Contents

TVK is the Leading Supplier of Polyethylene and Polypropylene to Central and Eastern European Markets

Tiszai Vegyi Kombinát Rt. (TVK) as a member of the MOL Group, the flagship of the petrochemical sector in Hungary and in the region, supplies feedstock to several Hungarian and Western and Eastern European small and medium sized plastic processing operations. Its products are present in more than 40 countries. As a producer of ethylene, it is a fundamental supplier of BorsodChem Rt., another large petrochemical company that also operates in the same county (Borsod-Abaúj-Zemplén). Furthermore, TVK is the most important supplier of feedstock to MOLTRADE Mineralimpex Rt., subsidiary of the MOL Group.

Key Corporate Data, 2002-2003

IFRS, consolidated, audited	2002 (HUF million)	2003 (HUF million)	2002 (EUR 000)	2003 (EUR 000)
Sales	135 124	150 284	572 802	573 100
Earnings Before Interest and Taxes (EBIT)	443	4 195	1 878	15 997
Depreciation	8 111	7 798	34 383	29 737
Net profit	1 819	5 295	7 711	20 192
Capital expenditure	20 132	53 081	85 341	211 341
Balance sheet total	134 274	182 081	569 199	694 356
Owner's equity	97 112	102 361	411 666	390 348
Registered capital	24 510	24 501	103 900	93 433
Major ratios				
EPS – Earnings per share (HUF/share; Euro/share)	75	218	0.32	0.83
ROE – Return on owner's equity (%)	1.87	5.17	1.87	5.17
ROA – Return on assets (%)	1.35	2.91	1.35	2.91
Closing price of TVK shares on the Budapest Stock Exchange (HUF and EURO)				
• Highest	4 800	4 550	20.35	17.35
• Lowest	2 800	3 940	11.87	15.02
• On December 31	3 940	3 955	16.70	15.08
Capitalization (from December 31 closing price. million)	95 485	95 849	404.77	365.52

Other Data	2002	2003
Average headcount	2 205	2 091
Number of shares	24 423 843	24 423 843
• Ordinary shares	24 234 843	24 234 843
• Employee stock	189 000	189 000
Number of consolidated companies	10	7

Remark: The EUR/HUF mid FX rate quoted by the National Bank of Hungary for December 31. 2002 was: 235,90
The EUR/HUF mid FX rate quoted by the National Bank of Hungary for December 31. 2003 was: 262,23

Main lines of business

Olefin production (the production and wholesale distribution of ethylene, propylene, olefin-production co-products)
Polymer production (the production and wholesale distribution of low, medium and high density polyethylene /LDPE, MDPE, HDPE/ and polypropylene /PP copolymer and homopolymer/)

Vision

TVK should play a leading role in the petrochemical business by way of a mutually beneficial system of partnerships designed to secure a key position for the company in Central Europe by implementing corporate developments and through other opportunities and by strengthening TVK's role as an independent supplier in the integrated market of the European Union.

Mission

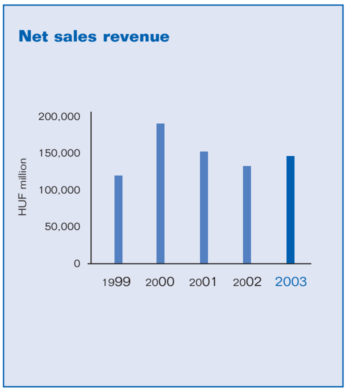
Our customers should associate the name of TVK with quality and reliability.
Our employees should be proud of being part of dynamic development in an environment of dignity.
We keep increasing the value of the Company and are held in confidence by our shareholders.

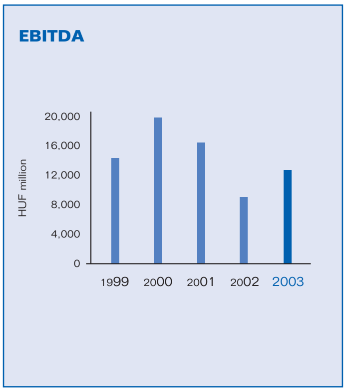
Major Goal

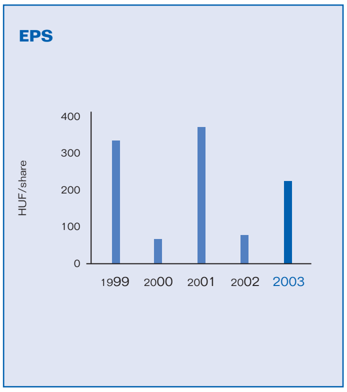
To boost shareholder value by enhancing competitiveness through operating efficiently, utilising market opportunities and further strengthening market positions; as well as to improve profitability by implementing a dynamic development strategy and by mobilising internal reserves of efficiency.

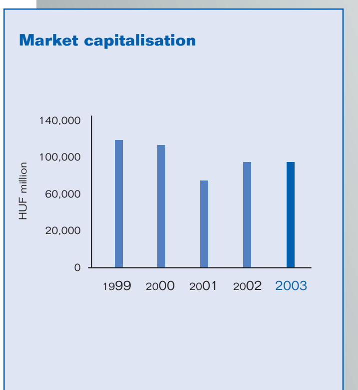
Core values

The core values that make our mission attainable are:
- highly qualified, creative and motivated employees,
- commitment through a sense of responsibility for health, safety and the natural environment,
- business relations based on mutual benefits,
- quality consciousness immersing the operation of the company.









Chairman's Letter

Dear Shareholders,

In 2003, the TVK Group managed to improve on its 2002 results despite unfavourable external conditions and the stagnation in European economies. This achievement was fuelled by positive exchange rate movements affecting both the supply of feedstock to and the sale of products by the Group and by the greater efficiency of internal processes, by the stable supply of top quality feedstock and the result and improvement in product recovery rates, by the success of the project designed to increase the efficiency of the polymer sales business processes and by stringent cost control.

The technical implementation and construction under the Strategic Development Project progressed on schedule. Besides making HUF 55 billion worth of capital expenditure, TVK managed to ensure the availability of the necessary funds for the developments through efficient working capital management. In 2004, our strategic development responsibilities will include implementation according to schedule and within budget, fulfilling the terms of financing as planned and handing over the new plants for trial runs, as closing the project successfully will give us major momentum in exploiting our leadership in the regional petrochemical market and capturing the benefits of increasing polymer sales in Central Europe, thereby creating solid ground for our future growth.

I think it is very important to mention that our cost efficiency projects managed to keep controllable costs at par with 2002 cost levels despite performing the biannual major maintenance overhaul in 2003.

Seeking to improve operating profits, we continued to divest non-core businesses in line with the objectives set in the strategy of TVK, announced in late 1999. That allows the Company to bring the core business of producing olefin and polyolefin into sharp focus and to regroup resources and concentrate them on the core lines that produce higher added value. The Company took measures to sell its holdings in subsidiaries engaged in plastic processing, the provision of various services and other non-core investments. Since the initiation of the program, TVK has sold 30 of its subsidiaries and the outsourcing of certain additional activities will be targeted in the coming year.

Significant amounts are spent each year on cleaning up the legacy of environmental pollution from earlier decades, which we maintained last year despite the difficult economic environment.

2003 was a year of commemoration; we celebrated the fiftieth anniversary of incorporating TVK. That unique occasion set the scene for evaluating half a century of history and for contemplating the goals and responsibilities we face in the coming years and decades. We are proud of the achievements of our predecessors and are working to preserve and hand down to future generations the values inherited from the past, such as excellent workmanship, the desire to work and the capacity to innovate.

We always bear in mind that there are people behind the continuous improvement of team achievements; we therefore focus on motivating and developing our fellow employees. In addition to operating and expanding our wide-ranging benefits, we have spent a significant amount in 2003 on education and training programs that provided new knowledge and skills to members the of our organization. A system of performance management designed to boost and recognize individual achievement was introduced to complement the existing contractual remuneration.

I should mention that as a member of the MOL Group TVK has actively and successfully participated in the efforts made within the group to exploit synergies. The integration, at MOL Group level, of

György Mosonyi
Chairman of the Board

various business activities, including production, the related procurement of feedstock and product sales, was completed in 2003. Cooperation within the group offers several benefits to TVK, such as the stability of feedstock supply and by-products placement or the optimal operation of commercial channels.. Our plans envisage integrating functional areas in the first two quarters of 2004. Building on these existing bases, further efficiency enhancements will be achieved in production, sales and human resources management.

