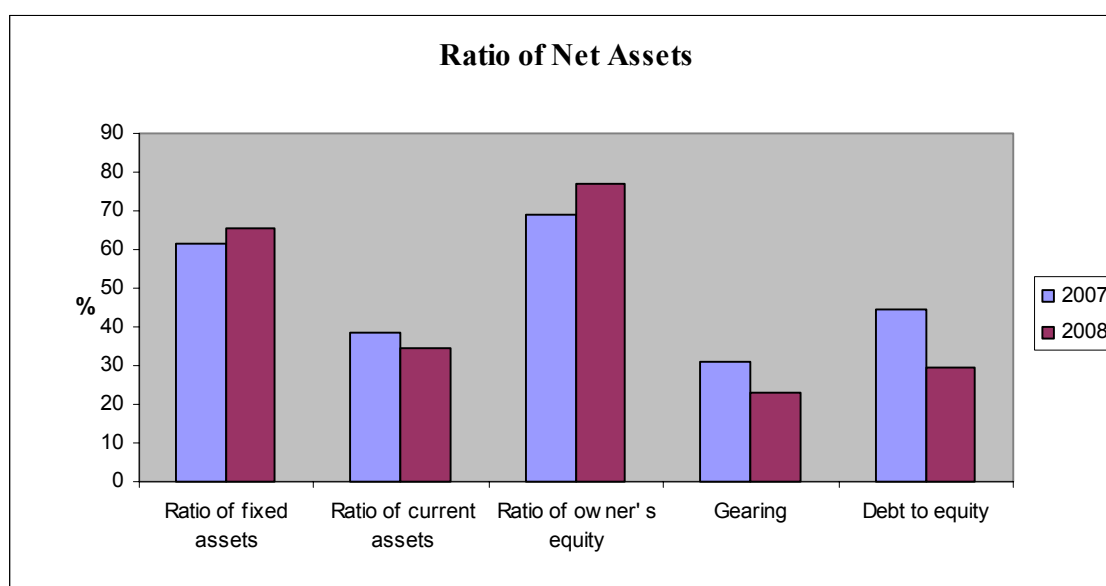
## 2.3 NET ASSET POSITION

On December 31, 2008, the balance sheet value of assets and liabilities was HUF 194.5 billion, HUF 24.3 billion lower than in 2007. (Enclosure No. 7)

### Ratios that Measure Net Assets

	2007	2008
Ratio of Fixed Assets ( % ) (Fixed assets/Total assets)*100	61.56	65.72
Ratio of Current Assets ( % ) (Current assets/Total assets)*100	38.44	34.28
Ratio of Owner' s Equity ( % ) (Owner' s Equity/Total sources)*100	69.23	77.21
Gearing ( % ) (Liabilities/Total sources)*100	30.77	22.79
Debt to Equity ( % ) (Liabilities/Owner' s Equity)*100	44.45	29.52

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



The 11.1% decrease of the balance sheet total was accompanied by a decrease in long-term assets (5.1%) and a decrease of current assets (20.8%).

Fixed assets decreased by HUF 6,862 million. The net value of intangible assets decreased by HUF 313 million. The net value of tangible assets decreased by HUF 6,530 million due first of all to the lower value of assets attributable to recognized depreciation. The amount of depreciation came to HUF 11,157 million and the amount of investments came to HUF 4,433 million in 2008.

Current assets amounted to HUF 66,391 million by year-end 2008 after decreasing by HUF 17,426 million, including a 34% reduction of the value of inventories as inventory depreciated due to lower feedstock prices. The reduction was mitigated by the slight increase of olefin products and goods on hand. The value of accounts receivable shows a year-on-year increase of 33% due to the lower selling price of polymer products. Receivables from associates include the loan extended to the parent company (HUF 10,627 million) at the end of the year.

Other current assets increased by 34%, due to the increase of amounts receivable on the VAT account and a rise in the value of paid company tax in advance and transferred with the option to reclaim. The underlying reason for the lower value of cash and bank is the downturn of cash generation capacity since the reference period.

## 2.4 CHANGES IN FINANCIAL POSITION

### Ratios that Measure Financial Position

	2007	2008
<b>Liquidity ratio</b>		
Current assets/Short term liabilities	1.67	1.85
<b>Acid test ratio</b>		
(Current assets-Stocks)/Short term liabilities	1.41	1.60

The value of short-term liabilities fell by 28% to HUF 35,952 million between December 31, 2007 and December 31, 2008. The variance reflects first of all the reduced value of accounts payable as both the price charged for and the volume of olefin plant feedstock purchased in December was lower, which was partially compensated for by the reclassification of the current portion of long term loans under short term liabilities.

The reason for the reduction of long-term debt portfolio is the repayment of EUR 20 million in December from the EUR 50 million shareholder loan taken out in June and the reclassification of still existing shareholder loan as a short term loan (its maturity date is on December 29, 2009).

Enclosure no. 9 shows the changes in financial assets and loans.

## 2.5 CHANGES IN THE REGISTERED CAPITAL, CAPITAL RESERVED RETAINED EARNINGS AND ALLOCATED RESERVE

HUF million

	Opening balance	Change	Closing balance
Registered capital	24,534	0	24,534
Capital reserves	4,624	0	4,624
Retained earnings	105,162	15,814	120,976
Allocated reserve	500	(500)	0

Retained earnings were raised by the 2007 net profit (HUF 16,631 million) and the change of allocated reserve (HUF 500 million), but decreased by the dividend after 2008, which amounted to HUF 1,317 million.

The allocated reserve contained the amount of development reserve, according to the law of corporate tax and dividend's tax.

### 3 PRODUCTION AND SALES BY BUSINESS DIVISION

#### 3.1 OLEFIN BUSINESS UNIT

Description	Key figures	Unit	2007	2008	Variance (%) 2008/2007
Use of naphtha*		kt	1,568.1	1,618.7	103.2
Use of gas oil		kt	203.1	59.7	29.4
Ethylene purchase		kt	31.0	1.7	5.5
Propylene purchase		kt	1.8	3.5	194.4
Ethylene production (gross)		kt	648.6	606.4	93.5
Propylene production (gross)		kt	335.1	309.5	92.4
Capacity utilization (for ethylene)		%	104.6	91.9	87.9
Ethylene sales		kt	159.1	142.6	89.6
Propylene sales		kt	45.5	22.8	50.1
Net sales		HUF million	103,963	108,843	104.7
Domestic		HUF million	94,688	102,680	108.4
Export		HUF million	9,275	6,163	66.4

\*includes the usage of light hydrocarbons.

The two most important olefin products are ethylene and propylene.

Capacity utilisation in the Olefin 1 Plant in 2008 was 85.5%. This was due to a short pyrolysis raw material supply (in May, the Plant stopped processing gas oil, a significantly more expensive feedstock than naphtha: the cheaper naphtha was not available to make up for the missing gas oil quantities), and to lower production quantities caused by plant shutdowns. This explains why the production volumes in 2008 remained below those in 2007.

The production in the Olefin 2 Plant was higher than in the base year, even if short raw material supplies cut down production capacity for a few months in the year. Modifications implemented during the turnaround in 2007 increased daily average production capacities: the plant's rated capacity increased to 290 kilotons in 2008 from 250 kilotons in 2007. Export polypropylene sales were influenced by the low demand for polymer and monomer.

The raw material for pyrolysis was supplied by MOL Group. When olefins production was cut back 3.5 kilotons propylene had to be purchased to secure the production in the polymer plants.

## 3.2 POLYMER BUSINESS UNIT

### 3.2.1 LDPE

Key figures Description	Unit	2007	2008	Variance 2008/2007 %
Volumes produced	kt	99.4	88.9	89.4
Capacity utilisation	%	102.5	91.7	89.5
Sales*	kt	100.7	88.8	88.2
Domestic	kt	47.9	38.8	81.0
Exports	kt	52.8	50.0	94.7
Net sales revenues*	HUF million	29,669	25,822	87.0
Domestic	HUF million	14,185	11,255	79.3
Exports	HUF million	15,484	14,567	94.1
Sales structure*				
Domestic	HUF million	14,185	11,255	79.3
Europe	HUF million	14,569	14,275	98.0
Outside Europe	HUF million	915	292	31.9

### 3.2.2 HDPE

Key figures Description	Unit	2007	2008	Variance 2008/2007 %
Volumes produced	kt	402.4	360.1	89.5
Capacity utilisation	%	100.6	85.7	85.2
Sales*	kt	402.1	360.8	89.7
Domestic	kt	38.1	36.1	94.7
Exports	kt	364.0	324.7	89.2
Net sales revenues*	HUF million	118,188	103,291	87.4
Domestic	HUF million	11,447	10,475	91.5
Exports	HUF million	106,741	92,816	87.0
Sales structure*				
Domestic	HUF million	11,447	10,475	91.5
Europe	HUF million	101,844	89,872	88.2
Outside Europe	HUF million	4,897	2,944	60.1

### 3.2.3 PP

Key figures Description	Unit	2007	2008	Variance 2008/2007 %
Volumes produced	kt	283.4	282.7	99.8
Capacity utilisation	%	101.2	101.0	99.8
Sales*	kt	279.8	283.5	101.3
Domestic	kt	138.9	138.0	99.4
Exports	kt	140.9	145.5	103.3
Net sales revenues*	HUF million	79,115	77,864	98.4
Domestic	HUF million	38,664	37,399	96.7
Exports	HUF million	40,451	40,525	100.2
Sales structure*				
Domestic	HUF million	38,664	37,399	96.7
Europe	HUF million	38,788	38,945	100.4
Outside Europe	HUF million	1,663	1,580	95.0

The total polymer production amounted to 731.7 kt in 2008 that is lower than in the previous year by 53.5 kt and record quantity in the operation of TVK. In this year production was lower in every product segment, than in 2007. The production of the HDPE plants decreased to the greatest extent compared to 2007 (HDPE-1 -24.3 kt, HDPE-2 -18.0 kt). The polymer plants used the available monomers in accordance with the optimisation of customer and product portfolio.

2008 sales amounted to 733.1 kt, which is lower than in the previous year by 49.5 kt. Except for PP, sales lessened in each product segment. Lower LDPE production caused lower domestic sales, while lower HDPE-1 and HDPE-2 production quantities resulted in lower export sales.

71 % of total sales, or 520.2 kilotons, were realised on export markets, while 29%, or 212.9 kilotons were sold on domestic markets.

