

Statistical code: 10725759-2016-114-05
Company registration number: 05-10-000065

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-lpartelep,
TVK Központi Irodaház, 2119/3. hrsz. 136. épület

2009

Annual Report

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

This is a translation of the Hungarian Report

Independent Auditors' Report

on the annual financial statements presented to the shareholders' meeting for approval

To the Shareholders of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság

1.) We have audited the accompanying 2009 annual financial statements of Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság ("the Company"), which comprises the balance sheet as at 31 December 2009 - showing a balance sheet total of HUF 195,310 million and a loss for the year of HUF 9,897 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 2008 on 20 March 2009.

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 2009 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 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.

9.) Without qualifying our opinion, we draw the attention to Note 39.4 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.

Budapest, 11 March 2010

(The Hungarian original 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 2009

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

Statistical code: 10725759-2016-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
A.	NON-CURRENT ASSETS		127,806	123,425
A/I	INTANGIBLE ASSETS	6	3,400	2,903
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		3,400	2,903
A/I/5	Goodwill		0	0
A/I/6	Advances for intangible assets		0	0
A/I/7	Revaluation of intangible assets		0	0
A/II	TANGIBLE ASSETS	7	120,028	116,308
A/II/1	Real estate and related property rights		28,698	28,503
A/II/2	Technical machines and equipment		84,193	81,483
A/II/3	Other machines and equipment		4,858	4,329
A/II/4	Livestock		0	0
A/II/5	Assets in the course of construction		2,279	1,992
A/II/6	Advances for construction		0	1
A/II/7	Revaluation of tangible assets		0	0
A/III	FINANCIAL INVESTMENTS	14	4,378	4,214
A/III/1	Non-current investments in associates	11	4,190	3,977
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	13	6
A/III/6	Non-current debt securities	13	175	231
A/III/7	Revaluation of financial investments		0	0

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

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 2009

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

Statistical code: 10725759-2016-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
B	CURRENT ASSETS		66,391	71,568
B/I	INVENTORIES	15, 16	8,773	9,385
B//1	Materials		3,326	4,273
B//2	Work in process		667	1,041
B//3	Breeding stock		0	0
B//4	Finished products		4,599	3,923
B//5	Merchandises		165	129
B//6	Advances for inventories		16	19
B/II	RECEIVABLES	20	54,097	57,555
B//1	Trade receivables	17	33,624	35,587
B//2	Receivables from associates	18	13,823	7,699
B//3	Receivables from other related parties		0	0
B//4	Bill receivables		0	0
B//5	Other receivables	19	6,650	14,269
B/III	MARKETABLE SECURITIES		0	0
B//1	Securities in related parties		0	0
B//2	Other securities		0	0
B//3	Treasury shares, participations		0	0
B//4	Debt securities held for trading		0	0
B/IV	CASH AND BANK	21	3,521	4,628
B//1	Petty cash		2	3
B//2	Bank accounts		3,519	4,625
C	PREPAYMENTS	22	259	317
C/1	Accrued income		171	245
C/2	Prepaid expenses		88	72
C/3	Deferred expenses		0	0
	TOTAL ASSETS		194,456	195,310

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

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 2009

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

Statistical code: 10725759-2016-114-05
Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
D	SHAREHOLDERS' EQUITY	23	150,134	140,231
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		120,976	120,970
D/V	Allocated reserve		0	0
D/VI	Revaluation reserve		0	0
D/VII	Profit for the year		0	(9,897)
E	PROVISIONS	24	6,611	9,108
E/1	Provision for expected liabilities		6,611	9,098
E/2	Provision for future expenses		0	0
E/3	Other provisions		0	10
F	LIABILITIES		35,952	44,459
F/I	SUBORDINATED LIABILITIES		0	0
F/II/1	Subordinated liabilities due to associates		0	0
F/II/2	Subordinated liabilities due to other related parties		0	0
F/II/3	Subordinated liabilities due to third parties		0	0

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

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 2009

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

Statistical code: 10725759-2016-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
F/II	NON-CURRENT LIABILITIES		0	0
F/II/1	Non-current loans		0	0
F/II/2	Convertible bonds		0	0
F/II/3	Non-current bonds		0	0
F/II/4	Investment and development loans		0	0
F/II/5	Other non-current loans		0	0
F/II/6	Non-current liabilities to associates		0	0
F/II/7	Non-current liabilities to other associates		0	0
F/II/8	Other non-current liabilities		0	0
F/III	SHORT-TERM LIABILITIES		35,952	44,459
F/III/1	Short-term debt		0	0
F/III/2	Short-term loans		0	0
F/III/3	Advances from customers		204	129
F/III/4	Trade payable	25	5,418	6,076
F/III/5	Bill of exchange		0	0
F/III/6	Current liabilities to associates	26	29,844	37,877
F/III/7	Current liabilities to other associates		2	0
F/III/8	Other current liabilities	27	484	377
G	ACCRUED EXPENSES	22	1,759	1,512
G/1	Deferred income		0	40
G/2	Accrued expenses		1,736	1,449
G/3	Deferred negative goodwill and extraordinary revenues		23	23
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		194,456	195,310

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

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 2009

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

Statistical code: 10725759-2016-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
1	Net domestic sales		172,119	127,175
2	Net export sales		154,258	128,562
I	NET SALES	28	326,377	255,737
3	Change in self-produced stocks		(3,993)	(302)
4	Capitalised value of self-produced assets	29	901	847
II	CAPITALIZED VALUE OF OWN PERFORMANCE		(3,092)	545
III	OTHER INCOME	30	5,386	5,305
	-of which reversed impairment loss		0	495
5	Material costs		271,690	215,625
6	Material type services	31	13,244	12,784
7	Other services	32	1,136	1,366
8	Cost of goods sold		6,038	13,166
9	Cost of services sold		2,798	2,016
IV	MATERIAL TYPE EXPENSES		294,906	244,907
10	Wages and salaries	34	5,456	5,828
11	Other personnel expenses		1,070	888
12	Payroll related contributions		1,895	1,955
V	PERSONNEL COSTS		8,421	8,671
VI	DEPRECIATION	8	11,157	11,072
VII	OTHER EXPENDITURES	30	11,797	17,238
	-of which impairment loss		591	280
A	OPERATING PROFIT		2,390	(20,301)