We expect to catch up with the leading European petrochemical companies with a similar profile in terms of economies of scale and competitiveness, due to the Strategic Development Project. TVK is well placed to strengthen its leading petrochemical position in the region of Central Europe. Complemented by the petrochemical capacities and sales of the Slovak company Slovnaft, another member of the Petrochemical Division of the MOL Group, TVK's leading position in the market of the region is undisputed. To strengthen our position, we seek to fine-tune the terms of cooperation within the group, to identify and exploit additional synergies in the coming period so as to reach higher levels of efficiency and, eventually, boost shareholder value. As a member of the MOL Group, one of our most important tasks for 2004 involves further coordination of the activities of the Company and improving internal efficiency, which will, in turn, keep the group organic growth on the right track.

The Board of Directors will do its utmost in the year to come to accomplish the goals of the strategy and to reach maximum shareholder value.

To conclude, I thank the management of the company for their effective contribution to the success of TVK, their fellow-employees for their tireless efforts and commitment and our business partners for their loyalty.

April 7, 2004

György Mosonyi
Chairman of the Board

Major Strategic Goals

To enhance corporate efficiency and to improve profitability. To exploit our leading regional position in the petrochemical business through capturing the advantages of the growth in regional polymer demand.

Focus on core business

Streamlining and focusing sharply on its core business of making olefin and polyolefin have remained the major goal since announced as part of TVK's strategy in late 1999. To attain the goal, TVK has been consistent to the utmost in implementing the divestment of its holdings in plastic processing, service providing and other non-core subsidiaries in the past four years. This strategy has allowed TVK to regroup resources and focus them on its core business, which produces higher added value. Eventually, since 1999, TVK has sold off 30 of its subsidiaries and the outsourcing of certain activities may materialize as part of the strategy in the near future.

TVK, as a member of the MOL Group

As a member of the MOL Group, TVK participates actively and successfully in the efforts aimed at utilizing the synergies present in the three companies.

According to the resolutions of the Boards of Directors of TVK, MOL and Slovnaft, the integration of various business areas, including production, the related procurement of feedstock and product sales, was completed within the MOL Group at the end of 2003. The integration offers several benefits to TVK, such as the stability of feedstock supply and by-products placement or the operation of polymer commercial channels at the optimum. The plans call for integrating functional areas in the first two quarters of 2004. This ensures further efficiency enhancements in production, sales and human resources management.

The integrated management of the Chemical Division, created as of 1 January 2004, is responsible for the daily coordination of the joint operation of chemical production and sales activities within TVK and Slovnaft. The integrated operation serves to optimise supply and to improve product portfolio, which leads to enhanced efficiency at these companies. Both companies will maintain its independent entities in legal terms.

Motivated by the resolution discussed above, the Company decided to modify its structure of organization. The rationale behind upgrading the organization involved the intent to boost the efficiency of production and sales and to give priority to managing the Health, Safety, Environment and Quality functions. See page 68 for the modified structure of organization.

Petrochemical Development Project

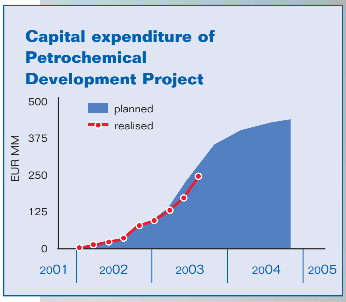
On site construction work progressed intensively and according to the schedule approved by the Board of Directors in each of the component projects of the Petrochemical Development Project, which is worth EUR 430 million or almost HUF 110 billion in full, and which TVK intends to complete in record time even in international comparison. That is also reflected by the increased headcount of the construction staff, which fluctuated between 1700-2100 employees.

The Board of Directors of the company approved the package of strategic capital expenditure projects with on March 26, 2002. By 2005, TVK will have implemented three major capacity expansion programs as part of the development project. The capacity to produce ethylene will increase substantially by setting up a new olefin plant; the capacity of making high-density polyethylene will be doubled. The project also called for the modernization of polypropylene capacity, which was completed successfully in 2002.

By implementing its petrochemical development project, which is orchestrated to harmonize with other developments in the Group, the Company responds appropriately to the challenges of competing in the petrochemical business as brings marketing and sales aspects into sharp focus, creates a competitive product portfolio (the new HDPE technology at TVK will be capable of making modern pipe grade products) and is more advantageous than other developments in the region.

The Company borrowed EUR 150 million under a Hermes facility maturing in 10 years and took out a syndicated loan of EUR 130 million worth for 5 years to finance the project. TVK uses its own funds to finance the remaining Capital expenditure requirement of EUR 150 million. Of the total project expenditure, EUR 237 million had been disbursed by December 31, 2003.

In terms of size and effect, the significance of the development is comparable to the foundation of Tiszai Vegyi Kombinát and it is therefore a major turning point in the history of both the Company and of Hungarian industry. Completing the capital expenditure project will lend the Company the economies of scale that will allow it to retain its leading position in the CEE region and to strengthen its market presence in the European Union.



TVK's Plants and the Petrochemical Development Project

Plant	Capacity (kt/year) before project	Capacity (kt/year) after project	Technology	Year commissioned	Capital expenditure (EUR million)
Olefin-1*	370	370	Linde	1975	-
Olefin-2*	**-**	**250**	**Linde**	**2004**	**238**
Ethylene total	**370**	**620**			
LDPE-1	55	55	ICI	1970	-
LDPE-2	65	65	BASF	1991	-
LDPE total	**120**	**120**			
HDPE	200	210	Phillips	1986	-
PE-4 (HDPE-2)	**-**	**200**	**Mitsui**	**2004**	**129**
HDPE total	**200**	**410**			
PE total	**320**	**530**			
PP-2**	50	-	Sumitomo	1983	-
PP-3	100	100	Himont	1989	-
PP-4	**140**	**180**	**Himont**	**1999**	**13**
PP total	**290**	**280**			
Polymer total	**610**	**810**			
Supplementary facilities	**-**	**-**	**-**	**2004**	**50**
TOTAL Capital Expenditure					**430**

* Capacity utilisation of ethylene
** Closed down in 2002

Petrochemical Development Project's events in 2003

The engineering design of and the procurement of goods and services for the project have reached completion stage. Intensive construction efforts were in progress in each project area; average constructor headcount surpassed 1,800 employees in the last quarter. The events of component projects are summarized below:

Olefin-2 Project Construction plans are practically in place, the procurement of goods is in progress and has reached 88% in terms of value. Civil works have been completed, underground piping has been laid and steel structures are close to conclusion. The structural works of the crackers are finished and the related pipefitting jobs began. The most critical part of the project involved manufacturing the overhead pipes in advance, which started in June. On-site pipefitting commenced in October. The civil works of the common cooling tower for Olefin-2/PE-4 have been completed and mechanical fitting jobs began. Construction of the process control unit has started and manufacturing tests have been performed. The electrical substation has been completed, testing the station has begun. Electric fitting and instrumentation jobs have started.

Polyethylene-4 Project Construction plans are completed. The main contractor has delivered all the pieces of equipment covered by the scope of deliverables. All civil works other than the extrusion building have been completed. More than 90% of the equipment and steel structures are in place. The construction of the electric substation is close to completion and electric fitting has started outdoors. The prefabrication of pipes started in early September, whilst pipefitting began in late November. The warehouse and the silos to grow to store granule have been constructed in the logistics area, the construction of the packaging line began.

Supplementary Facilities Project Designing the six component projects of this package has been finished. Goods were delivered as construction progressed. The expansion jobs on the road and utility networks are complete. New overhead pipes and steel structures have been completed and on site pipefitting has started as part of the component project known as Process Product and Service Lines. The construction of the new ethylene storage system continued. By the end of the year progress on constructing the tank, the foundations of the technological equipment and the related overhead pipes reached 50%. We are close to completing the power supply lines feeding the ethylene storage unit and the Olefin-2/PE-4 plants.

History of 50 Years

The history of TVK started 50 years ago - on January 15, 1953 - with issuing the deed of foundation of Tiszavidéki Vegyi Kombinát.

Commissioned on October 21, 1959, the first plant of the company was the station built to receive natural gas.