The net income from polymer sales amounted to HUF 207 billion in 2008, which is lower than in 2007 (HUF 227 billion) by HUF 20 billion. Lower sales volumes and lower quoted polymer prices had an unfavourable impact on the revenue of the Company.

In 2008 export sales continued to focus onto the European markets, which means that 97% of the export sales income was realized in Europe and 3% was realized outside Europe.

Appendix no. 12 gives a comprehensive overview of the production and capacity utilization in the polymer segment furthermore about the sales revenues.

## 4 CAPITAL AND DEVELOPMENT PROJECTS

### 4.1 CHANGES IN CAPITAL EXPENDITURE

Changes in capital expenditure of TVK Plc. in 2008.

Description	HUF million
	Value of Capital expenditures and Development Projects
<b>Grand total:</b>	<b>4,433</b>
<b>I. Individual projects</b>	<b>1,449</b>
Olefin-1 reconstruction	585
Olefin-1 development	29
The revamp and capacity expansion of the conversion oil unloading section	528
Pipe rack reconstruction	129
HDPE-2 logistic development	43
HDPE-2 Oligomer removing system	41
HDPE-1 revamp	16
The increase of the operation reliability of the electric supply system	23
The preparation of new projects	26
The reduction of hazardous exposures (purchase of laboratory equipment)	4
Payments carried over from 2007	25
<b>II. Maintenance projects and refurbishments</b>	<b>2,377</b>
Capital expenditures into and refurbishment of operating assets	1,085
Capital expenditures and refurbishments to support operations	746
Infrastructure projects and renovations	314
Safety engineering development	195
Environmental projects	37
<b>III. Other development projects</b>	<b>607</b>
Capitalized value of technical developments	30
Information technology and other projects related to the management segment	577

In 2008, the maintenance projects renovations represented efficiency improvement individual projects a value of HUF 1,449 million and the major part of investments in a value of HUF 2,377 million. We spent HUF 607 million on other development projects, within which value of IT and other development projects was 577 million HUF.

## 4.2 DETAILS OF INDIVIDUAL PROJECTS IN 2008

A highlighted task for 2008 was the preparation of the Olefin 1 Plant for its partial revamp to be implemented during the 2009 turnaround of the plant. The objective of this project is to improve the technical conditions of the plant playing an outstanding role in the value chain of MOL Group and to create the right conditions to allow the plant to operate at its capacity. The appropriate technical and commercial preparations for the revamp actions to be executed during the turnaround of the plant are indispensable requirements for a successful project implementation.

The efficiency improvement of the Olefin 1 Plant made us decide in midyear to expand the capacity of the ethane furnace in order to save both feedstock and operating costs, which were the two actual objectives of the project. After fast preparations, we made a contract with Linde in November for the basic engineering for the project. Engineering has begun, and further contracts will be concluded and the project implemented in 2009.

We initiated the revamp and expansion of the conversion oil preheating and unloading section at the beginning of the year and successfully completed it in December. Under this project we revamped the three existing railway unloading stations and built two new ones next to them, which implied modern technical solutions and better supported the requirements of the operation. The expanded and revamped unloading station allowed us to collect CH gases released during preheating and unloading and send them to the plant's flare for burning. This way, the reduction of air pollution results in a further reduced environmental load, which was under the limit value before.

We began development actions in the logistics area of the HDPE 2 Plant and completed them in late October. We built a new modern railway loading and storage area capable of receiving six railway carriages at a time where polyethylene and polypropylene products on pallets can be loaded into railway carriages day and night safely.

Under the MegaJoule projects recommended for the efficiency improvement of the energy consumption of the operations, in the second half of the year, we prepared the installation of a gravel bed water filter for the make-up water feeder for the common cooling water system of the HDPE 2 and the Olefin 2 plants. This additional filter allows us to reduce corrosion hazards in the technological systems significantly and therefore, the heat exchangers need cleaning less often. Implementation is scheduled for 2009.

The pipe rack reconstruction program commenced in 2007 was closed down in September 2008. Under the project, the scheduled pipe rack sections were totally rehabilitated, which included the repair of live interplant lines, the revamp of pipe supports, insulation, and corrosion protection, and the removal of the unnecessary lines and cables. In addition to implementing the revamp, we updated the total piping documentation and the data base necessary for the authority rating of the pipe lines. Owing to a close control and a continued status management, we implemented this task without making any technical compromise and within the scheduled project budget.

For health protection reasons, we installed a suction hood and a dishwasher in the sample preparation section of the Olefin laboratory in order to reduce the risk of

hazardous exposure of the laboratory personnel. The equipment had been specifically designed for this laboratory and purchased from specialised companies. The project was initiated in September and successfully completed in November. Now, the installed units meet the requirements of the work place perfectly and reduce hazardous exposures as planned.

One of the specifics of Mitsui's process applied in our HDPE 2 Plant is that the process generates a high amount of hexane contaminated with oligomers. At present, this spent solvent is repyrolysed in the Olefin 2 Plant. We initiated that an oligomer stripping unit (ORS) was installed to remove oligomers from the spent solvent and to recover hexane from it for recycling. This improves both the specific solvent consumption of the plant, and the quality of the end products and allows the realisation of higher sales prices. In preparation for the project in 2008, we coordinated the technical scope and ordered the relevant PDP (Process Design Package), which was completed by the end of the year.

By implementing the Petrochemical Development Project in recent years, we installed new production capacities in TVK, which required higher energy consumption and resulted in a higher utilisation rate of the electric supply systems on the site. The new project launched in 2008 will improve the reliability of the power supplies and the safety of the supply systems in the Company. As part of this project we will install a 44 MVA transformer, 126/6.3 kV, and its necessary safety equipment next to the existing transformers of Electric Substations N°1 and N°2.

In 2008, we prepared the contracts required for the implementation of this project; actual deliveries and implementation are scheduled for 2009 and 2010, respectively.

In 2008, we launched the preparatory stages of the projects planned and recommended for implementation for the next period of time. The prepared and completed studies allowed us to define the basic data of future projects, to make rate of return calculations, and to compile the preparatory documents necessary for the environmental licensing of the planned new facilities.

### 4.3 PROJECTS ENSURING CONTINUOUS OPERATION

From among the projects and renovations initiated in 2008 the value of production and production supporting projects was the highest: HUF 1,831 million, which represented almost 77% of the total project value. HUF 195 million, was spent on safety engineering projects and HUF 37 million was expenditure on environment projects.

The following major production and production supporting projects were realized in 2008:

#### Major production, production enhancement works in 2008

- The revamp of storage tanks T-10003 and T-503
- pH control for E 1701
- The revamp of the radiation zone of furnace F1004
- Burners replacement in furnace F 1001
- Burners replacement in furnace F 1004
- The replacement of the catalyst activating tank (V-0101)
- Cylinder revamp in Stage II of hyper compressor 2KC2
- The replacement of the convection section and refractory revamp in furnace F 1004
- PLC replacement for the powder and pellets conveying system in the compounding section
- The revamp of flash gas compressor C402
- The revamp of crack gas compressor C2001

#### Projects required by the authorities

- The replacement of the electric motor of industrial water pump DN 24 and drive with a diesel motor
- The modernisation of the fire safety system in the old PB (IB at present) loading and unloading unit
- The replacement of the balancing lines and transmitters for the temperature measurement in furnace F1001-09
- Development of nitrogen system
- The replacement of PCB condensers (Stage 2)
- CH-proof coating for the conversion oil and BT pump areas
- To make the sampling system in the atmospheric storage area closed
- Chemical resistant coating for the floor of the chemicals store
- The replacement of the gas alarm instruments
- The revamp of the containment areas of hexane tanks TK-702 and TK-703

## **5 ENVIRONMENT, ENVIRONMENT TECHNOLOGY**

### **5.1 PROTECTION OF THE ELEMENTS OF ENVIRONMENT**

#### **Protection of the cleanliness of the air**

##### **Emission**

The process related pollutant emission of the plants complied with the valid emission limits on the basis of the emission measurements.

We spent HUF 2.0 million on the monitoring of air pollution point sources in 2008.

We check up the static point sources with periodic measurements made according to the legal regulations and with a frequency required by the authorities. We involve accredited laboratories to perform these measurements.

In 2008, in order to eliminate VOC emission problems in the conversion oil unloading and preheating section, we modernized the facility and made the process closed; we installed two unloading stations suitable for the handling of coal tar; we replaced the old draw bridges and unloading hoses with new unloading arms.

##### **Immission**

Our immission was under the given limit value in 2008.

##### **Waste handling**

The opening stock of hazardous wastes was 5.6 tons in 2008. The quantity of the hazardous wastes generated in the course of the year was 2,396 tons.

In case of non-hazardous wastes the same indices are: opening inventory 54 tons, total annual quantity produced: 729 tons.

The quantity of (hazardous and non-hazardous) wastes produced during normal operation was 2,633 tons. The costs of the treatment (decontamination, utilization) of hazardous wastes was HUF 62.8 million. In the course of the investment, maintenance activities some 493 tons of wastes were produced. The majority of these wastes was utilized, resulting in sales amounting to HUF 40.9 million for the Company.

In 2008 the Waste Management Plan (WMP) of TVK for the next 6 years has been prepared. The WMP describes the waste management activities, performance and objectives of the Company.

The Central Waste Yard of the Company started its operation in July 2008 with an external operator and in coordination with the SD and HSE.

No fines can be expected in connection with the waste management activity of TVK Plc. in 2008.

##### **Protection of the water quality**

Neither the wastewater tests performed during the year by the authorities nor the self-tests identified higher concentration of pollutants in the treated effluents discharged in River Tisza than allowed therefore no fine is expected regarding the effluents discharged in 2008.

An amount of HUF 262 million was spent on the treatment of contaminated water.

TVK operates its own drinking water production, cleaning and distribution system in order to supply drinking water at its industrial site. MOL Plc., TIFO is also supplied with drinking water from the drinking water produced in the water plant of TVK through the drinking water network of TVK.

Resulting from the continuous reduction in the drinking water demand of the industrial site at the present the water quantity produced is even lower than 50% of the allowed water quantity, which calls for the reduction of the water quantity committed. In order to do so TVK reviewed its drinking water production, cleaning and supply system and requested the relevant new, standardized, collective water rights operation permit and the reduction of the water quantity of 1,350,000 m<sup>3</sup>/year allowed for production to 700,000 m<sup>3</sup>/year.