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

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 2009

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

Statistical code: 10725759-2016-114-05

Company registration number: 05-10-000065

	Description	Notes	Prior year	Current year
13	Dividend received		1,004	817
	-of which received from related parties		1,004	817
14	Capital gain on financial investments sold		0	0
15	Interest income and capital gains on financial investments		19	19
16	Other received interest and similar income		279	433
	-of which received from related parties		139	338
17	Other financial income	35	9,464	8,851
VIII	FINANCIAL INCOME		10,766	10,120
18	Foreign exchange loss on financial investments		2	0
19	Interest payable		979	387
	-of which received to related parties		819	384
20	Impairment loss of participations, securities and bank deposits		(4)	69
21	Other financial expenditures	35	11,505	8,745
	-of which received to related parties		324	1,642
IX	FINANCIAL EXPENDITURES		12,482	9,201
B	FINANCIAL RESULT		(1,716)	919
C	PROFIT FROM ORDINARY ACTIVITIES		674	(19,382)
X	EXTRAORDINARY REVENUES	36	4	9,582
XI	EXTRAORDINARY EXPENDITURES	36	3	97
D	EXTRAORDINARY PROFIT/LOSS		1	9,485
E	PROFIT BEFORE TAXATION		675	(9,897)
XII	Taxation	40	0	0
F	PROFIT AFTER TAXATION		675	(9,897)
22	Retained earnings used for dividends		1,317	0
23	Dividends approved, paid		1,992	0
G	PROFIT FOR THE PERIOD		0	(9,897)

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

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

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TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-lpartelep
TVK Központi Irodaház, 2119/3. hrsz. 136. épület

2009

Supplementary Notes

Tiszaújváros, 11 March 2010

Árpád Olvasó
Chief Executive Officer

Gyula Hodossy
Chief Financial Officer,
Deputy CEO

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2009

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

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TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2009

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

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TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2009

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

1. Background And General Information

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

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

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

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

As at 31 December 2009, MOL Plc. 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.

The registered seat of the Company is Tiszaújváros (H-3581 Tiszaújváros, TVK-Ipartelep TVK Központi Irodaház, 2119/3. hrsz. 136. épület), web-site: <http://www.tvk.hu>.

The Company has no seats in abroad.

The persons entitled to sign the company's financial statement are:

Árpád Olvasó, Chief Executive Officer,
Address: H-2440 Százhalombatta, Nyárfa u. 4., Hungary

Gyula Hodossy, Deputy CEO, Management and Finance
Address: H-3587 Tiszapalkonya, Mátyás u. 32., Hungary

Person responsible for managing accounting services:

Attila Kmetti, accounting manager
Address: H-3532 Miskolc, Táttra u. 27., Hungary
PM (Ministry of Finance) registration number in the name register of person entitled to deal with accounting services: 128302

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2009

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

2. Accounting Policy of the Company

2.1. Method of bookkeeping, report format

Based on *Act C of 2000 on accounting* (hereinafter: Accounting Act) as amended, TVK Plc. uses double entry bookkeeping and prepares 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. Audit expenses of the Company amounted to HUF 35 million in 2009.

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 line with the scheduling of processes for closing the year of 2009, the date for preparing the balance sheet of the Company was specified for 15 January 2010. The audit closed on 12 February, 2010.

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.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2009

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

Form of the income statement

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

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

2.4.1. 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.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Supplementary Notes for the year ending on 31 December 2009

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

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).

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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. analyses 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.

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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 100 thousand.

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

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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 2008 has no significant effect to the Balance Sheet and Income Statement. Cause of reconstruction, the useful life of assets was revised, which caused a reduction of HUF 109.8 million in the recognized yearly depreciation.

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.

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

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

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

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

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2.5. Rules for provisions

As a charge on the profit before taxation, the Company recognises provisions for contingent liabilities. The Company doesn't recognise provisions for futural expenses.

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

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

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3. The shareholder's structure of the Company

Share capital as of 31 December 2008 and 2009 is summarized as follows:

Shareholder	Number of Shares		Total Nominal Value (HUF million)		Ownership percentage (%)	
	2008	2009	2008	2009	2008	2009
Domestic institutional investors	21,530,125	21,484,808	21,746	21,700	88.63	88.44
International institutional investors	2,416,138	2,391,740	2,440	2,416	9.95	9.85
Domestic private investors	339,587	406,187	343	410	1.40	1.67
Foreign private investors	2,391	6,680	2	7	0.01	0.03
Unregistered investors	2,602	1,428	3	1	0.01	0.01
Total	24,290,843	24,290,843	24,534	24,534	100.00	100.00

Note: In accordance with the resolution of 2009 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 2008 and 2009 based on the Share Register:

Owners	Location	Ownership percentage (%)	
		2008	2009
MOL Hungarian Oil and Gas Public Limited Company	Budapest	86.79	86.79
Slovnaft a.s.	Bratislava	8.07	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, 2007, 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.

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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	2008	2009	Percentage (%)		Change (%)
			2008	2009	
Non-current Assets	127,806	123,425	65.73	63.20	(3.43)
Current Assets	66,391	71,568	34.14	36.64	7.80
Prepayments and accrued income	259	317	0.13	0.16	22.39
Total	194,456	195,310	100.00	100.00	0.44

Total assets increased by HUF 854 million, compared to last year. This growth was caused by two contrary changes: within non current assets – in consequence of depreciation – mainly tangible assets decreased, while in case of current assets the increase of receivables was determinant.

4.1.2. Equity structure

Structure of sources of assets

Description	2008	2009	Percentage (%)		Change (%)
			2008	2009	
Shareholders' Equity	150,134	140,231	77.20	71.80	(6.60)
Provisions	6,611	9,108	3.40	4.66	37.77
Liabilities	35,952	44,459	18.49	22.76	23.66
Accrued expenses and deferred income	1,759	1,512	0.91	0.78	(14.04)
Total	194,456	195,310	100.00	100.00	0.44

In 2009, the equity changed in a small extent, due to the facts that shareholders' equity, accrued expenses and deferred income decreased, while provisions and liabilities increased compared to previous year.

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Internal structure of shareholders' equity

Description	2008	2009	Percentage (%)		Change (%)
			2008	2009	
Share capital	24,534	24,534	16.34	17.49	0.00
Capital reserve	4,624	4,624	3.08	3.30	0.00
Retained earnings	120,976	120,970	80.58	86.27	0.00
Allocated reserve	0	0	0.00	0.00	-
Profit of the period	0	(9,897)	0.00	(7.06)	-
Total	150,134	140,231	100.00	100.00	(6.60)

The decrease in shareholders' equity is mainly due to the negative net profit in 2009.