The Lacquer Coatings and Artificial Rosin Plant started operating in 1961. TVK sold its stake in the company to Akzo Nobel Coatings International B.V. in August, 1994.

Tiszai Vegyi Kombinát including three fundamental plants (ammonia, artificial fertilizer, lacquer coatings and artificial rosin) was inaugurated amongst festive circumstances on November 29, 1965.

Production, involving the processing of polyethylene at the Plastic Plant, started up in late September, 1966.

The first low-density polyethylene plant (LDPE-1) was commissioned at TVK in 1970.

1970 brought unprecedented capital expenditure in the history of TVK, the project included the construction of an ethylene transmission line between the Chlorine Vinyl Plant at Kalush and the Olefin Plant.

On October 25, 1974 the Hungarian and Soviet sections of the 336 km ethylene transmission line were completed. Uninterrupted production started at the Olefin Plant on February 1, 1975. Ethylene deliveries to Kalush were launched two days later.

The production in PP-1plant began on 30 September 1978. Production started in the PP-2 plant, rated for 40 thousand tons p.a., on October 25, 1983.

The project to build the high-density polyethylene plant (HDPE) started on April 4, 1984 and the new facility was commissioned on August 21, 1986.

Setting the plant on line was celebrated on 26 April 1989, after tapping the first product during the successful pilot operation on February 25, 1989.

A new milestone in the continuous expansion of TVK involved the start-up of a low-density polyethylene plant (LDPE-2) of 60 kt of annual capacity on July 3, 1991.

Tiszai Vegyi Kombinát was transferred into a one-man joint stock company owned by the State on January 1, 1992, with equity capital at HUF 24 billion.

On April 15, 1994 TVK and BorsodChem Rt. concluded a long-term ethylene supply agreement. On March 16, 1994 TVK and MOL concluded a 10 year feedstock supply agreement.

As a new milestone in quality assurance, the Board of Directors of TVK passed a decision in March, 1995 on launching the Environmental Management System (EMS). The EMS certificate was delivered on February 26, 1998.

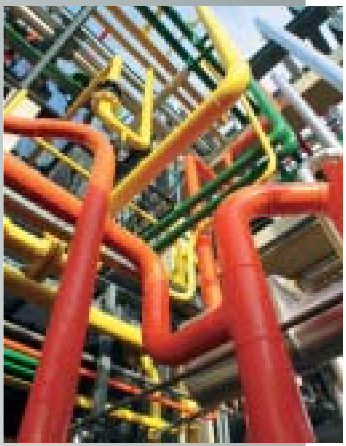
The Board of Directors of TVK passed a resolution on closing down the ammonia operation on July 23, 1992 and in turn approved cancelling the production of artificial fertilizers on June 20, 1995.

A package of shares worth HUF 2.4 billion was made available for subscription to TVK employees during the privatization in 1996.

TVK was granted the National Quality Award in the category of large manufacturing operations on November 13, 1998.

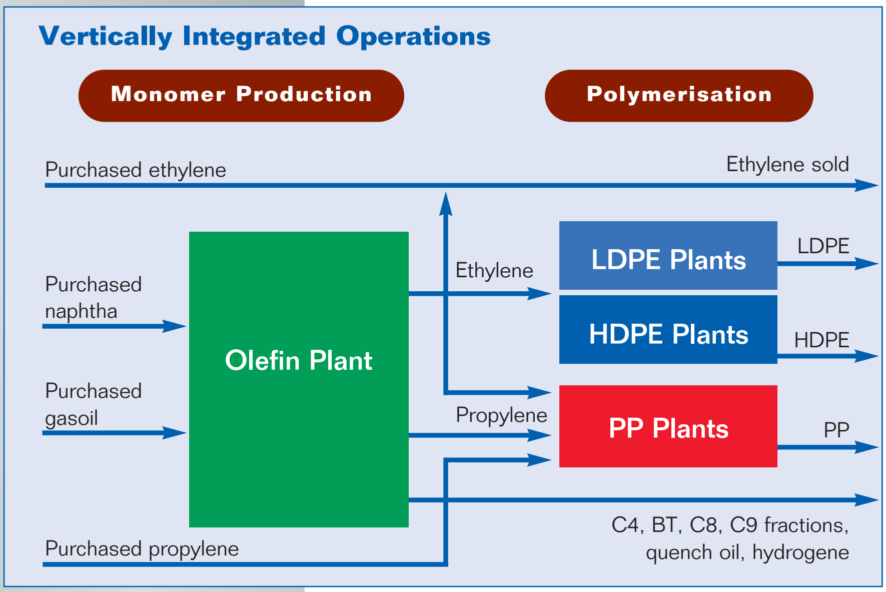
With PP-4 coming on line, after the commissioning ceremony on 29 June 2000, TVK's capacity to produce polypropylene doubled to cover 40% of the demand in the regions of Central and Eastern Europe.

Following a decision by the Board dated March 26, 2002 the Petrochemical Development Project got the green light. The capital expenditure project worth roughly HUF 110 billion involves the construction of a new olefin and a new polyethylene plant. The groundbreaking ceremony was held on September 25, 2002.



Corporate Overview

Despite the unfavourable conditions of the market place and the planned overhaul, which took three weeks and was conducted without any problems, the sales income of the Company increased in 2003. TVK utilizes its vertically integrated structure of production to produce raw materials for plastics processing from a variety of hydrocarbons. The production process includes two major stages: monomer production and polymerisation.



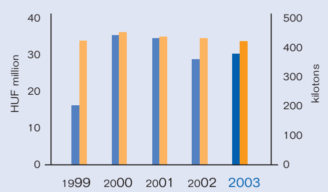
Olefin Business Unit

Despite lost production and reduced capacity due to the planned overhaul, the sales income of the business unit increased by 8% in 2003.

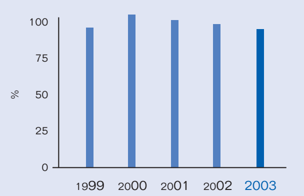
Built at TVK with Linde technology, the olefin plant started up in 1975.

Most of the feedstock is supplied by MOL Group, which also processes a major portion of the resulting by-products such as isobutylene, benzene and gasoline fractions to make MTBE and benzene or as components in blended gasoline. Quench oil is utilized as feed stock for making carbon black by Tiszai Columbian Koromgyártó Kft. (CTK), located in the TVK industrial complex.

Sales Income and Volume Sold by the Olefin Business Unit



Capacity Utilization of the Olefin Business Unit



The polymer plants of the company process most of the ethylene and the all of the propylene output.

TVK, as the sole producer of ethylene in Hungary, is a strategic supplier of BorsodChem Rt., and the bulk of the feedstock it provides is made in house, totalling 84 kt in 2003. Yet, TVK also imports small volumes (37 kt) of ethylene from the Ukraine, to meet the contracted supply requirements to BorsodChem Rt.

To ensure full coverage of the monomer requirement of polypropylene production capacities there is an increasing need to procure propylene from external sources. To that end TVK Rt. procured 89 kt of propylene, mostly from MOL Group sources, in 2003.

Polymer Business Unit

In 2003, the production volumes and hence effective capacity utilization rates were lower than in the previous year in each segment due to the limited supply of monomers and the major overhaul. Total polymer output reached 568 kt in 2003. TVK managed to maintain the extremely high level of capacity utilization (over 90%) of its various production units, which was characteristic of the past years. Additionally, the sales income of the business unit was up slightly by 6%. 73% of the sales materialized in export markets.
The domestic market share of individual products also rose.

Low-Density Polyethylene (LDPE) Product Group TVK switched to integrated production in 1970, when its polyethylene plant of ICI technology (LDPE-1) came on line to process the ethylene produced upstream by the olefin pant. The capacity to produce low-density polyethylene and the related product portfolio expanded substantially when a new plant (LDPE-2) of BASF technology was commissioned in 1991.

The low-density polyethylene product known by the brand name TIPOLEN is utilized in:

- foils,
- blown hollow objects,
- mould products.

Whilst the volume sold by the LDPE Product Group rose by 3.3%, domestic market share increased from 60% to 62% in 2003.