## **5.2 MANAGEMENT OF ENVIRONMENT PROTECTION OBLIGATIONS RESULTING FROM PAST ACTIVITIES**

The Technical Response Plan Documentation submitted in order to meet the requirements of the authority concerned has been prepared in line with the effective legal regulations and included the short- and medium-term practical steps of the strategy and their planned scheduling required for the compliance with environment law and for the standardized management of environment responsibility all over the area of TVK-TIFO. The Company and MOL Plc. provide, within the frame of an integrated project, for the management of obligations resulting from past activities. Joint responsibility has been stipulated by TVK Plc. and MOL Plc. in the Cooperation Agreement signed July 2006.

The followings are the environment protection related obligations that we are aware of:

- ongoing waste treatment tasks,
- ongoing soil and ground water decontamination tasks,
- execution of supplementary tests,
- follow-ups after completed decontamination activities.

### **5.2.1 Ongoing waste treatment tasks**

At present the following waste treatment projects are in process:

- Re-cultivation of caustic sludge storages,
- Re-cultivation of wastewater emergency reservoirs of the Olefin plant and of the paint factory.

The lime sludge storages have been emptied and the industrial utilization of lime sludge has also been finished. The technical part of the project was closed on December 31, 2007.

The closing document of the technical intervention and the recultivation plan were prepared by BGT Hungária and these documents was submitted to the authority in April. The authority, with its resolution No. 10605-7/2008 accepted the closing documentation. We have foreseen provisions in the amount of HUF 220 million for the area located south of the Sajó channel, for the recultivation of the lime sludge storages and for the integration of the lime sludge storages into the landscape for the period ending 2012. We will start recultivation activities in 2009.

The in-situ handling of the so-called "former paint factory and olefin plant" emergency storages started on the basis of the authority permit for the demolition of these facilities in the year 2006. The project progressed continuously through 2007. The closing documents required for the closing of the task have been prepared and forwarded to Authority.

## 5.2.2 Ongoing soil and ground water decontamination tasks

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

- Technical response in the area south of the Sajó channel of TVK Plc.
- Decontamination of the tank yard of the olefin plant and of the area of the emergency reservoirs,
- Technical response in the railway loading – unloading area.

On the area situated south of the Sajó channel (area of the tank farm and emergency storages) the decontamination is going on also at the present, with the technical content of the operating instructions accepted by the authority. Safe operation can be ensured along the old pipe routing with a daily water withdrawal of 500-600 m<sup>3</sup> /day. The groundwater produced by the decontamination system is drained directly into the wastewater plant of TIFO.

On the area of the railway loading and unloading station, the technical intervention was going on as a field test of an innovative technology (air sparging system) in 2008.

## 5.2.3 Implementation of the complementary examinations

The main emphasis was on the localization of the groundwater contamination. Within the battery limits of the Company, on the south, the prevention of the propagation of further contamination is being prevented.

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

December 2006 the Authority issued, in connection with the complex Technical Response Plan, a resolution to be executed by putting TVK-MOL under joint obligation, covering the whole territory of TVK-TIFO. The Resolution approved the short- and medium term work plan of the two companies with the principal objective of the management of obligations on risk basis. The work plan continuously optimizes environment expenditures, contamination management solutions and will create as one of the first significant milestones a complete risk map by the beginning of 2009. The tasks planned for the year 2008 have been implemented in line with the schedule.

The quantitative risk assessment has been carried out during 2008 and on the basis of the momentary findings agricultural, ecological and human exposure-related risks which could be traced back to the contamination of the subsurface medium on the area of the industrial complex cannot be anticipated. Nevertheless it is necessary to update the input information of the risk assessment continuously, therefore, as of 2009, the chemical analytic monitoring program will be supplemented with a soil-gas part being significant for human health and a biological monitoring part in order to map the long term impact on the fauna and flora. During 2008 the water and geological system of the area has been specified in more exact terms and main waterstream relations, e.g. the impact of the Tisza river on the area concerned have been mapped. A further major task of 2009 is to continue the mapping of the waterstream relations, and to integrate them into the hydrodynamic transport model. TVK, in order to select potential technical interventions has set up a research project and TVK, as a consortium member, successfully participated in the tender "For a Liveable Environment" published by the National Technological Research Agency. In the research program our target was to prevent the transport of contamination in the 16-32 m deep water bearing zone and to

investigate methods that can be used for the reduction of the concentration of contamination.

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

In the year 2008 the following soil and groundwater decontamination tasks were in progress:

- Technical intervention on the area located south of the TVK Sajó channel
  1. Decontamination of the area of the tank farm and emergency storages of the Olefin plant,
- Technical intervention and testing of the innovative technology in the area of the railway loading and unloading station
- Other projects planned in connection with the implementation of the TRP:
  1. Obtaining operating licenses from the water authorities for the remaining wells
  2. Investigation of possibilities to utilize hydrocarbon phase that is more heavy than water
  3. Morphologic analysis of the substrate surface - LNAPL, DAPL, DNAPL migration forecast
  4. Implementation of a hydro-geologic recognition program
  5. Building and calibration of the numeric water streaming and transport model
  6. Review and identification of innovative environmental remediation technologies
  7. Identification of the decomposition types of natural pollutants
  8. Implementation of the quantitative risk assessment program, stage II.
    1. Program for the assessment of risks related to agricultural areas.
    2. First step of the definition of risks participants of the industry are exposed to.
    3. First step of the assessment of ecological risks
    4. Identification of water takeouts in the environment of the industrial complex TVK-TIFO
  9. Technical inspection of decontamination projects by external experts
  10. Identification, design and testing of potential methods of recultivation in the area of the emergency storages, and lime-sludge storages
  11. Monitoring activity
    1. Plume dynamics monitoring
    2. Monitoring of the area of the railway loading-unloading station and of the north-west plume
    3. Monitoring of the tank yard of the Olefin plant and of the emergency storage area
    4. Monitoring within the area of AKZO Nobel
    5. Other monitoring

#### **5.2.4 Follow-ups after completed decontamination activities**

- Follow-up of the area of the new water softener,
- Inspection of the area of AKZO Nobel

We have received the resolution about the approval of the area of the new water softening plant. The follow-up monitoring program specified in the resolution was integrated into the monitoring program.

The monitoring program applying to the area of AKZO Nobel was implemented according to the schedule, we have submitted the documents evaluating the years 2007-2008 to the Authority in November.

## 6 QUALITY MANAGEMENT

QUALITY is more for us than the quality of our products, than satisfying the requirements of our clients, than the requirements regarding the suppliers. New challenges, like changes caused by globalization, sustainable development request the quality management organization to live up to new requirements, therefore we worded the quality aspect as one of the most important core values in the management and operation and in the relationship of our Company with its societal and economic environment.

In line with the new, process-oriented expectations we have significantly modified our regulations in 2008 and this process is going on also today.

The transformation took place in accordance with a strictly supervised schedule that helped us to keep up the continuity of operation and control.

The conversion made and makes possible:

- the further development of the control systems ,
- the deepening of integration,
- the taking into consideration of new requirements,

In March 2008, SGS Hungária Kft. successfully audited the integrated management system operating at our company (ISO 9001, ISO 14001, OHSAS 18001).

We endeavor to establish and maintain good relationship with our external and internal stakeholders and to accord our development concepts. We build on the remarks, opinion, proposals of our clients and suppliers. The most important inputs of our development projects were the information provided by these projects that helped us continue the development of our integrated management system by introducing new systems and new system elements.

We continuously keep track of changes happening in the area of quality management and are applying the instruments and technologies available on a broad scale.

In the course of the operation of our accredited laboratories the monitoring audit of the Testing Laboratory of the Technical Inspectorate and the monitoring audit of the Central Laboratory according to standard MSZ EN ISO/IEC 17025:2005 performed by NAT was a significant tasks. The audit was successful in both cases. We continuously make sure that our laboratories are independent and impartial.

The integrated management system furthermore the operation of the accredited laboratories in accordance with the requirements of the standard was regularly checked by internal integrated system audits. At the audits prevention and the propagation of "best practices" were emphasized. We monitored the implementation of outsourced activities related to the operation of the Company by means of planned and if necessary, by means of ad hoc audits. We have checked the implementation and introduction of the actions taken for the elimination of the non-conformities found.

We have successfully improved our software supporting the operation of our integrated management system that enables us to carry out analyses from an electronic database that can be traced back to several years.

TVK Plc. has been measuring customer satisfaction for years consciously. In the frame of this almost 500 partners were interviewed at the end of 2008. The purpose of the survey was to identify the strong areas as well as the areas needing development and to monitor the effects of the corrective measures taken as the result of the survey. After the analysis of the information new action plans will be prepared.

Resulting from our actions taken to promote innovation the number of ideas and proposals submitted by the employees in 2008 has grown significantly.

## 7 HUMAN RESOURCES MANAGEMENT

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

- With effect from June 1 the scope of the tasks of the HSE organizations was extended by the tasks related to Sustainable Development (SD) and simultaneously also the scope of activities and the designation of the organizational units have been changed (Petrochemicals SD & HSE, SD & HSE central team and project management, CS and functional SD & HSE).
- With effect from September 1 the organization of Information Services was modified in line with the integrated group-level structure. Resulting from this restructuring the following organizational units have been created under the Information Services at TVK, with the definition of their scope of tasks: IS regulation and control, Infrastructure operation and safety, development of Petrochemical applications, operation of Petrochemical applications, Computed Center, IS customer service.
- With effect from September 1 the organizational unit Polymer production and inventory planning that operated earlier under the organization Polymer Marketing and Sales Directorate, was transferred under the management of the organization SCM coordination and its description of activities was also modified. The organizational unit was transferred, in addition to the closely related professional activities, also in order to improve efficiency and to speed up information flow.

In order to facilitate integrated operation, the application of the HAY job evaluation at standard values continued, which ensures the identical evaluation of jobs between the companies and the classification of employees as well.

The carrier planning system for the managers and experts at the company continued in 2008, too. The purpose of the system is the conscientious preparation for succession, to develop those concerned and to provide challenging possibilities of advancement for them.

Continued also this year the STAFÉTA program, aiming at ensuring the accorded succession of foremen and leading system operators, was launched in the polymer and olefin plants. The system operators and leading system operators participating in the program are rotated in the various plants of the TVK Plc. and take part in trainings which help them in their carrier advancement. In the frame of the program, the current managers, foremen, leading system operators participated in change management and management development trainings. At the present 64 people take part in the program.