4.1.3. Equity Ratios

	2008	2009
Equity ratio		
$\frac{\text{Shareholders' Equity}}{\text{Total Liabilities and Shareholders' Equity}} * 100$	$\frac{150,134}{194,456} * 100 = 77.21 \%$	$\frac{140,231}{195,310} * 100 = 71.80 \%$
Liabilities ratio		
$\frac{\text{Debt}}{\text{Total Liabilities and Shareholders' Equity}} * 100$	$\frac{44,322}{194,456} * 100 = 22.79 \%$	$\frac{55,079}{195,310} * 100 = 28.20 \%$

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Debt/equity ratio

$$\frac{\text{Debt}}{\text{Shareholders' Equity}} = \frac{44,322}{150,134} = 0.30 \quad \frac{55,079}{140,231} = 0.39$$

Indebtedness

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

$$\frac{12,366}{162,500} * 100 = 7.61 \% \quad \frac{4,841}{145,072} * 100 = 3.34 \%$$

4.1.4. Current assets

	2008	2009
$\frac{\text{Current Assets} + \text{Prepayments}}{\text{Non-current Assets}} * 100$	$\frac{66,650}{127,806} * 100 = 52.15 \%$	$\frac{71,885}{123,425} * 100 = 58.24 \%$

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

4.2. Changes in the financial position

	2008	2009
Cash liquidity ratio		
$\frac{\text{Cash and Bank}}{\text{Short-Term Liabilities} + \text{Accrued expenses}}$	$\frac{3,521}{37,688} = 0.09$	$\frac{4,628}{45,908} = 0.10$

Liquidity quick ratio

$\frac{\text{Cash and Bank} + \text{Receivables} + \text{Marketable Securities}}{\text{Short-Term Liabilities} + \text{Accrued expenses}}$	$\frac{57,618}{37,688} = 1.53$	$\frac{62,183}{45,908} = 1.35$
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Liquidity ratio

$\frac{\text{Current Assets} + \text{Accrued income}}{\text{Short-Term Liabilities} + \text{Accrued expenses}}$	$\frac{66,562}{37,688} = 1.77$	$\frac{71,813}{45,908} = 1.56$
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The quick ratio of the company decreased between these two periods, because increase in the current assets was less, than increase in short-term liabilities.

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	2008	2009
Maturity of receivables		
$\frac{\text{Average amount of receivables}}{\text{1 day sales}}$	$\frac{56,937}{894} = 63.69$	$\frac{55,826}{701} = 79.64$

Ratio of accounts receivables to accounts payables

$\frac{\text{Accounts receivables}}{\text{Accounts payable}}$	$\frac{36,820}{17,487} = 2.11$	$\frac{42,146}{34,484} = 1.22$
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4.3. Changes in the profitability

ROAA

	2008	2009
$\frac{\text{Profit Before Taxation + Interest payable}}{\text{Average total assets}} * 100$	$\frac{1,654}{206,612} * 100 = 0.80 \%$	$\frac{(9,510)}{194,883} * 100 = (4.88) \%$

ROAE

	2008	2009
$\frac{\text{Profit After Taxation}}{\text{Average shareholders' equity}} * 100$	$\frac{675}{150,793} * 100 = 0.45 \%$	$\frac{(9,897)}{145,183} * 100 = (6.82) \%$

The significant negative changes of ROAE indexes were mainly due to negative profit after tax.

4.4. Yield and performance indices

Profit per number of employees

	2008	2009
$\frac{\text{Profit After Taxation}}{\text{Average number of employees}}$	$\frac{675}{1,154} = 0.58$	$\frac{(9,897)}{1,158} = (8.55)$

Profit per total assets and wages

$\frac{\text{Profit After Taxation}}{\text{Total Assets + Wages and salaries}} * 100$	$\frac{675}{199,912} * 100 = 0.34 \%$	$\frac{(9,897)}{201,138} * 100 = (4.92) \%$
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Equity proportionate profit

		2008		2009
$\frac{\text{Profit After Taxation}}{\text{Total Assets}} * 100$		$\frac{675}{194,456} * 100 = 0.35 \%$		$\frac{(9,897)}{195,310} * 100 = (5.07) \%$
$\frac{\text{Personnel Costs}}{\text{Profit After Taxation}} * 100$		$\frac{8,421}{675} * 100 = 1,247.56 \%$		$\frac{8,671}{(9,897)} * 100 = (87.61) \%$

The significant negative trend of yield and performance indices is mainly due to the decrease of profit after tax.

		2008		2009
Labour cost				
$\frac{\text{Personnel Costs}}{\text{Net Sales Income}} * 100$		$\frac{8,421}{326,377} * 100 = 2.58 \%$		$\frac{8,671}{255,737} * 100 = 3.39 \%$

The growth of labour cost was caused by the significant drop in net sales income.

		2008		2009
ROACE				
$\frac{\text{After-tax operating profit}}{\text{Average capital employed}} * 100$		$\frac{2,390}{156,014} * 100 = 1.53 \%$		$\frac{(20,301)}{155,214} * 100 = (13.08) \%$

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

		2008		2009
EBITDA ratio				
$\frac{\text{EBITDA}}{\text{Net Sales Income}} * 100$		$\frac{13,547}{326,377} * 100 = 4.15 \%$		$\frac{(9,229)}{255,737} * 100 = (3.61) \%$

The decrease in profitability ratios is due to the decrease of the operating profit.

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4.5. Changes in the Sales Revenues

Description	2008	2009	Division (%)		Change (%)
			2008	2009	
Net domestic sales	172,119	127,175	52.74	49.73	(26.11)
Net export sales	154,258	128,562	47.26	50.27	(16.66)
Net sales income	326,377	255,737	100.00	100.00	(21.64)

The net sales decreased by 21.64%, because domestic turnover fell back with HUF 44,944 million, as well as international turnover (HUF 25,696 million).

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5. Cash-flow

The table contains the summarized cash-flow information for the years 2008 and 2009:

Description	2008	2009
Profit before taxation	675	(9,897)
Dividends received	(1,004)	(817)
Unrealised foreign exchange gains/losses	1,429	(293)
Research expenses	439	420
Corrected profit before taxation	1,539	(10,587)
Depreciation	11,259	11,243
Impairment and reversal , scrap	472	(326)
Provisions made and used, net	(1,284)	2,497
Gain or loss of the sale of non-current	(23)	0
Change of liabilities to suppliers (incl. related parties)	(30,436)	15,177
Changes of other short-tem liabilities	1,453	(182)
Change of deferrals	(10)	(247)
Changes of receivables (incl. related parties)	17,826	(5,291)
Change of current assets (excluding trade receivables and cash)	2,356	(7,717)
Change of accruals and prepayments	23	(58)
Tax payable	0	0
Dividend payable	(1,992)	0
Cash-flow from operating activities	1,183	4,509
Purchases of non-current assets	(5,448)	(7,183)
Sale of non-current assets	27	76
Sale of financial investments	6	0
Other changes of non-current assets	0	0
Research expenses	(439)	(420)
Changes of given loan	(10,632)	9,478
Cash contribution free of charge	0	(6)
Dividend and profit share received	1,004	817
Cash used in investing activities	(15,482)	2,762
Long-term credits and loans received	12,078	0
Repayment of long-term credits and loans	(5,066)	0
Change of short-term credits	0	(6,234)
Change of liabilities towards founders and other long term liabilities	0	88
Cash flow from financing activities	7,012	(6,146)
Net change in cash	(7,287)	1,125
Cash at the beginning of the year	10,818	3,521
Cash at the end of the year	3,531	4,646

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6. Intangible assets

The following table contains a summary of intangible asset movements during the years ended 31 December 2008 and 2009:

Gross Value

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2008	191	6,774	6,965
Increase due to purchases	0	180	180
Other increase	0	8	8
Scrapping	0	(1)	(1)
Closing balance as of 31 December 2008	191	6,961	7,152
Increase due to purchases	0	52	52
Other decrease	0	(1)	(1)
Scrapping	0	0	0
Closing balance as of 31 December 2009	191	7,012	7,203

Accumulated Amortisation

	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2008	192	3,060	3,252
Ordinary amortisation	0	502	502
Scrapping	0	(1)	(1)
Other changes	(1)	0	(1)
Closing balance as of 31 December 2008	191	3,561	3,752
Ordinary Amortisation	0	548	548
Scrapping	0	0	0
Other changes	0	0	0
Closing balance as of 31 December 2009	191	4,109	4,300
Net Value as of 31 December 2008	0	3,400	3,400
Net Value as of 31 December 2009	0	2,903	2,903

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7. Tangible Assets

The following table contains a summary of tangible asset movements during the years ended 31 December 2008 and 2009:

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 2008	37,049	143,938	15,562	2,157	0	198,706
Increase due to purchases	0	0	0	4,253	0	4,253
Capitalisation	1,523	1,739	862	(4,124)	0	0
Other increase	0	0	0	0	0	0
Scrapping	(44)	(270)	(248)	0	0	(562)
Sales	0	0	(30)	0	0	(30)
Other changes	0	(27)	(4)	(7)	0	(38)
Closing balance as of 31 December 2008	38,528	145,380	16,142	2,279	0	202,329
Increase due to purchases	0	0	0	7,089	0	7,089
Capitalisation	1,099	5,676	573	(7,348)	0	0
Other increase	0	0	3	0	1	4
Scrapping	(64)	(1,746)	(134)	(7)	0	(1,951)
Sales	(194)	0	(1)	0	0	(195)
Other changes	(1)	(20)	0	(21)	0	(42)
Closing balance as of 31 December 2009	39,368	149,290	16,583	1,992	1	207,234

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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 2008	8,615	53,113	10,420	0	0	72,148
Ordinary Depreciation	1,180	8,336	1,139	0	0	10,655
Extraordinary depreciation	79	19	4	0	0	102
Scrapping	(44)	(270)	(248)	0	0	(562)
Sales	0	0	(28)	0	0	(28)
Other changes	0	(11)	(3)	0	0	(14)
Closing balance as of 31 December 2008	9,830	61,187	11,284	0	0	82,301
Ordinary Depreciation	1,209	8,214	1,101	0	0	10,524
Extraordinary depreciation	8	155	1	7	0	171
Scrapping	(64)	(1,746)	(134)	(7)	0	(1,951)
Sales	(118)	0	(1)	0	0	(119)
Other changes	0	(3)	3	0	0	0
Closing balance as of 31 December 2009	10,865	67,807	12,254	0	0	90,926

Net Value as of 31 December 2008	28,698	84,193	4,858	2,279	0	120,028
Net Value as of 31 December 2009	28,503	81,483	4,329	1,992	1	116,308

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

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

8. Description of Depreciation

Ordinary Depreciation

Title	Straight line		Lump sum		Unit of production		Total	
	2008	2009	2008	2009	2008	2009	2008	2009
Property rights	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Intellectual property	502	548	0	0	0	0	502	548
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	502	548	0	0	0	0	502	548
Real estate and related property rights	1,180	1,209	0	0	0	0	1,180	1,209
Technical machines and equipment	8,336	8,214	0	0	0	0	8,336	8,214
Other machines and equipment	1,115	1,100	24	1	0	0	1,139	1,101
Tangible Assets	10,631	10,523	24	1	0	0	10,655	10,524
Total	11,133	11,071	24	1	0	0	11,157	11,072

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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	
	2008	2009	2008	2009	2008	2009	2008	2009
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	59	0	20	8	0	0	79	8
Technical machines and equipment	0	0	19	155	0	0	19	155
Other machines and equipment	0	0	4	1	0	0	4	1
Assets under construction	0	0	0	7	0	0	0	7
Tangible Assets	59	0	43	171	0	0	102	171
Total	59	0	43	171	0	0	102	171

In 2009 impairment expense was recorded in amount of HUF 171 million. Significant part of it related to reconstruction and periodic maintenance.

9. Research and development

Research and development areas	2008			2009		
	Current year expenses	Of which		Current year expenses	Of which	
		Current year assets under construction	Expensed		Current year assets under construction	Expensed
Product development	229	-	229	229	-	229
Environment	7	-	7	3	-	3
Other (studies)	253	50	203	191	3	188
Total	489	50	439	423	3	420

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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 2008	98	334	70	169	671
Increase	30	22	14	0	66
Decrease and reclassification	0	0	0	(28)	(28)
Closing balance as of 31 December 2008	128	356	84	141	709
Increase	123	95	35	15	268
Decrease and reclassification	0	0	0	(140)	(140)
Closing balance as of 31 December 2009	251	451	119	16	837

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 2008	1	63	12	0	76
Increase	2	35	11	0	48
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2008	3	98	23	0	124
Increase	8	35	14	0	57
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2009	11	133	37	0	181

	Real estate	Technical machines and equipment	Other machines and equipment	Assets under construction	Total
Net Value as of 31 December 2008	125	258	61	141	585
Net Value as of 31 December 2009	240	318	82	16	656

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

11. Non-current investments in related parties

As of 31 December 2008 and 2009, the Company's non-current investments are summarized as follows:

Description	Location	Share (%)	Net book value		Proportionate amount of equity	
			31.12.2009	31.12.2008	31.12.2009	31.12.2008
Subsidiaries:						
TVK-Ingatlankezelő Kft.	Tiszaújváros	100.0	2,970	2,970	2,745	2,913
TVK InterChemol GmbH	Frankfurt am Main	100.0	151	151	428	357
TVK UK Ltd.**	London	100.0	74	31	55	31
TVK Italia S.r.l.	Milan	100.0	26	26	162	47
TVK-France S.a.r.l.	Paris	100.0	20	20	(5)	7
TVK Polska Sp. z o.o.	Warsawa	100.0	6	6	184	196
TVK Ukraina tov	Kiev	100.0	2	2	41	80
Associates:						
VIBA-TVK Kft.*	Tiszaújváros	40.0	82	0	64	-
TMM Tűzoltó és Műszaki Mentő Kft.	Tiszaújváros	30.0	1	1	117	123
TVK Erőmű Kft.	Tiszaújváros	26.0	858	770	945	887
Total			4,190	3,977	4,736	4,641

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.

* Dissolution process finished on February 8, 2010.