High-Density Polyethylene (LDPE) Product Group Utilizing PHILLIPS process technology to produce high-density polyethylene, the HDPE Plant was constructed in 1986. HDPE serves as a raw material for multiple applications. Accordingly, products marketed by the brand name TIPELIN include polyethylene types for

- foil,
- blown hollow objects of a variety of sizes,
- split fiber,
- gas and water pipes.

Although the volume sold by the HDPE Product Group was down 2.4%, domestic market share declined to 43% in 2003.

Polypropylene (PP) Product Group
In addition to the polypropylene plant that came on line in 1983 with the SUMITOMO process and the one commissioned in 1989 with HIMONT (now Basell) technology, a cutting edge PP plant utilizing the MONTELL (now Basell) process technology has been available since spring 2000 to produce TVK's polypropylene products marketed by the brand name TIPPLEN, including homogeneous polymers, a heterogeneous phase copolymers as well as random copolymers. A wide array of product types is offered for application in:

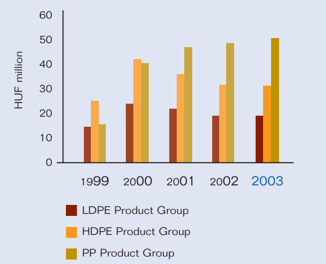
- mould products,
- pipes and profiles,
- cast and blown foil,
- bi-axially oriented foil,
- raffia and mono filaments,
- fibers.

Whilst the volume sold by the PP Product Group was up 1.3%, domestic market share jumped from 66% to 69% in 2003.

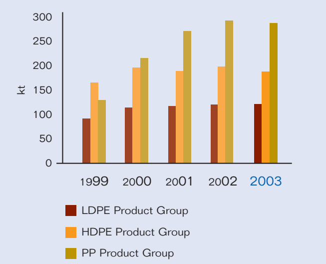
Changes in the Number of Consolidated Companies

TVK continued its strategy of focusing on core business in 2003. It sold its 69% stake in Inno-Comp Kft. during the year and acquired 100% of the quota of TVK-MOLChem S.a.r.l., one of the subsidiaries engaged in foreign trading. The outsourcing of certain activities may materialize in line with the strategy in the near future.

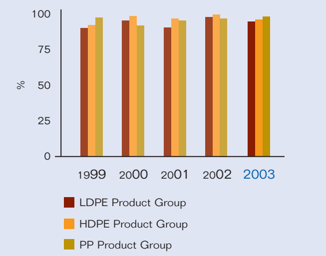
Sales Income of the Polymer Business Unit



Volume Sold by the Polymer Business Unit



Capacity Utilization of the Polymer Business Unit



Consolidated Companies

	TVK Italia S.r.l.	TVK UK Ltd.	TVK Inter-Chemol GmbH	TVK-France S.a.r.l.	TVK-Austria GmbH.	TVK Ingatlan-kezelő Kft.
Line of Business	**Sell TVK products in Italy**	**Sell TVK products in the United Kingdom**	**Sell TVK products In Germany**	**Sell TVK products in France**	**Sell TVK products in Austria**	**Utilize real estate**
Year of Incorporation	1994	1996	1997	1997	1998	1998
Premises	Milan	London	Frankfurt am Main	Paris	Wiener Neustadt	Tiszaújváros
Equity capital	EUR 100 000	GBP 200 000	EUR 615 000	EUR 76 225	EUR 36 336	HUF 2 970 million
TVK stake	100%	100%	100%	100%	51%	100%
Co-owner	-	-	-	-	ITRACO GmbH	-

2003 Financial Figures (HUF million)

	TVK Italia S.r.l.	TVK UK Ltd.	TVK Inter-Chemol GmbH	TVK-France S.a.r.l.	TVK-Austria GmbH.	TVK Ingatlan-kezelő Kft.
Owner's equity	85	76	216	41	80	3,091
Sales income	14,190	4,420	20,309	2,075	3,303	528
Net profit	24	20	80	(3)	36	11

Corporate Values

TVK attaches high priority to its environmental commitments, to creating safe working conditions, to quality awareness, to commitment to its employees and to its social responsibility.

Environmental Commitment

The supervising authority conducted the second audit of our Environmental Management System (EMS), which has been operated under the ISO 14001:1996 standard for six years now, was conducted between March 10 and 12, 2003. TÜV Rheinland InterCert Kft., the auditor, extended the validity of the certificate.

The management of hazardous wastes complied with the statutory and regulatory requirements. As required by the provisions of the Act on Product Charges and the Government Decree on Packaging Waste, the company has joined a coordinating body (ÖKO-Pannon Kht.), which assumed TVK's obligation to pay waste utilization and product charges starting Q2 2003. As required under law, the company has procured a new license for the existing point sources of air pollution.

Our company participated in the UNO Industrial Development Organizations project called "Managing the environment and reducing the pollution of the River Tisza", that awarded the certificate to TVK recognizing its significant contribution to preventing accidents from harming the river.

Major Environmental Projects Completed in 2003 As part of the Olefin Storage Tank Modernization Program and the reconstruction of LDPE-1 plant tanks, the installed vacuum surveillance system prevents stored substances from escaping into the environment. Creating the security clearance around and applying oil resistant coating on the petrol coke preparation area of the Olefin-1 plant reduced the potential of the activity to cause environmental harm. Dual valve stuffing boxes have been installed at the pumps of the gasoline hydrogenation system of the Olefin-1 plant to prevent pollutants from escaping.

Legal and Other Requirements Except for two instances of violating clean air regulations and a single instance of excess in water quality in 2003, the company complied with all relevant legal requirements and regulatory decisions. Uniform licenses for using the environment have been procured for the strategic investment into the intensification of PP-4, the new PE-4 and the new Olefin-2 plants.

Clean-up in 2003

- Cleaning up the soil contamination explored in 1992 continued as required by the authorities. The clean-up and rehabilitation efforts abide by the requirements and comply with legal provisions.
- Follow-up checks were performed as required under law after completing successful clean-up projects at the Fuelling Plant and at the sites of Tisza-Textil Kft. And Geo-Tipptex Kft. The authorities have accepted the follow-up reports submitted in 2003.
- Clean-up jobs were performed according to plan in the emergency storage area, the olefin container park and the liquid load-unload area at the site of AKZO-NOBEL Co. In 2003 a final report was submitted to the authorities on completing clean-up at the AKZO-NOBEL Co. site, but no decision has yet been issued.
- Cleaning up the ammoniac and nitrate pollution of the area below the new water treatment plant was started in 2003.
- In 2003, we continued the survey of the condition of areas designated for clean-up, which we started in 2002 with a contractor. This project serves to identify the size and dimension of the pollution exactly and to select the technology of future clean-up jobs. The environmental rehabilitation jobs and the related costs can be identified exactly after the results and recommendations of additional tests set in the report dated late 2003 are processed.

Corporate Level Environmental Expenditure, 1999-2003 (HUF million)

	1999	2000	2001	2002	2003
Environmental protection projects	157	246	304	147	12
Treatment of polluted water	242	286	218	231	235
Treatment of hazardous waste	210	148	158	115	74
Clean-up of polluted areas	217	206	246	314	556
Total	**826**	**886**	**926**	**807**	**877**

Health and Safety

TVK has performed several important duties to reach health and safety related goals of the health and safety policy in 2003:

- As a result of operating the Occupational Health and Safety Aministration System at a high standard TVK audited the system successfully under the OHSAS 18001:1999 standard with TÜV Rheinland InterCert Kft. acting as auditor.
- To continue to improve incident rates and enhance the efficiency of investigating accidents, the company involved the Work Safety Committee and a provider of occupational health services into the investigations.
- Main results were: the company complemented protective gear with protection against carcinogen effects; modernized the system of dispensing prophylactic drink to staff exposed to extreme heat advanced ergonomics at job stations with screens; rolled out risk analysis based methods of investigating incidents.