The Company closed the year 2007 with record profits, and in consideration of this bonuses corresponding to a semi-monthly basic wage have been paid in the first quarter of 2008.

In January 2007 an expert team was created to set up the performance evaluation system, which elaborated an independent performance evaluation system applied to the employees of TVK. The system has been introduced under the name TÉR in 2008. The system evaluates the performance of employees mostly on the basis of objective, partially subjective aspects.

We operated the performance evaluation system with a budget corresponding to 7% of the annual base wage in 2008. The coverage of the 1.5% growth compared to the year 2007 is ensured by the 1% cut of the budget of optional extra-wage benefits and a further raise of 0.5%.

The manager's performance assessment system was closed. The part of the management incentives due for the year 2007 was paid to the assessed managers.

The monthly average wage of the employees of the Company was HUF 395,954/person in 2008, which shows an increase of 9.6% compared to the previous year. The increase of the average wage is the result of the base wage increase of 6.8% implemented with effect from January 1, 2008, of the increase of performance incentives and of the bonus corresponding to a semi-monthly base wage paid in February 2008.

The amount of the annual budget of optional extra-wage benefits is HUF 420,000/employee/year, and the variable part depending on the base wage was modified from 4.5% in 2007 to 3.5% in line with the contents of the wage agreement, in consideration of the fact that the allowances related to the elements of optional, non-taxable extra-wage benefits decreased.

As regards training, our strategic aim continues to be to ensure skilled staff. In harmony with the strategic points, we gradually supplement institutional education and individual developments with "on the job" trainings, case studies and team development programs which aim at the development of the organization.

Altogether 1,874 persons participated at the staff development programs, and we spent altogether HUF 175.5 million thereon.

In cooperation with the Erdey-Grúz Tibor Chemical Secondary School the education of general chemical technicians continued. In 2008 19 employees obtained the qualification of chemical technician. At the present some 29 people attend a training. Theoretical training and the practical training takes at the Company.

TVK wishes to make sure that there is a sufficient number of young professionals in the long run and therefore negotiations with the University of Miskolc and Debrecen started about the creation of a TVK Department each. The target of cooperation agreements is to develop and facilitate the university-level education of professionals for the chemical industry in the region and to support chemical research and development. The agreements will be signed in January 2009.

To the debit of the contribution for vocational education, we provided development support in the amount of HUF 39 million to universities, colleges and secondary schools.

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

The employer implemented the wage growth in 2008 in line with the three-year wage agreement concluded in 2006.

The average full-time corporate headcount was in the year 2008 (1,187 people in 2007) 1,153 people, and the closing headcount was 1,139 people on December 31, 2008.

## 8 MARKETING COMMUNICATION AND SOCIAL PRESENCE

The Company, as member of the MOL group, pays special attention to strengthening the satisfaction, trust and positive opinion of the society, of the inhabitants of the region, of the partners and clients by means of communication. The integrated communication strategy applied includes the nurturing of media contacts, sponsorship, participation at (and supporting) professional conferences, organizing appearances at the various events and professional fairs, publications and applying other communication tools serving the target in order to ensure continuous contact as well as the efficient flow of information.

For the sake of supporting the group-level integrated operation and to ensure the continuous improvement of the efficiency ratios we attribute enhanced attention to internal communication, to undertaking and coordinating the communication tasks related to change management. We promote the development of a multicultural company atmosphere and the multi-directional communication with our internal communication tools and practices while – in addition to supporting the operation of the organization – we supplement the activity of Human Resources aiming at increasing the satisfaction of employees by the organization of company events.

Like in the previous years, also in the year 2008 our company played an outstanding role in the support of the actors of our society. Last year we supported numerous events, programs, associations, organizations, institutions and individuals in the fields of education, culture, arts, sport and sciences to achieve their goals. The management of our company handed over in the year 2008 third time the service recognition awards to the workers of TVK on the occasion of a formal dinner.

We extended traditional internal corporate programs (June program and Autumn Sport Day) with the TVK Spring Welcome Ball, hereinafter our employees will have the possibility to attend MOL-Group programs (MOL-Group family days, visit to the Museum of Fine Arts, Christmas concert) as well.

Among the sponsorship programs the 12. jubilee TVK Triathlon Grand Week and the World Cup were the most important. Due to the successful world cups organized in Tiszaújváros, and thus indirectly due to our support as main sponsor, Budapest was awarded the right to organize the triathlon world championship in 2010. Other sponsorships: TVSE Canoeing Association, TVK Balloon Team, TVK-MALI Triathlon Club and Sebestyén Júlia.

By supporting the Miskolc National Theater, the Piano Festival of Tiszadob and the International Opera Festival of Miskolc the Company contributes to the organization of quality programs in the region year by year. As a devoted sponsor of sciences we support the operation of the Hungarian Museum of Chemistry and of the Herman Ottó Museum.

The cooperation with educational institutes and supporting their activity shall also be mentioned here. The information program launched at the schools of the region within the project “Within one day around TVK” might also improve the image of our Company in terms of environment. At the same time the project might also contribute to the mitigation of the problems of the Company related to the recruitment of new, young professionals.

The „For the Future of Tiszaújváros” Foundation supported the outstanding programs and personalities having a major role in the life and adding to the reputation of the town

together with the local government. The „TVK For the Development of the Dél-Borsod Region” Foundation aims at promoting the closing up of the Dél-Borsod region basically in the field of welfare, education and health care.

## ELECTED OFFICERS OF TVK Plc.

### Board of Directors

#### **MOSONYI, György (60)**

Chairman of the Board since April 26, 2002

CEO of MOL Group

Qualified Chemical Engineer

Mr. Mosonyi graduated from the Faculty of Chemical Engineering of University of Veszprém in 1972. Starting 1974, worked for the Hungarian representation of Shell International Petroleum Co. (SIPC), where he was appointed commercial director in 1986. In 1991, he worked at the London head office of Shell. Between 1992 and 1993, he was the managing director of Shell Interag Kft. Between 1994-1999 he was President-Chief Executive Officer of Shell Hungary Rt. During the same period he became the Chairman of Shell's Central and Eastern European Region and also, in 1998, the Chief Executive Officer of Shell Czech Republic. He is the CEO and member of the Board of MOL Plc. since July 1, 1999. He is the Chairman of TVK Plc. Honorary President of the Association of Joint Ventures and vice chairman of the Hungarian Chamber of Commerce and Industry, as well as MGYOSZ.

#### **OLVASÓ, Árpád (50)**

Deputy Chairman of the Board since April 26, 2002; Member of the Board since August 29, 2000

CEO of TVK Plc.

Qualified Chemical Engineer, MBA

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

**DELCOMMUNE, Michel-Marc (61)**

Member of the Board since November 3, 2000  
Chief Advisor to the President of MOL Group since July 1, 2006  
Qualified Chemical Engineer, MBA

MOL Group Chief Financial Officer since 11 October 1999, Director of Strategy, MOL Group since September 2, 2004 until July 1, 2006. Member of the Board of Directors of MOL Group since 28 April 2000 until 24 April 2008. Took a degree in Chemical Engineering at the University of Liege, Belgium and holds an MBA from Cornell University, New York. Mr Delcommune joined the PetroFina Group in 1972. Since 1990 he has been CFO. From 1999 he served in addition as human resources director and handled the successful merger of Fina and Total. He is a member of the International Advisory Board of Cornell University Business School and also a member of the Board of Directors of TVK Plc., Slovnaft a. s. and JKX Oil and Gaz. He is a Belgian citizen.

**GANSPERGER, Gyula (46)**

Member of the Board since April 20, 2006.  
Deputy chairman of KÉSZ Holding Zrt.  
Qualified economist.

Mr. Gansperger graduated in 1986 from University of Economics Budapest, Department of Finance. He obtain his professional expertises between 1986-1987. at Elektrocoop Company as Executive Officer, between 1987-1990. at CET Budapest Tervező Rt. as Chief accountant, between 1990-1998. at TAXORG Könyvelő és Adótanácsadó Kft. as Managing Director, between 1998-2001. at Hungarian Privatization and State Holding Company as Chairman and CEO, between 2001-2002. at Budapest Airport Pte. Ltd. as Chairman and CEO, between 2003-2005. at Wallis Plc. as CFO. He was the Chief Executive Officer of Wallis Ltd. between 2006-2007 and then, until December 2008 the Vice President of KÉSZ Holding Private Limited Company, member of the Board of Directors. At the present he is the managing director of Constans Invest Ltd.

## Titles:

2008-	Constans Invest Ltd., Managing Director
2006-	TVK Plc., member of the Board of Directors
2005-2007	Wallis Plc., member of the Board of Directors
2005-2007	Graboplast Plc., member of the Board of Directors
2001-2003.	MATÁV Ltd., member of the Board of Directors
1998-2000.	Hungarian Post Co. Ltd., member of the Board of Directors
1995-1998.	Hungarian Privatization and State Holding Company, member of the Supervisory Board

**KASSOVIC, Vratko (65)**

Member of the Board since April 28, 2005  
CEO, Slovnaft a.s. until March 6, 2006  
Qualified Chemical Engineer

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

**Dr. MEDGYESSY, Péter (67)**

Member of the Board since April 20, 2006.

Former prime minister, Extraordinary and Plenipotentiary Ambassador of Hungarian Republic since October 14, 2004.

Qualified economist

Mr. Medgyessy graduated from Budapest University of Technology and Economics, Department of Theoretical Politics and Economy in 1966. Between 1966-1982 he worked at the Ministry of Finance in different positions. Between 1982-1986 Deputy Minister of Finance. In 1987 Minister of Finance. Between 1988-1990 Deputy Prime Minister, responsible of economic affairs in the government at the time of the change of regime. Between 1990-1994 President and Director General of the French Paribas Bank Ltd. in Hungary. Between 1994-1996 President and Director General of the Hungarian Investment and Development Bank Ltd. Between 1996-1998. Minister of Finance in the Social Democratic-Liberal government. Between 1998-2001 Chairman of the Board of Directors of Inter Európa Bank and Vice President of Atlasz Insurance Ltd. Between 2002-2004 Prime Minister of the Hungarian Republic in the Social Democratic-Liberal government. On August 25, 2004 he resigns for the sake of maintaining the coalition. Extraordinary and Plenipotentiary Ambassador of the Republic of Hungary since October 14, 2004 until May 31, 2008.