** Dissolution started on July 01, 2009.

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

Shareholders' equity of the Company's investments as of 31 December 2008:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK-Ingatlankezelő Kft.	HUF million	2,745	2,970	(185)	(40)
TVK InterChemol GmbH.	EUR thousand	1,616	615	0	1,001
TVK UK Ltd.	GBP thousand	202	200	0	2
TVK Italia S.r.l.	EUR thousand	610	100	13	497
TVK-France S.a.r.l.	EUR thousand	(19)	76	12	(107)
TVK Ukraina tov	EUR thousand	156	6	61	89
TVK Polska Sp. z o.o.	PLN thousand	2,894	109	236	2,549
Associates:					
VIBA-TVK Kft.	HUF million	160	205	9	(54)
TMM Tűzoltó és Műszaki Mentő Kft.	HUF million	391	3	382	6
TVK Erőmű Kft.	HUF million	3,636	3,298	199	139

Shareholders' equity of the Company's investments as of 31 December 2009:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income
Subsidiaries:					
TVK-Ingatlankezelő Kft.	HUF million	2,913	2,970	(225)	168
TVK InterChemol GmbH.	EUR thousand	1,317	615	0	702
TVK UK Ltd.	GBP thousand	103	200	2	(99)
TVK Italia S.r.l.	EUR thousand	172	100	19	53
TVK-France S.a.r.l.	EUR thousand	25	76	(95)	44
TVK Ukraina tov	EUR thousand	295	6	133	156
TVK Polska Sp. z o.o.	PLN thousand	2,971	109	236	2,626
Associates:					
TMM Tűzoltó és Műszaki Mentő Kft.	HUF million	409	3	391	15
TVK Erőmű Kft.	HUF million	3,412	2,963	338	111

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

Changes of the non-current investments in associate companies in 2008:

Name	Gross value of investments			Write-off			Year-end Revaluation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK-Ingatlankezelő Kft.	2,970	0	0	0	0	0	0	2,970
TVK InterChemol GmbH.	151	0	0	0	0	0	0	151
TVK UK Ltd.	74	0	0	0	0	0	0	74
TVK Italia S.r.l.	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.	2	0	0	0	0	0	0	2
Associates:								
VIBA-TVK Kft.	82	0	0	0	0	0	0	82
Tiszai Hulladékégető Kft.	12	0	(12)	4	0	(4)	0	0
TMM Tűzoltó és Műszaki Mentő Kft.	1	0	0	0	0	0	0	1
TVK Erőmű Kft.	858	0	0	0	0	0	0	858
Total	4,202	0	(12)	4	0	(4)	0	4,190

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Changes of the non-current investments in associate companies in 2009:

Name	Gross value of investments			Write-off			Year-end Revaluation	Investment closing value
	Opening value	Increase	Decrease	Opening value	Increase	Decrease		
Subsidiaries:								
TVK-Ingatlankezelő Kft.	2,970	0	0	0	0	0	0	2,970
TVK InterChemol GmbH.	151	0	0	0	0	0	0	151
TVK UK Ltd.	74	0	0	0	43	0	0	31
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.	2	0	0	0	0	0	0	2
Associates:								
VIBA-TVK Kft.	82	0	0	0	82	0	0	0
TMM Tűzoltó és Műszaki Mentő Kft.	1	0	0	0	0	0	0	1
TVK Erőmű Kft.	858	0	(88)	0	0	0	0	770
Total	4,190	0	(88)	0	125	0	0	3,977

12. Non-current loans

Other non-current loans as of 31 December 2008 and 2009:

Title	31 December 2008	31 December 2009
Loan to Plastico S.A.*	575	575
Write-off of loan to Plastico S.A.*	(575)	(575)
House-building loan	13	6
Total	13	6

* 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 2009 and 2008, respectively. (See Note 19)

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

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13. Non-current debt securities

The Company's securities as of 31 December 2008 and 2009 are summarized as follows:

Title	Maturity	31 December 2008	31 December 2009
2013/C government bond *	20.12.2013.	175	231
Total		175	231

* Non-current securities include type 2013/C government bonds with variable interest rates maturing in December 2013. Government bonds were shown at cost on 31 December, 2009, because the former recognised impairment was fully reversed.

14. Impairment of non-current financial assets

Impairment loss of non-current financial assets recognised in 2008 and 2009 by balance sheet item:

Description	Non-current investments	Other non-current loans	non-current securities	Total
Opening balance as of 1 January 2008	4	575	60	639
Increase of impairment	0	0	0	0
Decrease of impairment	(4)	0	0	(4)
Reversal of impairment	0	0	(4)	(4)
Closing balance as of 31 December 2008	0	575	56	631
Increase of impairment	125	0	0	125
Decrease of impairment	0	0	0	0
Reversal of impairment	0	0	(56)	(56)
Closing balance as of 31 December 2009	125	575	0	700

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

15. Inventories

Inventories as of 31 December 2008 and 2009 were as follows:

Description	31 December 2008	31 December 2009
Self-produced inventories	5,266	4,964
Purchased goods*	3,491	4,402
Advances for inventories	16	19
Total	8,773	9,385

As of 31 December 2008, the Company had slow-moving inventories aged over one year (mainly spare parts) amounting to HUF 2,335 million, and totalling HUF 2,619 million in 2009.

In 2008 scrapping involved HUF 18 million, and the net amount of recognised impairment was HUF 191 million, in 2009 the net amount of recognised impairment was HUF 5 million, while the reversal of impairment amounted to HUF 495 million.

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

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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
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)
2007 yearly surrender for GHG emission	(27)	0
Cancellation of 2005, 2006, 2007 yearly CO2 quotas	(53,388)	(234)
Closing balance as of 31 December 2008	0	0
2008 yearly CO2 quotas	1,224,945	4,737
2009 yearly CO2 quotas	1,224,945	4,737
Total of quotas granted free of charge	2,449,890	9,474
2008 yearly surrender for GHG emission	(1,024,574)	(3,962)
Purchase of quota	123,000	415
Surrender of purchased quota	(122,494)	(413)
2008 yearly sales of quota	(194,100)	(750)
2009 yearly sales of quota	(1,231,000)	(4,761)
Closing balance as of 31 December 2009	722	3

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16. Impairment of Inventories

Impairment loss of inventories recognised in 2008 and 2009 by balance sheet item:

Description	Materials	Work in process	Finished products	Commodities	Advances for inventories	Total inventories
Opening balance as of 1 January 2008	1,465	0	0	234	0	1,699
Increase of impairment	216	0	227	0	0	443
Decrease of impairment	(18)	0	0	(234)	0	(252)
Reversal of impairment	0	0	0	0	0	0
Closing balance as of 31 December 2008	1,663	0	227	0	0	1,890
Increase of impairment	5	0	0	0	0	5
Decrease of impairment	(5)	0	0	0	0	(5)
Reversal of impairment	(268)	0	(227)	0	0	(495)
Closing balance as of 31 December 2009	1,395	0	0	0	0	1,395

17. Trade receivables

Receivables as of 31 December 2008 and 2009 were as follows:

Description	31 December 2008	31 December 2009
Foreign receivables	19,609	22,347
Domestic receivables	14,103	13,432
Impairment	(88)	(192)
Total	33,624	35,587

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18. Receivables from related parties

As of 31 December 2008 and 2009 accounts receivables from related parties are the following:

Description	31 December 2008	31 December 2009
MOL Group	13,586	7,358
Accounts receivable from Subsidiaries	29	89
Accounts receivable from Associate companies	208	252
Impairment	0	0
Total	13,823	7,699

19. Other Receivables

The Company's other receivables as of 31 December 2008 and 2009 are summarized as follows:

Description	31 December 2008	31 December 2009
Reclaimable VAT	4,722	11,117
Corporate income tax	1,414	2,273
Local tax	428	427
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)
Innovation fee	38	190
Prepayments for services	12	23
Receivables due to house-building loans	24	19
Other	12	220
Total	6,650	14,269

*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 2008 and 2009, respectively.