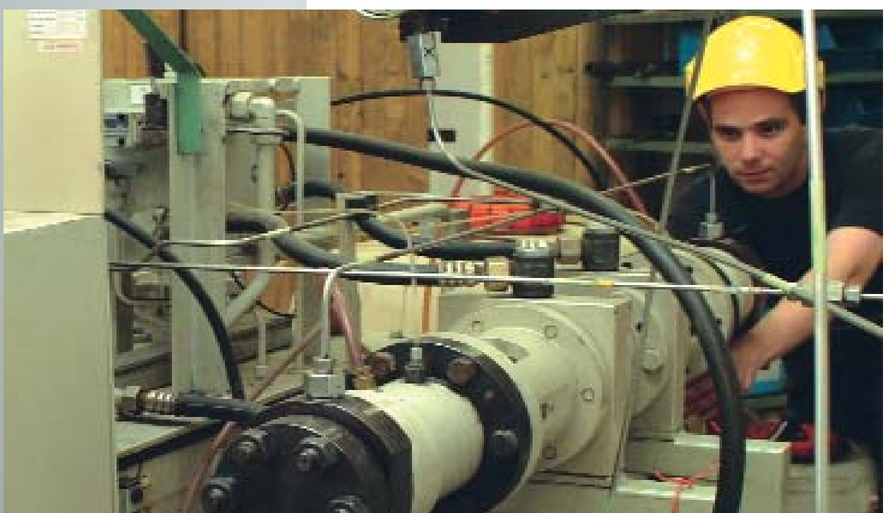
- To ensure continuous control over strategic development projects and to improve the safety of construction jobs the company provided HSE training to project construction workers, and regulated the construction processes and exercised control over construction activities.
- To enhance efforts focused on awareness the company involved additional means of communication and set up work safety database on the intranet.

TVK focuses on creating safety workplace, and as a result the favourable trend of incident rates has been uninterrupted for years. Number of incidents was down to 17, serious incident did not happen. Frequency of incidents was favourable compared to the previous year.

TVK gives priority to improving a healthy environment for its employees. It endorses the importance of prevention, offers continuous medical checks of aptitude and organizes a variety of screening programs.
As a result, the trend of the occupational incident frequency rate (OIFR) expressed for a million working hours has been 0 in 2003.

The period of major overhaul at TVK plants in 2003 made a complex survey of each plant possible from the perspective of technical safety. Due to this the problems that surfaced have been resolved.

Fire prevention is regarded to have been successful at TVK as there were only three fire incidents in the Company premises during 2003. Damage to property was not significant and no one sustained personal injury in the incidents. The steps taken during the incidents to localize and extinguish the flames proved to be effective, which justifies that the people working on line are armed with skills to coop with emergency situations and have gathered vast experience during regular drills.



Our volunteer fire fighting racing teams proved their excellence and workmanship at the National Fire Fighting Competition by collecting 9 gold, 5 silver and 4 bronze medals, which qualified them as the best volunteer fire brigade.

Quality Management

Quality means to TVK not just the quality of its products and meeting the quality expectations of its customers but the company looks upon its commitment to quality as a fundamental value lodged in its corporate strategy.

Meeting the quality objectives set and implementing the day-by-day, step-by-step implementation of developments derived from operating experience featured high among the priorities of the operation of our Quality Management System certified under ISO 9001:2000. TÜV Rheinland InterCert Kft. completed a successful audit in June, 2003.

TVK keeps measuring customer satisfaction, within this 400 domestic and 300 foreign partners were surveyed in fall 2003. After analysing the responses, measures were taken to improve processes. Reaching higher levels of excellence in the process of evaluating our suppliers and contractors has been given greater priority. The methodology of measuring the satisfaction of internal customers has been developed and is introduced and rolled out gradually.

The audit designed to renew the license of the Safety Equipment Testing Laboratory of the Safety Unit under MSZ EN ISO/IEC 17025:2001 was an important job in the operation of our accredited laboratories. Additionally the Central Laboratory was granted accreditation to cover new technical areas.

The operations of the quality management system and our accredited laboratories according to standard and their development have been inspected through conducting a series of internal audits of the system. The actions designed to adjust identified deviations and to develop the system have been implemented.

We have been using the EFQM model for evaluating ourselves since 1996. The 1998 National Quality Award and the grant of the "Recognized for Europe" title in the European Quality Award competition in 2001 are superior achievements of the quality function of the company. In 2003 an EFQM project was launched to continue the self-evaluation effort. The project is designed to collect data consciously and in a uniform manner using the criteria of the EFQM model.

Commitment to Staff

Our human resources (HR) strategy, objectives and new HR programs show a close match with TVK strategic goals.

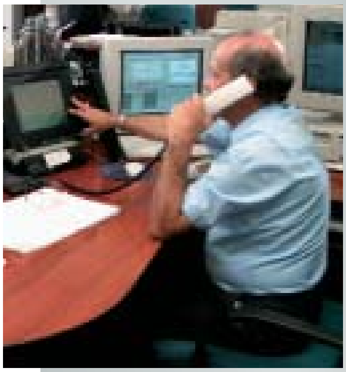
We concentrated on strengthening the internal advisor role of the HR organization. The introduction of the partnership system helped the employees of the HR function act as partners of and contacts for a functional area, playing the role of mediator between management and employees.

The average consolidated headcount dropped from 2,126 to 2,015 employees. The closing headcount of TVK Rt. was 1,873 people on December 31, 2003. The conditions of operating the company efficiently were defined as in previous years, by analysing processes and through benchmarking other companies and in the sector. A job placement office operated jointly by TVK and DBM Magyarország career consultatnts was started up on June 13, 2003, which is designed to assist the rapid job placement of employees who are laid off as part of its redundancy measures.

In 2003, one of the most important functions was ensuring the human resources for the strategic development project and the suitable professionals are available for launching the operation of the new plants and to prepare to stabilize the situation after the development project.

Adapting successfully to rapid changes in the economic environment continues to depend on the quality of the performance of units and groups and first of all of people within the organization. That is why we developed a performance evaluation system that laid the foundations for sharing ideas between managers and subordinates. In order to roll out the Performance Management System across the whole organization successfully, we have organized boarding house type training sessions, development programs, the total training expenditure was significant. Four universities and five vocational schools were granted significant development support, which was charged to our vocational training contribution account.

In addition to indexing basic wages with inflation as forecast, our wage policy measures involved individual instances of wage increases, determined in response to job evaluation and to surveying wage levels in the job market. Recognizing extraordinary achievements was another element of the wage policy. As a result of the wage measures taken the annual average wages of the employees of the company came to HUF 2,739,864 per employee p.a. – HUF 228,322 per employee per month – up by 6.7% compared to the last year. the annual budget for Fringe benefits came to HUF 315,000 per employee.



TVK attaches great importance to the health status of its employees. In addition to offering the mandatory occupational health services, the company operates biological monitoring system and the corporate first aid service, both of which have been contracted to an independent entity.

Well-functioning trade unions also ensure that the opinion of employees is taken into consideration at TVK. The trade unions active in the company operate in regulated circumstances and their cooperation with the employer is subject to the guidelines set in the Collective Agreement concluded in 2001 for four years and the provisions of the Labour Code.

Social Commitment

TVK has traditionally attached high priority to educating future generations and to promoting healthy ways of living, to commitment to our natural and social environment, to sciences and arts. The company is proud to represent these values and bends over backwards to share resources with people who are capable of exceptional individual or team achievements based on professional work and excellence.

We were pleased to contribute to the successes of Júlia Sebestyén, our figure skating champion, who conquered Europe, to the results of the ladies who won the kayak world championship for TVSE and of Sándor Végh, six-time Hungarian champion of hot air ballooning, who navigates under the name TVK-Balloon Team. We recognized the importance of spending on mass sports events including corporate events: the June Festival and the Day of Sports in Fall, where thousands of people keep showing up year after year and the TVK World Cup and the TVK Big Week of Triathlon at Tiszaújváros, which we sponsor, and which mobilises thousands of people.

TVK has been an outstanding sponsor of the National Theatre in Miskolc, which celebrated its 180^{th} anniversary in 2003. The Company also offered funds in support of the Miskolc International Festival of Opera and the Piano Festival at Tiszadob. These were crating unique professional values for Hungary and spreading the news across the boarders.

To ensure the availability of properly skilled professionals, TVK maintains a variety of contacts with secondary and tertiary training institutions and helps their teaching efforts and research work with significant funds.

The join foundation of TVK and City Council of Tiszaújváros supported outstanding programs and personalities that determine the life and reputation of the town. TVK Rt's Foundation for the Development of the Southern Borsod Sub-region aims to help the sub-region close its fundamentally social, training and health related backlog.