Other professional and public activities:

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

**MOLNÁR, József (53)**

Member of the Board since April 20, 2001

Group Chief Financial Officer, MOL Group since September 3, 2004

Qualified Economist

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

## Supervisory Board Members

### **GYUROVSZKY, László (50)**

Chairperson of the Supervisory Board since June 22, 2007

Member of the Supervisory Board since April 19, 2007

Financial consultant, crisis-manager,

Engineer

He is graduated as an engineer from the Slovakian Technical University of Bratislava in 1983. Between 1983 and 1990 he worked as electrical engineer at Duslo Sala – Slovakian chemical company. Between 1990 and 1992, as a journalist he published political and economical articles. Between 1992 and 1998, as a businessman, he dealt with the sale of sport and mobile communication articles. Between 1998 and 2002 as a Member of the Parliament of the Slovak Republic, took part in implementing the reforms of the Slovakian Economy and in the work of the Budget and Finance Committee of the Parliament. From 2002 until 2006 he was a minister of the Regional Development and Construction of the Slovak Government. He is a member of TVK Plc's Supervisory Board since April 19, 2007 and Chairman of it since June 22, 2007.

He is the Chairman of the Audit Committee since June 22, 2007.

### **MAGYAR, Tamás (40)**

Deputy Chair of the Supervisory Board since June 22, 2007

Member of the Supervisory Board after March 13, 1998

Chief Service Manager, TVK Plc. Energy Supply

Electric Product Engineer

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

**dr. BAKACSI, Gyula (50)**

Member of the Supervisory Board since April 19, 2007

Head of department, professor, at the Corvinus University of Budapest

Head of department, professor of the Sapientia Hungarian University of Transylvania

Economist, doctorate degree, candidate for Economics

Dr. Gyula Bakacsi is the head of department, professor, at the Corvinus University of Budapest, Faculty of Economics, Faculty of Organisational Theory. He is the head of department, professor of the Sapientia Hungarian University of Transylvania, the Faculty of Economics and Human Sciences, Business Sciences.

He is graduated in 1983 at the Faculty of Industry of the Marx Károly University of Economics in Budapest. He got his doctorate degree in 1988, candidate for Economics degree in 1994. Between 1983 and 1985 he worked at the MTA-MKKE (Marx Károly University of Economics) as science associate at the Coordination Secretary of Faculty „Socialist Company” National Perspective Scientific Research. Between 1985 and 1990, he was assistant lecturer at the Faculty of Industrial Business Organisation at MKKE. Between 1990 and 2004 he was adjunct, from 1994 docent at the Faculty of Organisation and Management Theory at the University of Economics, Budapest. Between 2000 and 2002 he was deputy rector of the Faculty of University Politics and Development at the University of Economics and State Administration, Budapest. From 2003 he is a head of department of the Business Sciences at the Csíkszereda Unit of the Sapientia Hungarian University of Transylvania. In 2004, he was the deputy rector of the University, between 2004 and 2008, he was the rector of the Faculty of Economics and Human Sciences. From 2005, he is the head of department, professor, at the Corvinus University of Budapest, Faculty of Organisational Theory, and deputy director of the Management Sciences Institution. From 2003, he is the chairman of the Economics Sciences Professional Committee of the National Scientific Student Association. From 2004, he is a corporate member of the Local Government of Martonvásár. From 2005, he is the Chairman of the Supervisory Board of the PEMŰ Zrt.

**dr. BÍRÓ, György (54)**

Member of the Supervisory Board since April 19, 2007

Director and head of department, professor of Civil Sciences Institution of the Faculty of Law, at the University of Miskolc

Lawyer

He graduated as lawyer at the Faculty of Law at the József Attila University of Sciences in 1978. From 1978 he worked at the Diósgyőri Gépgyár as legal advisor. Since 1989 he works as a lawyer, since 1997 he is the deputy chairman of the Bar of Borsod-Abaúj-Zemplén County. He works at the University of Miskolc, between 1982 and 1984 he was assistant, and until 1993 adjunct. Between 1993 and 1999 he was professor, head of department. Since July 1, 1999, he is head of department of the Faculty of Civil Law, at the University of Miskolc.

**KEMÉNYNÉ ÚJVÁRI, Ildikó (56)**

Member of the Supervisory Board since October 10, 1999

Laboratory engineer in the Polymer Quality Control Department of of TVK Plc

Chemical engineer

Mrs. Kemény graduated as chemical engineer from the University of Light Industrial Technology in Kiev 1976. She joined the Pigment Plant of TVK in 1976. Worked at the LDPE plant between 1986 and 1995 and as senior quality controller in the QC department of the HDPE Business Unit starting 1995. She acted as engineer and unit manager at the PE laboratory of the Polymer Business Unit between 2001 and 2003. Mrs. Kemény has been working as laboratory engineer in the Quality Control Department of the Polymer Production since 2003.

## Top Management

### **OLVASÓ, Árpád (50)**

Deputy Chairman of the Board since April 26, 2002; Member of the Board since August 29, 2000

Chief Executive Officer

Qualified Chemical Engineer, MBA

See CV in the section on the Board of Directors

### **PIRY, László (42)**

Deputy CEO, Polymer Marketing and Sales

Mechanical engineer, DMS

Mr. Piry graduated from the Budapest Technical University as a mechanical engineer in 1991 and obtained a diploma in management studies at Euro Contact Business School in 1998. Worked for Dow Chemicals as an engineer and sales executive to move on to regional sales and marketing positions after 1991. He was appointed as director responsible for sales of the Diversey Lever Division of Unilever in 1998. He acted as managing director at the same company starting 2001. In 2002 he took over the position of managing director at the Sloven subsidiary of Unilever and was in charge of the Croatian market starting 2003. Mr. Piry was appointed deputy CEO responsible for Polymer Marketing and Sales at TVK Plc. on June 7, 2004.

### **HODOSSY, Gyula (38)**

Deputy CEO, Management and Finance since July 1, 2007

Qualified economist

Mr Hodossy started his career in 1989 at TVK's Customs and Material Acceptance. Graduated from the Budapest College of Finance and Accounting in 1995 and obtained a Diploma in Management studies at Euro Contact Business School in 2002. From 1995 continued his work as an analysing economist at the Controlling Office. He was appointed the group leader of Inventory Management in 1997. From January 2001, he acted as the economic manager at the Olefin Business Unit. In July 2002 he took over the position of the head of the Internal Audit, then from January 2004 he was appointed the head of Energy Supply and Maintenance Management. Since July 1, 2007 he has been acting as Deputy CEO, Chief Financial Officer of TVK Plc.

**BÓTA, János (47)**

Director of Petrochemical Technology and Product Development since August 1, 2007

Chemical engineer

Mr. Bóta graduated as chemical engineer from the Process Control Faculty of the University of Veszprém in 1985. In 1994 he has received engineer-manager degree at the University of Miskolc. He worked at TVK since 1985. For ten years he worked in various positions at the Production Unit (HDPE-1 and PP-3 Plants), between 1989 and 1995 he was plant manager. From 1995 he was the sales manager of the HDPE Business Unit, from 1998 worked as PP business unit director. From 2000 he was in the position of marketing and sales manager, from 2002 he held the post of technology development manager. From August 1, 2006 for one year he worked at the Netherlands office of Fluor Company, as process engineering manager. Since August 1, 2007 he is the Director of Petrochemical Technology and Project Development.

**PÉNZES, Tamás (38)**

Human Resources Manager

Psychologist

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

**VÁLYI NAGY, Tivadar (53)**

Director, Production since July 1, 2007

Qualified Chemical Engineer

Mr. Vályi Nagy graduated as a chemical engineer at the Mineral Oil and Coal Technology faculty of the University of Chemical Engineering in Veszprém in 1982. He joined TVK in 1978 and worked as plant engineer in various polymerisation plants of the Company before 1994. He acted as project manager in the implementation jobs of the ERP application to move on to managing the economics of a business unit starting 1995. Later on was in charge of planning an analysis in the Petrochemical Division. Mr Vályi Nagy has been chief controller of the Company since 2000. He worked as Deputy CEO, Chief Financial Officer between January 1, 2005 and June 30, 2007. He was appointed TVK's Production Director on July 1, 2007.