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20. Impairment of Receivables

In 2008 and 2009, 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 2008	33,712	13,823	0	0	6,973	54,508
Closing balance as 2009	35,779	7,699	0	0	14,592	58,070

Impairment

Movements	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Opening balance as 2008	41	0	0	0	323	364
Increase	47	0	0	0	0	47
Decrease	0	0	0	0	0	0
Closing balance as 2008	88	0	0	0	323	411
Increase	104	0	0	0	0	104
Decrease	0	0	0	0	0	0
Closing balance as 2009	192	0	0	0	323	515

Net book value

Description	Trade receivables	Receivables from related parties	Receivables from other related parties	Bill receivables	Other receivables	Total receivables
Closing balance as 2008	33,624	13,823	0	0	6,650	54,097
Closing balance as 2009	35,587	7,699	0	0	14,269	57,555

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21. Cash and Bank

The Company's cash at bank balances as of 31 December 2008 and 2009 are summarized as follows:

Description	31 December 2008	31 December 2009
Bank accounts	3,519	4,625
Cash in hand, cheques	2	3
Total	3,521	4,628

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22. Prepayments, accruals and deferrals

Prepayments as of 31 December 2008 and 2009 are summarized as follows:

Description	31 December 2008	31 December 2009
Dividend receivables*	125	230
Interest receivables	39	2
Other deferred income	7	13
Deferred income	171	245
Subscription fees	1	2
Other deferred expenses	87	70
Prepayment of costs and expenses	88	72
Total	259	317

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

Accrued expenses and deferred income as of 31 December 2008 and 31 December 2009 are as follows:

Description	31 December 2008	31 December 2009
Deferred revenues	0	40
Deferred revenues	0	40
Expected carriage	290	333
Accrued energy costs	292	221
Accrued agent's fees	96	130
Accrued share-based payment plans	0	110
Other accrues costs and expenses	1,005	641
Interest payable	53	14
Accrues costs and expenses	1,736	1,449
Book value of assets received free of charge, found as a surplus, or received as a gift or legacy	23	23
Deferred income	23	23
Total	1,759	1,512

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

23. Shareholders' Equity

Shareholders' equity consisted of the following during 2008 and 2009:

Description	Share capital	Capital reserve	Retained earnings	Allocated reserve	Net income	Total
31 December 2007.	24,534	4,624	105,162	500	16,631	151,451
Appropriation of 2007 net income	0	0	16,631	0	(16,631)	0
Change of allocation of development reserve	0	0	500	(500)	0	0
Dividends	0	0	(1,317)	0	0	(1,317)
Profit for 2008	0	0	0	0	0	0
31 December 2008	24,534	4,624	120,976	0	0	150,134
Appropriation of 2008 net income	0	0	0	0	0	0
Cash contribution free of charge	0	0	(6)	0	0	(6)
Profit for 2009	0	0	0	0	(9,897)	(9,897)
31 December 2009	24,534	4,624	120,970	0	(9,897)	140,231

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24. Provisions

The Company's provisions as of 31 December 2008 and 2009 are summarized as follows:

Description	Environ- mental **	Other ***	Total
Opening balance as of 1 January 2008	3,009	4,886	7,895
Provisions made in 2008 and reassessment of previous year's estimate	324	3,566	3,890
Provisions used during the year and reassessment of previous year's estimate	(770)	(4,404)	(5,174)
Closing balance as of 31 December 2008	2,563	4,048	6,611
Provisions made in 2009 and reassessment of previous year's estimate *	298	6,766	7,064
Provisions used during the year and reassessment of previous year's estimate *	(890)	(3,687)	(4,577)
Closing balance as of 31 December 2009	1,971	7,127	9,098

* Provisions made in the current year are disclosed within other expenses (See Note 30), provisions used in the current year are disclosed within other incomes (See Note 30), while year-end revaluation is disclosed within other financial incomes.

** The information on environmental provision is disclosed in Note 39.4

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

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.

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Provision for long term employee retirement benefits

As of 31 December 2009 the Company has recognised a provision of HUF 152 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 2009, based on actuarial calculations, the Company made a HUF 193 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 3,179 million, include the quantity discounts pays due but not yet paid as at 31 December 2009.

Provision for emission quota

The 2009 year's emission quantity of CO₂ quota of the Company exceeded the owned quota quantity; therefore a provision was recognised in amount of HUF 3,539 million on 31 December, 2009 for the deficit.

Other provision

The Company made other provision in amount of HUF 10 million on 31 December, 2009.

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25. Trade payables

Accounts payable consisted of the following as of 31 December 2008 and 2009:

Description	31 December 2008	31 December 2009
Domestic creditors	4,544	4,794
Foreign creditors	874	1,282
Total	5,418	6,076

26. Short-term liabilities to related parties

Short-term liabilities to related parties consisted of the following as of 31 December 2008 and 2009:

Description	31 December 2008	31 December 2009
Liabilities to MOL Group*	29,055	36,487
Liabilities to Subsidiaries	10	143
Liabilities to associated companies	779	1,247
Total	29,844	37,877

*It contains HUF 1,890 million dividend on December 31, 2008, which have to pay to MOL Group. This amount was paid in 2009.

On 22 December 2004, the Company made contract about a loan facility of EUR 280 million granted by MOL Plc. At the end of 2008, the remained debt was EUR 60 million, which was fully repaid in 2009.

On 21 December 2009, the Company made contract about a revolving loan facility of EUR 100 million granted by MOL Plc, of which it drew HUF 13,805 million (EUR 50 million), and repaid HUF 4,152 million (EUR 15 million). After the year-end revaluation, the credit portfolio amounted to HUF 9,469 million (EUR 35 million) on 31 December, 2009.

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27. Other current liabilities

Other current liabilities as of 31 December 2008 and 2009 are summarized as follows:

Description	31 December 2008	31 December 2009
Payables to employees, and related contributions	267	265
Taxes and similar charges	33	37
Personal income tax	22	15
Dividends payable*	109	8
Liabilities from conversion of employees' shares	5	4
Other	48	48
Total	484	377

*Dividend payable in 2009 is related to 2005's, 2007's and 2008's dividend (HUF 8 million) which hasn't been paid yet.