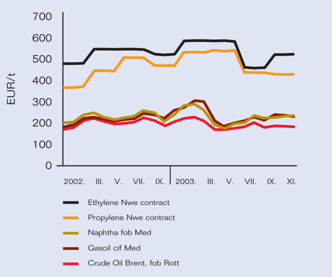
Management Report on Business Economic and Financial Performance in 2003

In 2003, the TVK Group managed to outperform its 2002 results despite unfavorable external conditions and the stagnation in European economies. The superior achievement was fuelled by positive exchange rate movements affecting both the supply of feedstock to and the sale of products by the Group and by the higher efficiency of internal processes, by the stable supply of top quality feedstock and the resulting better product recovery rates, by the success of the project designed to improve the efficiency of polymer sales business processes and by stringent control over manageable costs.

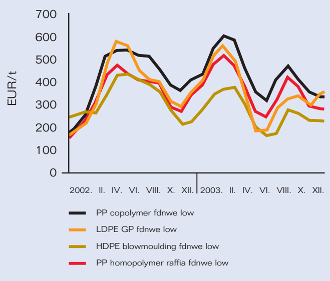
Overview of the Environment

In 2003, the quoted price of naphtha stood at 252 USD/t whilst the quoted price of gas oil came to 265 USD/t, corresponding to an increase of 22% for naphtha and a rise of 24% for gas oil over average quoted prices in 2002. The price of feedstock for pyrolysis, which lurked high in the first quarter of 2003, dropped substantially in the second quarter only to rise again in the remaining half of the year.

Main Market Price Movements of Chemical Industry Raw Materials



Main Market Price Movements of Polymers



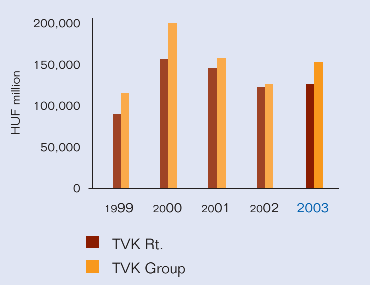
The prices quoted in European markets for the polymer products produced by TVK (ICIS' fd nwe low spot, EUR/t) recovered in the first quarter of 2003 after a low point in November, 2002. The quoted price of polymers plummeted in the second quarter and the same trend continued in Q3. The final quarter of the year brought additional decreases in the price of polypropylene products, whilst polyethylene prices started to rise. For the year as a whole on average, the price of LDPE and blown type HDPE dropped by 2% and 6%, respectively, against an increase of 3% of the price of homo-polymer raffia type PP compared to the average prices quoted in 2002.

The increase at 22-24% of the quoted price of feedstock and the simultaneous decrease of the quoted prices of finished polyethylene products by 2-6%, coupled with the rise of the quoted price of polypropylene products at 3% reduced the integrated petrochemical margin by 7% from what it was in 2002.

In 2003 the HUF lost 4.4% against the EUR but the poorer performance of the USD against the EUR reduced the USD/HUF rate by 13%. The EUR/USD cross rate came to 1.13, which was 0.2 higher than the cross rate recorded for 2002. As opposed to the previous year, exchange rate changes have culminated in higher operating profits in terms of both costs and sales income.

Sales Income, Operating Costs, Operating Profit

Sales Income

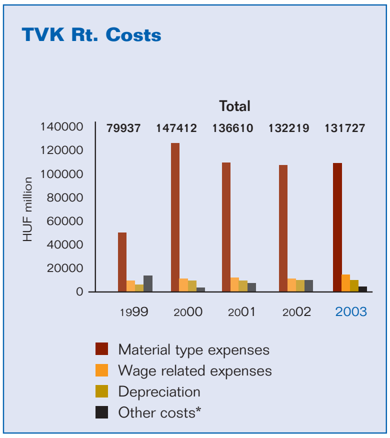


In 2003, the sales income of TVK Rt. came to HUF 133,646 million with group level consolidated revenues at HUF 150,284 million, representing an increase of 2.6% and 11.2%, respectively over sales in 2002.

The increase of group level sales income derives mostly from the sales income realized by Slovnaft a.s. on LDPE and PP sales. 89% of the consolidated income involves revenues realized by the parent. Plastico S.A., TVK ReMat Kft., Flexofol Kft. and Ecocenter Kft. were removed from the circle of consolidated companies in the first half of 2002. TVK Rt. purchased the remaining 50% quota of TVK MOL-Chem S.a.r.l. in August 2003 and that subsidiary is fully consolidated into the financial statements. Next, the majority stake in InnoComp Kft. was sold on October 1, 2003 but the results they had achieved before removal from consolidation continued to be recognized in the interim results.

The TVK Group realized 54% of its sales in exports. Not unlike in previous years, the most significant target country for exports was Germany (26%), followed by Italy (19%), Poland (15%), United Kingdom (5%), France (3%) and Austria (3%).

Total operating income reached HUF 151,678 million or an increase of 11% over the reference year. The amount involves other operating income at HUF 1,394 million, which is 23.7% higher than in the corresponding reference period. Most of the growth comes from the increase of the other income account of TVK Rt.



* Called other operating costs as of 2001, which includes non-material related expenditure and the value of services

Operating costs totalled at HUF 147,483 million, which represents an increase of 9%. The major factor behind the increase involved the rise by 13% of material costs which make up 85% of the operating costs total. Material costs worth HUF 125,009 million involved material costs proper at 76%, material related services at 6% and COGS at 18%.

The increase of material costs by HUF 1,225 million (1%) was due to the higher consumption of purchased propylene and the related price and exchange rate increases.

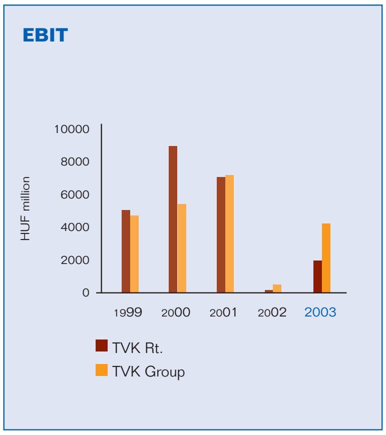
The significant rise in COGS by HUF 13 billion (143%) was partly due to the higher volumes of purchased tar sold and the recognition of the polymer product pool made by Slovnaft but sold through the commercial subsidiaries of TVK.

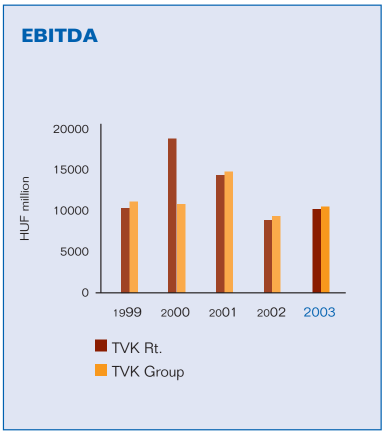
After an increase of 8% wage related costs came to HUF 10,263 million. The variance is due to the higher level of severance payments, early retirement pensions and the related public dues, which the parent company had to take on as a result of outsourcing and redundancy measures.

Depreciation was down by HUF 313 million (4%) including the effect of depreciation at the parent company at HUF 226 million, and reached HUF 7,798 million at consolidated level.

Other operating costs dropped from HUF 8,573 million to HUF 4,656 million including decreases at TVK worth HUF 3,440 million.

The stock of inventories produced in house was down HUF 1,192 million. The capitalized value of assets produced in house came to HUF 1,435 million. The increase of the latter as compared to the previous year arises from the transfer of the direct operating costs of the project organizations set up to implement the strategic projects to the capital expenditure account.





The TVK Group recorded consolidated operating profit (EBIT) at HUF 4,195 million for 2003 as compared to HUF 443 million a year earlier. The increase of EBIT at HUF 3,752 million includes the higher operating profit of TVK Rt., which surpassed the previous year by HUF 3,053 million. The subsidiary companies contribution to group level EBIT was HUF 979 million.

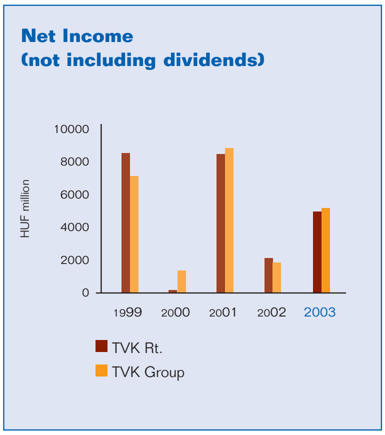
In 2003, consolidated EBITDA grew by 40% to HUF 11,993 million, mainly due to the HUF 3,752 million increase of consolidated EBIT.