**Shares held by the members of the Board of Directors, Supervisory Board and Top Management  
(December 31, 2008)**

**BOARD OF DIRECTORS**

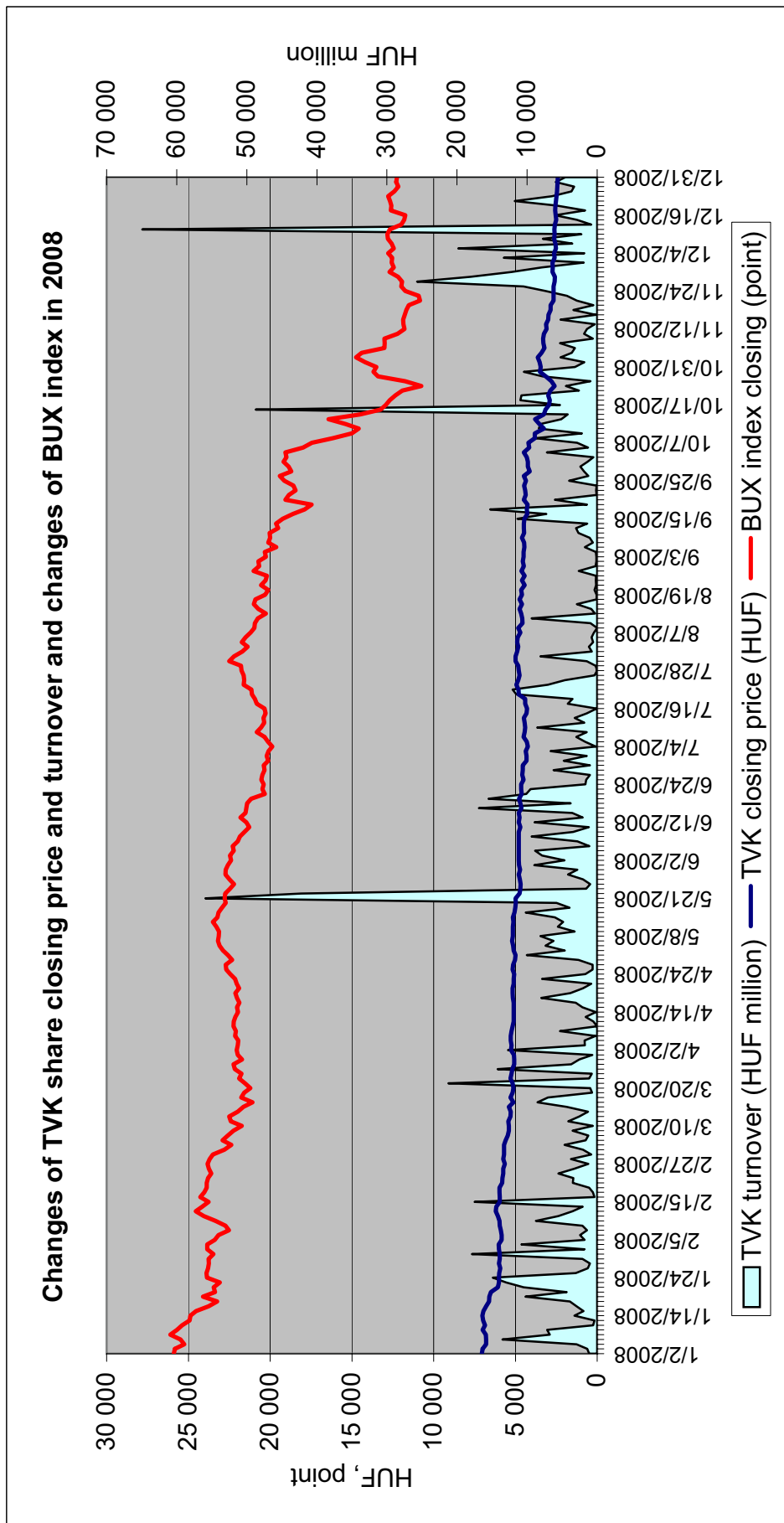
<b>Name</b>	<b>Number of Shares Registered (pcs)</b>
Mosonyi György	0
Olvasó Árpád	0
Delcommune, Michel Marc	0
Gansperger Gyula	0
Kassovic, Vratko	0
Dr. Medgyessy Péter	0
Molnár József	0

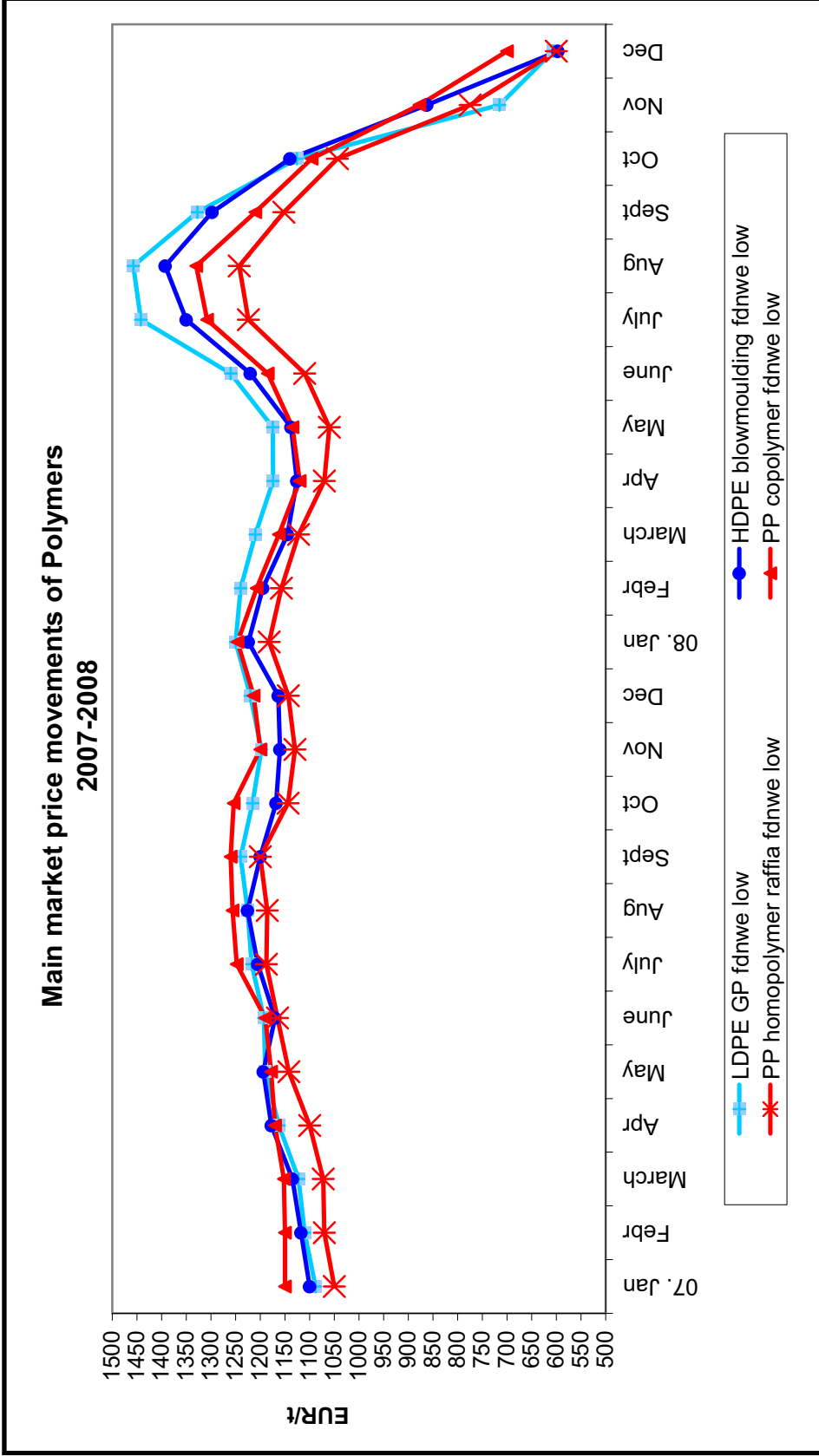
**SUPERVISORY BOARD**

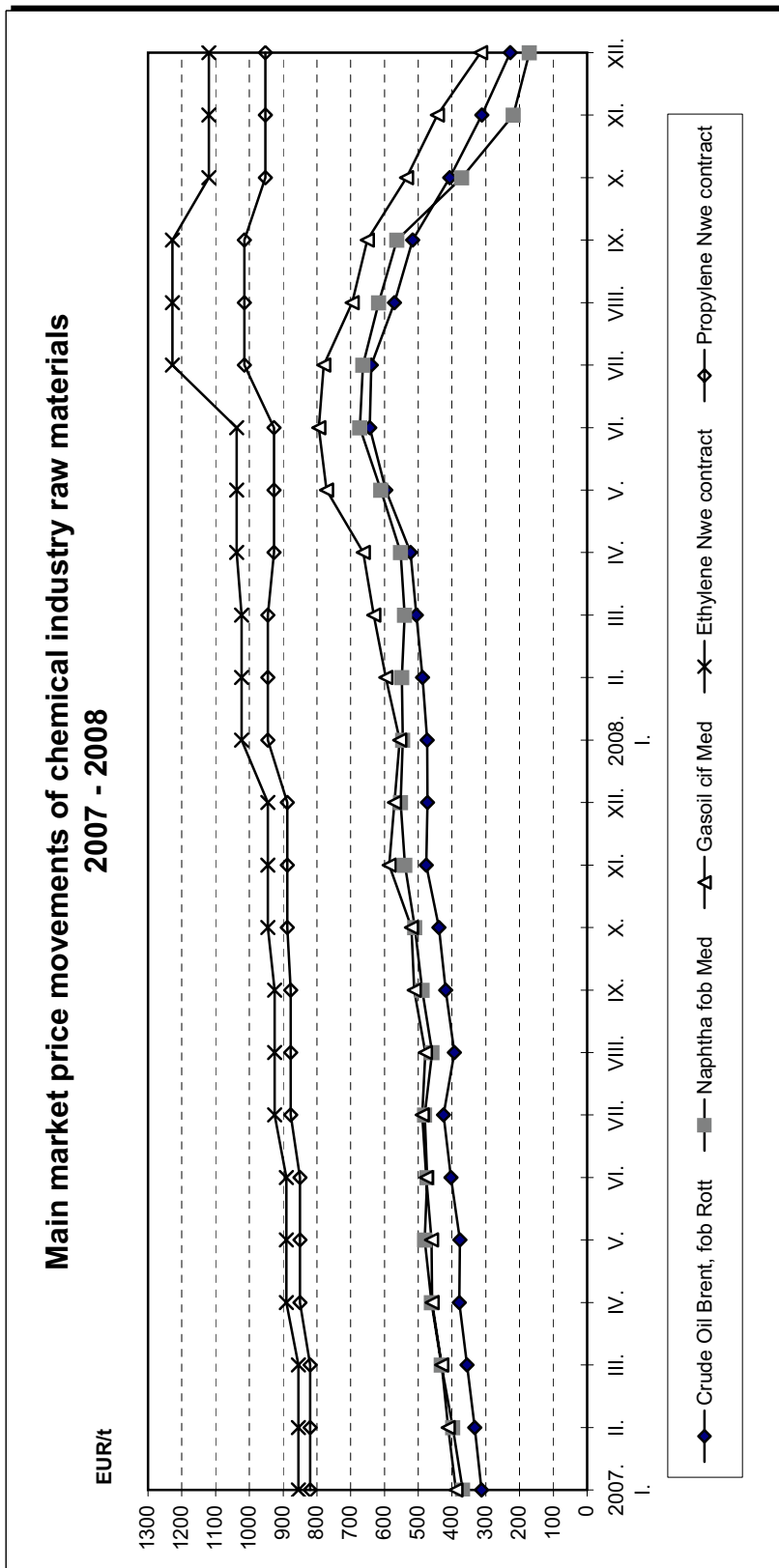
<b>Name</b>	<b>Number of Shares Registered (pcs)</b>
Gyurovszky László	0
Magyar Tamás	0
Dr. Bakacsi Gyula	0
Dr. Bíró György	0
Keményné Újvári Ildikó	0

**MANAGEMENT**

<b>Name</b>	<b>Number of Shares Registered (pcs)</b>
Olvasó Árpád	0
Piry László	0
Hodossy Gyula	0
Bóta János	0
Pénzes Tamás	0
Vályi Nagy Tivadar	0