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28. Net sales

Sales in 2008 and 2009 are summarized as follows:

Market segment description	2008		2009	
	Net sales	Rate %	Net sales	Rate%
Europe	149,442	45.79	119,489	46.72
America	3,396	1.04	7,641	2.99
Asia	1,098	0.33	1,068	0.42
Africa	0	0.00	3	0.00
Other areas	322	0.10	361	0.14
Total foreign sales	154,258	47.26	128,562	50.27
Total domestic sales	172,119	52.74	127,175	49.73
Total	326,377	100.00	255,737	100.00

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Foreign sales by geographical area in Europe in 2008 and 2009 are summarized as follows:

Market segment description	2008		2009	
	Net sales	Rate %	Net sales	Rate%
European Union	127,233	85.13	103,485	86.61
Germany	30,858	20.65	23,013	19.26
Poland	23,049	15.42	20,924	17.51
Italy	24,828	16.62	20,877	17.47
Slovakia	8,098	5.42	6,361	5.32
Czech Republic	4,816	3.22	5,042	4.22
Rumania	7,439	4.98	4,515	3.78
Austria	6,208	4.15	4,139	3.46
France	4,679	3.13	3,666	3.07
Greece	3,921	2.62	3,079	2.58
United Kingdom	5,456	3.65	2,855	2.39
Netherlands	1,132	0.76	2,223	1.86
Slovenia	2,709	1.81	1,734	1.45
Cyprus	190	0.13	1,632	1.37
Lithuania	1,884	1.26	1,534	1.28
Spain	585	0.39	813	0.68
Latvia	636	0.43	449	0.38
Finland	406	0.27	302	0.25
Sweden	132	0.09	93	0.08
Portugal	0	0.00	72	0.06
Belgium	123	0.08	68	0.06
Bulgaria	6	0.00	55	0.05
Denmark	78	0.05	39	0.03
Without European Union	22,209	14.87	16,004	13.39
Ukraine	5,831	3.90	4,910	4.11
Switzerland	2,626	1.76	3,413	2.85
Turkey	4,576	3.06	575	0.48
Other	9,176	6.15	7,106	5.95
Total	149,442	100.00	119,489	100.00

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Sales in 2008 according to operational segments are as follows:

Operational segments	Domestic sales	Foreign sales	Total sales
Olefin	102,680	6,163	108,843
LDPE	11,255	14,567	25,822
HDPE	10,475	92,816	103,291
PP	37,339	40,525	77,864
Other	10,370	187	10,557
Total	172,119	154,258	326,377

Sales in 2009 according to operational segments are as follows:

Operational segments	Domestic sales	Foreign sales	Total sales
Olefin	67,742	4,714	72,456
LDPE	8,631	10,020	18,651
HDPE	9,199	80,980	90,179
PP	27,202	32,687	59,889
Other	14,401	161	14,562
Total	127,175	128,562	255,737

29. Change in self-produced assets

Title	2008	2009
Change in self-produced assets	901	847

The items capitalized in 2008 include mostly the reconstruction of Olefin 1 furnaces. The items capitalized in 2009 include those capitalized due to the improvements carried out during the planned general overhaul.

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30. Other income and other expenses

Other income for 2008 and 2009 is summarized as follows:

Other operative income	2008	2009
Provisions used**	5,174	4,577
Reversed write-off of trade receivables, loans and inventories	0	495
Received default interests, penalties, compensations	110	89
Revenues from the disposal of tangible and intangible assets	27	76
Received amount from bad debts and written-off receivables	30	9
Other profit increasing items	45	59
Total	5,386	5,305

Other expenses for 2008 and 2009 are summarized as follows:

Other operative expenses	2008	2009
Provisions*, **	3,890	7,072
Retrospective discount	6,036	4,473
Surrender of GHG emission unit	0	4,376
Local taxes	1,030	610
Impairment and extraordinary depreciation	591	280
Assistance, benefits	77	86
Book value of disposed tangible assets, intangible assets	2	76
Tax payables connecting to previous years	16	74
Expenses related to damages and losses	39	55
Paid compensation, fines, default interest	7	47
Shortage of tangible assets, inventories	5	15
Bad debt write-off	18	0
Other profit decreasing items	86	74
Total	11,797	17,238

*Further environmental provisions are expected subject to the results of future environmental surveys. (See Note 39.4)

** The provision is disclosed in Note 24.

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31. Material type services

Material type services in 2008 and 2009 are as follows:

Description	2008	2009
Maintenance costs	3,608	4,014
Sundry sales costs	3,251	2,793
Fee of outsourcing service	1,732	1,697
Rental fee cost	676	691
Services provided by Petrolszolg Kft	466	563
Transportation, loading, storage	443	402
PR, advertisement expenses, telecommunication	422	309
Fire protection service	246	250
Public sanitation	289	248
Information technology service	241	245
Technical development cost	262	234
Software development	172	229
Environmental expenses	161	193
Security service	185	171
Waste material utilization, cost of elimination	129	141
Training cost	159	82
Hiring cost of labour	198	71
Advisory and consultant expenses	153	63
Travel and accommodation expenses	92	49
Fees paid to non natural entities	44	49
Audit expenses*	46	46
Health care service	48	43
Payroll	43	36
Translation	16	13
External data processing	2	3
Leasing	5	2
Other	155	147
Total	13,244	12,784

*Audit expenses of the Company amounted to HUF 35 million in 2009.

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32. Other services

Other services in 2008 and 2009 are as follows:

Description	2008	2009
Insurance fees	753	939
Authority charges	198	261
Bank charges	185	166
Total	1,136	1,366

33. 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 2008 and 2009 is summarized below:

Description	2008	2009
Board of Directors	71	90
Supervisory Board	32	41
Total	103	131

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.

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34. Employees

In 2008 and 2009 the average number of employees per profit centres or service units was the following:

Description	2008			2009		
	Blue collar (persons)	White collar (persons)	Total (persons)	Blue Collar (persons)	White collar (persons)	Total (persons)
Petrochemical	362	87	449	380	73	453
Energy supply unit	89	69	158	86	73	159
General management	4	61	65	4	56	60
Maintenance units	0	38	38	0	39	39
Other units	112	331	443	108	339	447
Total	567	586	1,153	578	580	1,158

Personnel related costs for 2008 and 2009 are detailed below:

Description	2008			2009		
	Blue collar	White collar	Total	Blue collar	White collar	Total
Petrochemical	1,184	567	1,751	1,350	528	1,878
Energy supplying unit	271	376	647	293	428	721
General management	9	478	487	11	486	497
Maintenance units	0	213	213	0	237	237
Other units	328	2,030	2,358	341	2,154	2,495
Total	1,792	3,664	5,456	1,995	3,833	5,828

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35. Other financial income and other financial expenses

Other financial income for 2008 and 2009 are summarized as follows:

Other financial income	2008	2009
FX gain on monetary assets and liabilities denominated in foreign exchange	9,446	8,834
Other	18	17
Total	9,464	8,851

Other financial expenses for 2008 and 2009 are summarized as follows:

Other financial expenses	2008	2009
FX loss on monetary assets and liabilities denominated in foreign exchange	11,188	8,499
Other	317	246
Total	11,505	8,745

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36. Extraordinary revenues and expenditures

Extraordinary revenues for 2008 and 2009 are summarized as follows:

Extraordinary revenues	2008	2009
Sales value and market value of assets received free of charge	0	9,480
Income on withdrawal of capital	0	87
Surplus of finished products	4	15
Total	4	9,582

Extraordinary expenditures for 2008 and 2009 are summarized as follows:

Extraordinary expenses	2008	2009
Withdrawal of capital (TVK Erőmű Kft.)	0	87
Contract value of debt assumption	2	8
Book value of receivables remitted	1	2
Total	3	97

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37. Hazardous waste (non audited)

The following table shows the movement of hazardous waste at the Company in 2008 and 2009 (data in tons):

EWC code	Dangerous waste	2008	2009
201035	Scrapped electric and electronic equipments	0.3	0.0
	Total	0.3	0.0

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 2008 and in 2009(data in tons):

	Opening value	Increases	Decreases	Closing value
2008	5	2,396	2,401	0
2009	0	2,461	2,461	0

In connection with the management of hazardous waste HUF 58 million and HUF 62 million expenses incurred for 2008 and 2009, respectively.

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38. 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.

38.1. Related party transactions

	2008	2009
	HUF million	HUF million
Sales		
- of which: to MOL Group companies	59,510	52,736
of which : MOLTRADE- Mineralimpex Zrt	52,385	40,432
to related parties	6,515	3,752
Purchase		
- of which: from MOL Group companies	242,574	193,372
of which : MOLTRADE- Mineralimpex Zrt	226,085	174,758
from related parties	16,644	23,619

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38.2. Share-based payment plans

General Incentive Schemes for management

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.

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, with the following characteristics:

- covers a 5-year period starting annually, where periods split into
 - a 3-year waiting period and a 2-year redemption period in case of managers staying in the previous system for 2009,
 - a 2-year waiting period and a 3-year redemption period in case of managers choosing the new system already for Y2009, and it is valid for all of the entitled managers from Y2010.
- its rate is defined by the quantity of units specified by MOL job category
- the value of the units is set annually (in each year since the initiation of the scheme, 1 unit equals to 100 MOL shares).

According to the new system it is not possible to redeem the share option until the end of the second year (waiting period); the redemption period lasts from 1 January of the 3rd 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.

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39. Off-balance sheet items

39.1. APEH revision

In 2008, the Hungarian Tax and Financial Control Administration (APEH) conducted a full scope tax audit at the Company with respect to the year 2004 to 2005. The result of the tax audit was tax difference of HUF 435.4 million, which generated HUF 153.4 million tax penalty and HUF 66.7 million default surcharges. The total amount of penalties recognized in January, 2009.

In 2009, the Company made a statement of claim to Metropolitan Court for judicial review of APEH's adjudgement. This statement was refused. The Company made a further revisionary petition to Supreme Court. In accordance with the statement of claim, the Company didn't recognize provision for the results of tax audit. The establishments, which don't belong to this claim and their legal consequences (HUF 35 million) were shown in the Company's financial statements.

39.2. Contractual commitments related to capitalization projects

The total value of capital commitments as of 31 December 2009 is HUF 980 million, which is fully attributable to TVK Plc.

39.3. 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.

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39.4. Environmental protection

In 1996, before the privatisation of TVK Plc., 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 (ÉMIKÖTEVIFE), Nature and Water issued a note to TVK Plc. to prepare and submit a technical action plan by 30 September 2005.

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

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

In 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, we drew a complete pollution risk map in 2009. The map will then be used to re-define middle-term environmental goals and to prioritise implementation.

The TVK-TIFO site's exploration of facts and its complementary information were prepared and submitted to ÉMIKÖTEVIFE by BGT Hungária Kft in 2009. On the basis of these documents, the Authority prescribed the continuation of exploration and the actual technical tasks of restoration with joint responsibility. The lodging deadline of the exploration's closing documents is on December, 2012.

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Within the TVK Plc's site, work is carried out to avoid further pollution on the southern part of the plant and the Company is making significant efforts to gauge the extent of the pollution as well as to identify and map the possible movement of pollutants.

In 2009 and in 2008 HUF 185 million and HUF 179 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 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.

We made a quantitative risk assessment in 2008 whose instantaneous findings showed that no agricultural, human exposure and ecological risks are expected to turn up that could be accounted for a contaminated subsoil under the industrial complex. Given that the information creating the input data for risk analyses need continuous updating, we added biological monitoring to our chemical analytical testing and monitoring programme in 2009 in order to explore any quantity of soil gas, which has a significant impact on human health and long-term impact on living organisms.

During 2009, the Company continued the mapping up of the resources, geological structure of the site and the water streams and it started to integrate them into the hydrodynamic transport model. On the basis of surveys, the original extension of environmental pollution was determined. By reason of joint responsibility, the extent of liability was revised. Henceforth, the costs of implementing of technical intervention will be divided between TVK Plc. and MOL Plc. in 50-50 %. In consequence of this, provision was released in amount of HUF 500 million in 2009.

TVK Plc. and MOL Plc., involving outsider specialists, set up a research project, which successfully applied for the tender „ For a Liveable Environment” invited by the National Technological Research Agency. The objective of the research programme is to prevent the transport of contaminants in the 16-32 m deep water-bearing zone and to study the methods of the reduction of their concentration.

The Company recognized- consideration of above-mentioned - an environmental provision based on the currently available quantifiable future expenses HUF 1,971 million as of 31 December 2009 (2008: HUF 2,563 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.

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39.5. Change of Ownership Structure

On February 27 and 28, 2007, 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%.

40. Corporate tax

The differences between the profit before tax and the tax base for 2008 and 2009 are presented below:

Description	2008	2009
Profit before taxation	675	(9,897)
Inventory and fixed asset write-offs	(6,226)	(6,272)
Provisions	(1,284)	2,496
Contribution of foundations	74	94
Non-business related expenditure	18	0
Dividend received	(1,004)	(817)
Research and development costs according to the Act on accounting	(188)	(164)
Local corporate tax accounted as expense (100% in 2008)	(675)	0
Other	40	(10)
Tax base	(8,570)	(14,570)
Corporate tax (16%)	0	0
Taxation	0	0
Solidarity surplus tax	0	0
Profit after taxation	675	(9,897)

In 2008 and 2009 no tax income liability was arisen. In case of solidarity surplus tax, the situation was the same.

41. Subsequent events

The Board of Directors approved the Financial Statements on 11 March 2010.

Based on the Resolution of the Shareholders' Meeting held on 15 April 2010, no dividend will be paid.