Profit and Loss on Financial Operations

The net loss on financial operations came to HUF 30 million. The income of financial operations was down 62% and amounted to HUF 1,163 million. Interest and interest related income declined by 61% to come to HUF 1,047 million. TVK Rt. represents HUF 1,947 million from the reduction of financial income. The cost of financial operations rose by 29% from HUF 928 million to HUF 1,193 million. Although interest paid was down by HUF 586 million due to the lower stock of credit on hand due to scheduled and early repayments, foreign exchange loans and other FX denominated assets suffered an exchange rate loss of HUF 558 million.

Taxation

In 2003 the earnings before taxes, extraordinary items and dividends from minority holdings of the TVK Group reached HUF 4,165 million. There were no extraordinary items in the course of the year. The audit by the Tax Authority of the years 1998, 1999 and 2000 were performed vis-à-vis TVK in Q2 2003. As a result, the authority, in its resolution, accepted the 100% degree of tax holiday granted to TVK for the fiscal year of 2000. HUF 1,054 million in tax refund is recognized as the balance between the tax liability for the audited years and the tax claim for refund that arose from the supervisory audit. The statements of the Group for the current year show a tax liability relating to the profits made by the subsidiaries. The company qualifies for tax relief at 89.73% in 2003 due to commissioning a 2002 Capital expenditure project designed to produce more than HUF 3 billion worth of products.



Net Income

Consolidated net profit increased from HUF 1,819 million to HUF 5,295 million. Within the HUF 3,476 million increase TVK Rt.'s net profit grew by HUF 3,074 million.

Net Assets Position

At HUF 182.1 billion, the value of assets and liabilities in the balance sheet is HUF 47.8 billion higher than in the preceding year. The figure includes HUF 175.9 billion worth of assets and liabilities at TVK Rt. and HUF 6.2 billion as the effect of other TVK Group members.

The increase of the balance sheet total at 36% is owing to a minor rise (4.3%) in the value of current assets and the robust escalation (62.4%) of the value of fixed assets.

The value of fixed (invested) assets grew by HUF 45,210 million. The net value of tangible assets was up HUF 46,441 million, with the growth triggered by capital expenditure related to the Petrochemical Development Project at TVK Rt. The value of current assets shifted from HUF 60,231 million to HUF 62,828 million.

Financial Position

The value of short-term loans dropped by HUF 5,756 million (60.5%) come to HUF 3,762 million. The short-term loans on the books of TVK Rt. fell by HUF 7,685 million, whilst members of the Group increased the value of credit by HUF 1,929 million.

Accounts payable and other short-term liabilities were 74.6% or HUF 12,430 million higher, including the effect of changes at TVK Rt. at HUF 10,759 million.

The value of long term loans on hand increased by HUF 36,520 million to come to HUF 42,566 million at closing date, due to financing capital expenditure projects.

Registered Capital, Capital Reserves and Retained Earnings

The variance in registered capital arises from the repurchase of employee shares (at HUF 9 million). The increase on the retained earnings account includes the net earnings of both the parent company and the subsidiaries (HUF 1,819 million).

Cash Flow

The 2003 cash flow statement of the TVK Group shows a downturn of cash at HUF 4,007 million as opposed to a decrease of HUF 15,380 million recorded for 2002. A major factor that explains the reduction of cash in 2003 was the increase of strategic capital expenditure.

Operating cash flow was HUF 21,136 million in the period under review. EBITDA grew by HUF 3,439 million as compared to the previous year including HUF 3,752 million due to the rise of operating profits and HUF 313 million due to the lower value of the depreciation charge. Working capital changes (inventory, A/R, A/C, other accounts receivable and payable) added HUF 9,288 million to the cash flow including a major increase of accounts payable by HUF 10,747 million.

Additionally the increase of other liabilities by HUF 2,605 million and the decrease of inventories by HUF 1,588 million boosted, whilst the rise of other accounts receivable by HUF 2,429 million and of the trade accounts receivable by HUF 3,223 million reduced the cash flow in the period between December 31, 2002 and December 21, 2003.

The cash on hand dropped by HUF 53,433 million due to investments. The amount recorded as investment is HUF 35,452 million higher than a year before. The value of capital investment relating to the preparation of the Petrochemical Project was HUF 53,081 million, showing positive variance with the previous year at HUF 32,949 million. The variance of loans disbursed long-term bank deposits and receivables added HUF 676 million to investment cash flow in 2003 in contrast with the reduction of the same account by HUF 2,848 million in the reference period. Both of the movements were due to the settlement of advances against capital investment. Interest received and other financial income contributed HUF 1,107 million in the reporting period and HUF 2,642 million in the reference period to the increase of investment cash flow. The decrease of short-term securities held by the TVK Group increased the cash flow by HUF 1,784 million in the previous year whilst the same factor reduced the flow of cash by HUF 2,594 million in the year under review. The capital increase at TVK Erõmû Kft. reduced the cash on hand by HUF 275 million in 2003, whilst a reduction of the same by HUF 450 million was due to financial investments in 2002.

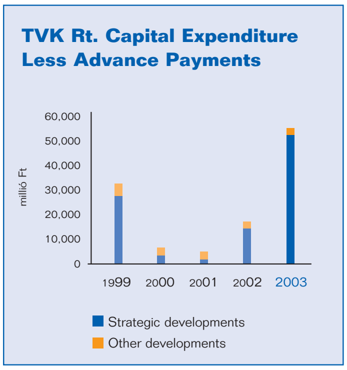
Cash from financing operations added HUF 28,290 million to cash on hand. The major components of this flow included the repayment of the syndicated loan at HUF 8,003 million and the draw-down of the long-term loan to finance the Petrochemical Development Project at HUF 35,093 million.

Risk Management

The prices of the most important types of feedstock used by TVK and the prices of the olefin and polymer products made by TVK Rt. depend on the global prices of these commodities. The sales income depends heavily on the position of the HUF in the intervention band or in other words on the EUR/HUF rate, whilst most of the purchases depend on the exchange rate of the USD. TVK engaged in a limited number of forward transactions and did not conclude options and other derivative contracts to hedge against exchange rate exposure. The long-term loan of the company is denominated in EUR to reduce the exchange rate risk.

The Company had EUR 1.5 million worth of open interest in foreign exchange futures on December 31, 2003.

Liquidity risks emanate from the potential failure of the customers of the company to meet the obligations under normal commercial terms. Credit risk is associated with the exposure to customer default. To mitigate these exposures, the Company performs thorough checks of a potential customer's position and evaluates its potential to meet payment obligations continuously before signing a new contract. The Company insures most of its accounts receivable against payment default.



Capital Expenditures

The value of capital expenditure of the TVK Group reached a total of HUF 55,351 million in 2003, which is almost three times that in the reference period. The increase is associated mostly with the implementation of the Petrochemical Development Project, as the related costs amount to 94% of total expenditure. In 2003, the company spent HUF 32 billion on construction of Olefin-2 plant and HUF 12 billion on construction of PE-4 plant. The capital expenditure of supplementary facilities amounted to HUF 5 billion. Cost of financing and operating the project totalled to HUF 3 billion. The total cost of implementing the project is EUR 430 million, of which EUR 237 million had been disbursed prior to December 31, 2003.

The Company spent a total of HUF 3,022 million in capital expenditure to maintain and modernize its assets. As part of these funds, HUF 1,575 million was invested into production related and supporting projects, while HUF 1,356 million worth of the expenditure served modernization jobs required to maintain operations. As part of the above, the capital invested into safety equipment, environmental jobs and infrastructure amounted to HUF 600 million, the value of other capital expenditure was HUF 756 million and the value of financial investments stood at HUF 295 million.