## Income statement type "A"

in HUF million

	Description	TVK Plc.	
		2007	2008
O1.	Net domestic sales	167 376	172 119
O2.	Net export sales	172 135	154 258
<b>I.</b>	<b>NET SALES</b>	<b>339 511</b>	<b>326 377</b>
O3.	Change in self-produced stocks	3 235	-3 993
O4.	Capitalised value of self-produced assets	619	901
<b>II.</b>	<b>CAPITALIZED VALUE OF OWN PERFORMANCE</b>	<b>3 854</b>	<b>-3 092</b>
<b>III.</b>	<b>OTHER INCOME</b>	<b>5 449</b>	<b>5 386</b>
O5.	Material costs	260 122	271 690
O6.	Material type services	14 111	13 244
O7.	Other services	1 286	1 136
O8.	Cost of goods sold	9 791	6 038
O9.	Cost of services sold	2 352	2 798
<b>IV.</b>	<b>MATERIAL TYPE EXPENSES</b>	<b>287 662</b>	<b>294 906</b>
10.	Wages and salaries	5 760	5 456
11.	Other personnel expenses	1 114	1 070
12.	Payroll related contributions	2 076	1 895
<b>V.</b>	<b>PERSONNEL COSTS</b>	<b>8 950</b>	<b>8 421</b>
<b>VI.</b>	<b>DEPRECIATION</b>	<b>10 924</b>	<b>11 157</b>
<b>VII.</b>	<b>OTHER EXPENDITURES</b>	<b>11 674</b>	<b>11 797</b>
<b>A.</b>	<b>OPERATING PROFIT</b>	<b>29 604</b>	<b>2 390</b>
13.	Dividend received	798	1 004
14.	Capital gain on financial investments sold	0	0
15.	Interest income and capital gains on financial investments	18	19
16.	Other received interest and similar income	794	279
17.	Other financial income	3 406	9 464
<b>VIII.</b>	<b>FINANCIAL INCOME</b>	<b>5 016</b>	<b>10 766</b>
18.	Foreign exchange loss on financial investments	0	2
19.	Interest payable	1 077	979
20.	Impairment loss of participations, securities and bank deposits	6	-4
21.	Other financial expenditures	3 793	11 505
<b>IX.</b>	<b>FINANCIAL EXPENDITURES</b>	<b>4 876</b>	<b>12 482</b>
<b>B.</b>	<b>FINANCIAL PROFIT / LOSS (-)</b>	<b>140</b>	<b>-1 716</b>
<b>C.</b>	<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>29 744</b>	<b>674</b>
X.	EXTRAORDINARY PROFIT	63	4
XI.	EXTRAORDINARY EXPENDITURES	23	3
<b>D.</b>	<b>EXTRAORDINARY PROFIT / LOSS (-)</b>	<b>40</b>	<b>1</b>
<b>E.</b>	<b>PROFIT BEFORE TAXATION</b>	<b>29 784</b>	<b>675</b>
<b>XII.</b>	<b>Taxation</b>	<b>4 190</b>	<b>0</b>
<b>F.</b>	<b>PROFIT AFTER TAXATION</b>	<b>25 594</b>	<b>675</b>
22.	Retained earnings used for dividends	0	1 317
23.	Dividends approved, paid	8 963	1 992
<b>G.</b>	<b>PROFIT FOR THE PERIOD</b>	<b>16 631</b>	<b>0</b>



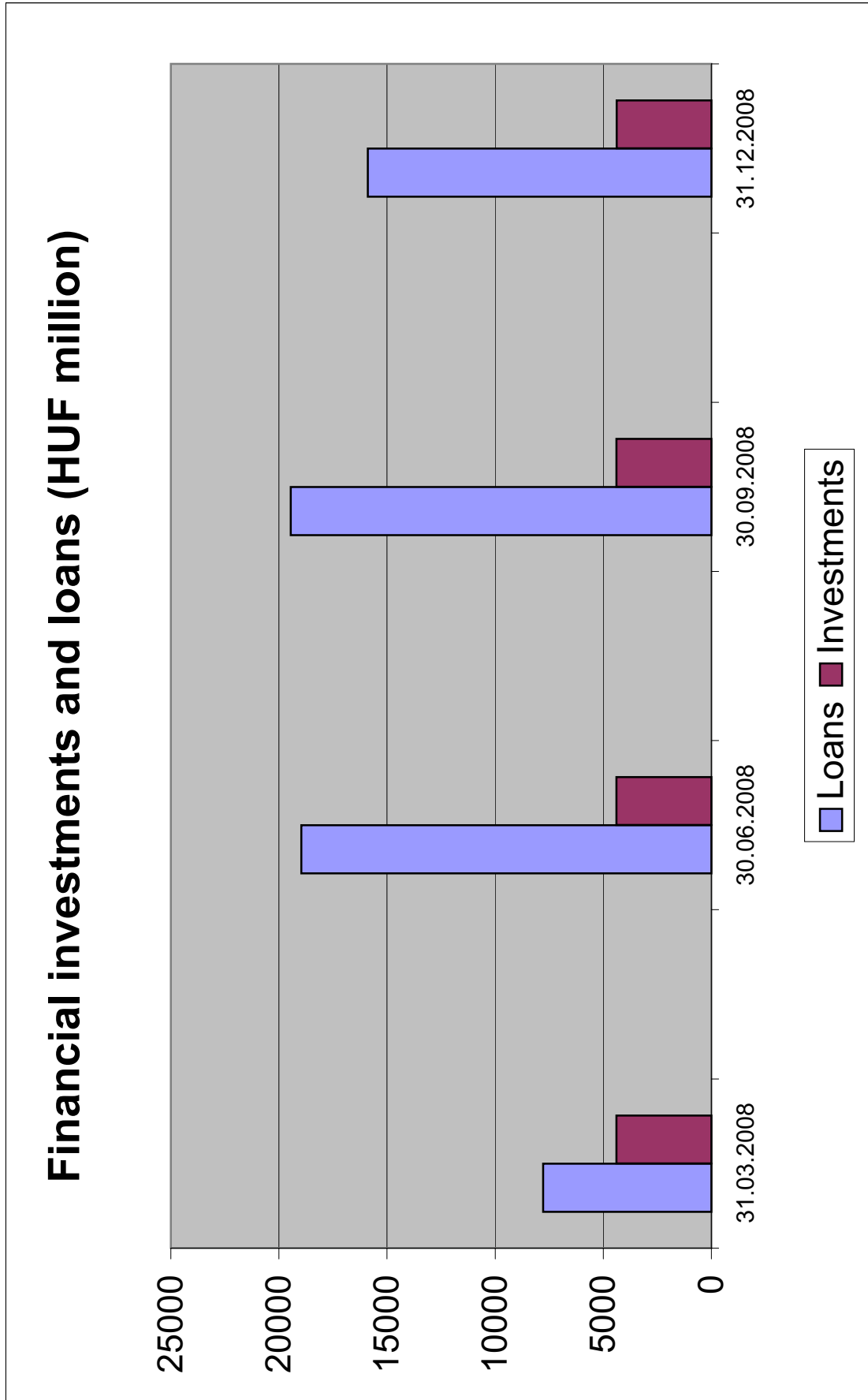
**BALANCE SHEETS**  
**Liabilities**

in HUF million

	Description	TVK Plc.	
		31.12.2007	31.12.2008
<b>46.</b>	<b>D. SHAREHOLDERS' EQUITY</b>	<b>151 451</b>	<b>150 134</b>
47.	I. Share capital	24 534	24 534
48.	II. Issued unpaid capital	0	0
49.	III. Capital reserve	4 624	4 624
50.	IV. Retained earnings	105 162	120 976
51.	V. Allocated reserve	500	0
52.	VI. Revaluation reserve	0	0
53.	VII. Profit for the year	16 631	0
<b>54.</b>	<b>E. PROVISIONS</b>	<b>7 895</b>	<b>6 611</b>
55.	1. Provision for expected liabilities	7 895	6 611
56.	2. Other provisions	0	0
<b>57.</b>	<b>F. LIABILITIES</b>	<b>57 652</b>	<b>35 952</b>
<b>58.</b>	<b>I. SUBORDINATED LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>59.</b>	<b>II. LONG TERM LIABILITIES</b>	<b>7 600</b>	<b>0</b>
60.	Long term loans	0	0
61.	Investment and development loans	0	0
62.	Other long term loans	0	0
63.	Long-term liabilities to associates	7 600	0
64.	Other long-term liabilities	0	0
<b>65.</b>	<b>III. SHORT TERM LIABILITIES</b>	<b>50 052</b>	<b>35 952</b>
66.	Short term debt	0	0
67.	Short term loans	0	0
68.	Advances from customers	107	204
69.	Trade payable	8 558	5 418
70.	Bill of exchange	0	0
71.	Current liabilities to associates	40 366	29 844
72.	Current liabilities to other associates	5	2
73.	Other current liabilities	1 016	484
<b>74.</b>	<b>G. ACCRUED EXPENSES</b>	<b>1 769</b>	<b>1 759</b>
75.	Deferred income	0	0
76.	Accrued expenses	1 746	1 736
77.	Deferred negative goodwill and extraordinary	23	23
<b>78.</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>218 767</b>	<b>194 456</b>

**Net Sales by regions  
2007-2008**

Region	TVK Plc.			
	2007		2008	
	in HUF million	%	in HUF million	%
<b>Europe</b>	<b>164 617</b>	<b>50</b>	<b>149 442</b>	<b>48</b>
- Germany	31 883	11	30 858	11
- Italy	29 160	9	24 828	8
- Poland	24 103	7	23 049	7
- Slovakia	9 220	3	8 098	3
- Romania	8 021	2	7 439	2
- Austria	6 360	2	6 208	2
- United Kingdom	7 962	2	5 456	2
- France	6 570	2	4 679	1
- Other Europe	41 338	12	38 827	12
<b>America</b>	<b>6 372</b>	<b>2</b>	<b>3 396</b>	<b>1</b>
<b>Asia</b>	<b>823</b>	<b>0</b>	<b>1 098</b>	<b>0</b>
<b>Africa</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other areas</b>	<b>323</b>	<b>0</b>	<b>322</b>	<b>0</b>
<b>Export sales revenue</b>	<b>165 763</b>	<b>50</b>	<b>150 862</b>	<b>48</b>
<b>Domestic sales revenue</b>	<b>167 376</b>	<b>50</b>	<b>172 119</b>	<b>53</b>
<b>Total sales revenue</b>	<b>333 139</b>	<b>100</b>	<b>322 981</b>	<b>101</b>



### Headcount and wages of TVK Plc.

#### Headcount

Description	Unit	2007 actual	2008 actual	Index %
· Yearly average number of fulltime employees	person	1187	1153	97.1
· Yearly average number of part-time employees	person	-	2	-
· Yearly average number of all employees	person	1189	1157	97.3

#### Wage Bill

· Wage bill of full time employees and accruals	HUF million	5,494.0	5,262.8	95.8
· Wage bill of other employees	HUF million	266.4	193.6	72.7
· Total wages and salaries	HUF million	5,760.4	5,456.4	94.7

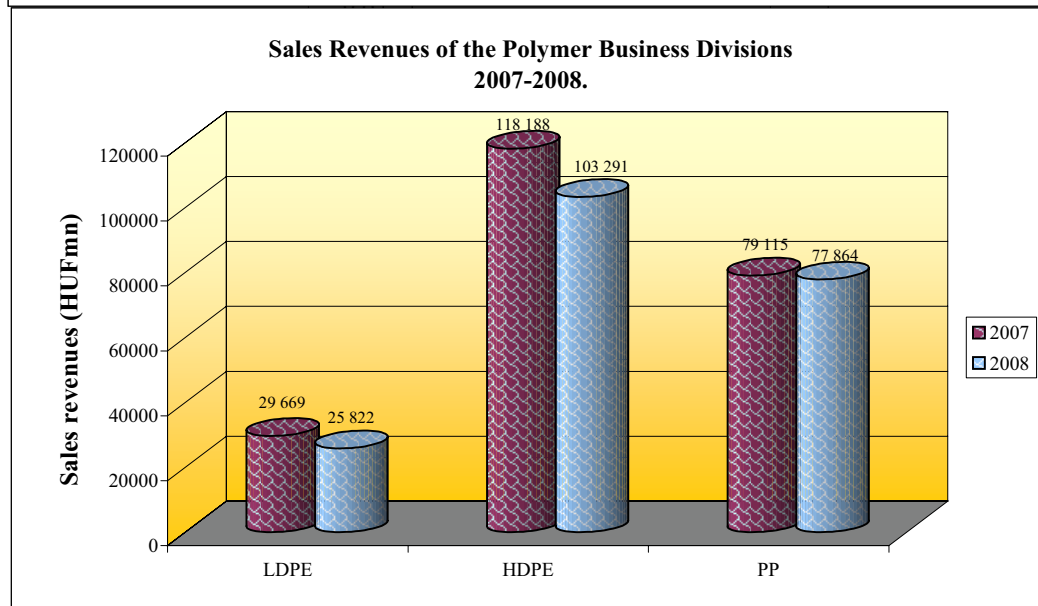
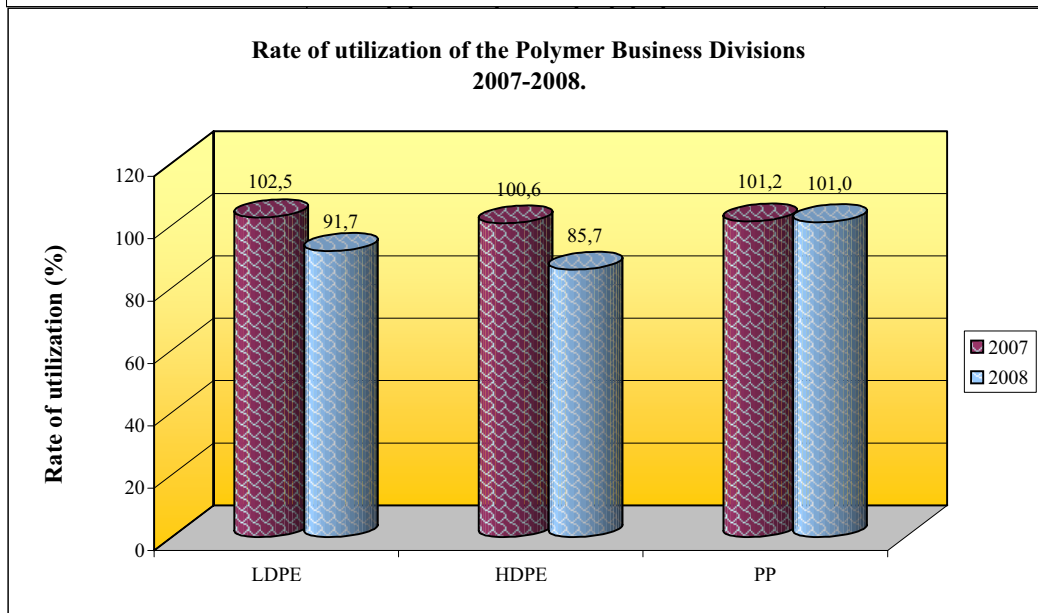
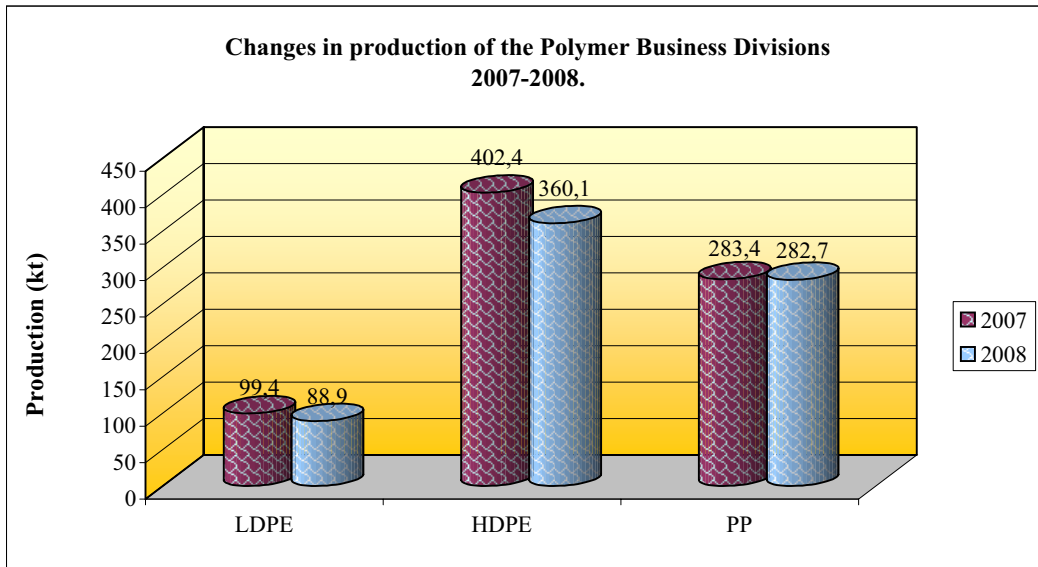
#### Average Wages

· Average wage	HUF/person/year	4,334,699	4,751,446	109.6
· Monthly average wage	HUF/person/month	361,225	395,954	109.6

## Fringe Benefits

HUF thousand		
Title	2007 Actual	2008 Actual
May be granted to those in social need		
Financial assistance	1 500	2 000
Funeral costs	40	288
<b>Total</b>	<b>1 540</b>	<b>2 288</b>
Fringe benefits for all employees		
Group Life & Accident Insurance	3 604	3 493
Present vouchers	22 296	24 928
<b>Total</b>	<b>25 900</b>	<b>28 421</b>
Other available benefits		
Work clothing	679	679
Transportation to/from work	58 006	58 959
Transportation of workers	10 289	10 223
Primary healthcare	53 299	47 984
Cultural expenditures	16 150	6 715
<b>Total</b>	<b>138 423</b>	<b>124 560</b>
<b>Optional fringe benefits</b>	<b>HUF</b>	
<b>thousand/person/year (OFP)</b>	<b>420+4,5% of basic wage</b>	<b>420+3,5% of basic wage</b>
OFB purchase value	661 666	630 454
Social Insurance	10 158	5 037
OFB Personal Income Tax	7 349	4 040
Employer's fee	408	521
<b>Total</b>	<b>679 581</b>	<b>640 052</b>
Granted by employer to certain job categories		
Education, training	142 304	177 262
Protective clothing	58 062	61 421
Prophylactic beverages	20 019	30 114
<b>Total</b>	<b>220 385</b>	<b>268 797</b>
<b>GRAND TOTAL</b>	<b>1 065 829</b>	<b>1 064 118</b>

**Variances in the production, the capacity utilisation and the sales of the Polymer Divisions**



**TVK PLC'S ASSOCIATES  
2008**

	Name of Company	Net book value (HAS)		Equity/Registered Capital *	Ownership	Status
		31.12. 2007	31.12. 2008		31.12. 2008	
		HUF 000	HUF 000		(%)	
<b>Investments</b>						
1	TVK Ingatlankezelő Kft	2 970 000	2 970 000	2 970 000	100,00%	L
2	TVK Inter-Chemol GmbH (th EUR)	151 247	151 247	615	100,00%	L
3	VIBA-TVK Termelő és Kereskedelmi Kft.**	82 000	82 000	205 000	40,00%	T
4	TVK UK Ltd. (th GBP)	74 132	74 132	200	100,00%	L
5	TVK Italia S.r.l. (th EUR)	26 223	26 223	100	100,00%	L
6	TVK -France S.a.r.l. (th EUR)	19 929	19 929	76	100,00%	L
7	Tiszai Hulladékégető Kft.***	8 017	-	25 000	-	-
8	TVK Polska Spzoo. (th PZL)	6 058	6 058	109	100,00%	L
9	TMM Tűzoltó és Műszaki Mentő Kft.	900	900	3 000	30,00%	T
10	TVK Erőmű Term. Szolg. Kft.	857 480	857 480	3 298 000	26,00%	T
11	TVK Ukraina tov (th Hryvna)	1 457	1 457	34	100,00%	L

## Status:

- L: Subsidiaries
- T: Associated

## Note:

\* The registered capital/share capital is expressed in ths HUF; otherwise in the currency indicated

\*\* It's liquidation started on January 1, 2009

\*\*\* Tiszai Hulladékégető Kft was sold on October 7, 2008