Consolidated financial statements as of 31 December 2003 prepared in accordance with International Financial Reporting Standards toghether with independent auditors' report

TVK GROUP

Árpád Olvasó
CEO

Independent Auditors' Report

To the Shareholders of Tiszai Vegyi Kombinát Rt.:

We have audited the accompanying consolidated balance sheet of Tiszai Vegyi Kombinát Rt. (the "Company") and its subsidiaries (together the "TVK Group") as of 31 December 2003, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year then ended and the related notes presented on pages 2 to 48. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements of the TVK Group for the year ended 31 December 2002 were audited by other auditors whose report dated 1 April 2003 expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements referred to above give a true and fair view of the consolidated financial position of Tiszai Vegyi Kombinát Rt. and its subsidiaries as of 31 December 2003, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw the attention to Note 27.4 of the notes to the financial statements, which presents the Company's activities regarding environmental protection, and its current and potential future obligations identified by the Company and an independent environmental audit.

Ernst & Young Kft

Ernst & Young Kft.
Budapest, Hungary
7 April 2004

TVK Group Consolidated Balance Sheets As of 31 December 2003 and 2002

	Notes	31 December 2003	31 December 2002
ASSETS		HUF millions	HUF millions
Fixed assets			
Intangible assets	4	4,157	3,802
Tangible assets	5	112,368	65,927
Financial investments	6	308	944
Other fixed assets	7	2,420	3,370
Total fixed assets		**119,253**	**74,043**
Current assets			
Inventories	8	6,856	9,136
Receivables, net	9	25,527	22,178
Current investments	10	9,488	5,648
Other current assets	11	6,299	4,628
Cash and cash equivalents	12	14,658	18,641
Total current assets		**62,828**	**60,231**
TOTAL ASSETS		**182,081**	**134,274**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	14	24,501	24,510
Cash flow hedge reserve		0	30
Capital reserve		15,022	15,022
Retained earnings		57,543	55,731
Net income for the year		5,295	1,819
Total shareholders' equity		**102,361**	**97,112**
Minority interest		**39**	**334**
Long-term liabilities			
Long-term debt, net of current portion	15	42,566	6,046
Provisions for liabilities and charges	16	3,038	2,773
Deferred tax liabilities	24	269	587
Other long-term liabilities		343	0
Total long-term liabilities		**46,216**	**9,406**
Current liabilities			
Payables and other current liabilities	17	29,082	16,652
Provisions for liabilities and charges	16	621	1,252
Short-term debt	18	3,762	1,809
Current portion of long-term debt	18	0	7,709
Total current liabilities		**33,465**	**27,422**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**182,081**	**134,274**

The accompanying notes are an integral part of these financial statements.

TVK Group
Consolidated Statements of Operations for Years Ended 31 December 2003 and 2002

	Notes	2003	2002
		HUF millions	HUF millions
Sales	19	150,284	135,124
Other operating income	20	1,394	1,127
Total operating revenues		**151,678**	**136,251**
Raw material and consumables used		(125,009)	(110,880)
Personnel expenses	21	(10,263)	(9,478)
Depreciation		(7,798)	(8,111)
Other operating expenses	22	(4,656)	(8,573)
Change in inventories of finished goods and work in progress		(1,192)	248
Work performed by the enterprise and capitalised		1,435	986
Total operating expenses		**(147,483)**	**(135,808)**
Profit from operations		**4,195**	**443**
Net financial (loss)/profit	23	(30)	2,170
Profit before tax		**4,165**	**2,613**
Corporate tax	24	(152)	(123)
Effect of tax audit		1,054	0
Deferred tax	24	318	(587)
Profit after tax		**5,385**	**1,903**
Minority interest		(90)	(84)
Net income		**5,295**	**1,819**
Earnings per share (HUF)	**25**	**218**	**75**

The accompanying notes are an integral part of these financial statements.

TVK Group
Consolidated Statements of Changes in Shareholders' Equity for Years Ended 31 December 2003 and 2002

	Share capital HUF millions	Cash flow hedge reserve HUF millions	Capital reserve HUF millions	Retained earnings HUF millions	Total reserves HUF millions	Net income HUF millions	Total HUF millions
Balance on 1 January 2002	**24,623**	**0**	**15,022**	**47,038**	**62,060**	**8,693**	**95,376**
Appropriation of 2001 net income	0	0	0	8,693	8,693	(8,693)	0
Redeemed treasury shares from employees	(113)	0	0	0	0	0	(113)
Cash flow hedges	0	30	0	0	30	0	30
Net income	0	0	0	0	0	1,819	1,819
Balance on 31 December 2002	**24,510**	**30**	**15,022**	**55,731**	**70,783**	**1,819**	**97,112**
Appropriation of 2002 net income	0	0	0	1,819	1,819	(1,819)	0
Dividends paid to minority shareholders	0	0	0	(13)	(13)	0	(13)
Redeemed treasury shares from employees	(9)	0	0	0	0	0	(9)
Cash flow hedges	0	(30)	0	0	(30)	0	(30)
Other	0	0	0	6	6	0	6
Net income	0	0	0	0	0	5,295	5,295
Balance on 31 December 2003	**24,501**	**0**	**15,022**	**57,543**	**72,565**	**5,295**	**102,361**

The accompanying notes are an integral part of these financial statements.

TVK Group
Consolidated Statements of Cash Flow for Years Ended 31 December 2003 and 2002

	2003 HUF millions	2002 HUF millions
Profit from operations	**4,195**	**443**
Adjustments to reconcile operating profit to net cash provided by operating activities		
Depreciation	7,798	8,111
Write-off of inventories	225	76
Reversal of impairment of tangible assets	(2)	(699)
Increase/(decrease) in environmental provisions	(556)	1,787
Increase/(decrease) in provisions	190	(98)
Net (loss)/gain on sale of tangible assets	(90)	(92)
Net gain on sale of subsidiaries	85	31
Other non cash items	3	(1)
Operating cash flow before changes in working capital	*11,848*	*9,558*
Increase/(decrease) in inventory	1,588	(105)
Increase/(decrease) in debtors	(3,223)	(619)
Increase/(decrease) in other receivables	(2,429)	(1,427)
Increase/(decrease) in accounts payable	10,747	3,143
Increase/(decrease) in other current liabilities	1,393	(417)
Tax refund	1,212	0
Net cash provided by operating activities	**21,136**	**10,133**
Capital projects	(53,081)	(20,132)
Proceeds from disposals of fixed assets	304	240
Gain on disposal of subsidiaries	424	78
Acquisition of other investments	(275)	(450)
Proceeds from disposal of investments	0	703
Changes in loans and long-term bank deposits	676	(2,848)
Changes in current investments	(2,594)	1,784
Interest received and other financial income	1,107	2,642
Dividends received	6	2
Net cash used in investing activities	**(53,433)**	**(17,981)**
Issuance of long-term debt	35,093	8,140
Repayments of long-term debt	(8,003)	(14,849)
Movements in long-term borrowings	0	998
Changes in other long-term liabilities	343	0
Changes in short-term debt	1,929	(604)
Interest paid and other financial costs	(1,050)	(1,104)
Dividends paid to minority interest	(13)	0
Repurchase of treasury shares	(9)	(113)
Net cash provided by financing activities	**28,290**	**(7,532)**
(Decrease)/increase in cash and cash equivalents	**(4,007)**	**(15,380)**
Cash and cash equivalents at the beginning of the year	18,641	34,039
Overdraft at the beginning of the year	(2)	(20)
Cash and cash equivalents at the end of the year	14,658	18,641
Overdraft at the end of the year	(26)	(2)

The accompanying notes are an integral part of these financial statements.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

1. Presentation of the Group Structure

Background to the consolidated companies

Tiszai Vegyi Kombinát Rt.

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

As of 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 offering the shares owned by ÁPV Rt. to foreign and domestic institutional and private investors. Following the privatisation, the shares of the Company were listed on the Budapest Stock Exchange and the Global Depository Receipts ("GDRs") representing the shares were listed on the London Stock Exchange. As of 31 December 2003, domestic and foreign institutional investors hold the majority of the shares.

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

As of 31 December 2003, the Company had 1,873 employees and as of 31 December 2002, 2,056 employees, as of 31 December 2003, the Group had 1,918 employees and as of 31 December 2002, 2,136 employees.

As from July 1, 2003, the person entitled to sign the company's financial statements is Árpád Olvasó, Chief Executive Officer, address: H-2440 Százhalombatta, Nyárfa út 4., Hungary

Subsidiaries

Company name	Country	Range of activity	Ownership 31 Dec 2003	Ownership 31 Dec 2002	Consolidation Method 31 Dec 2003
TVK Ingatlankezelő Kft.	Hungary	Property selling, leasing	100%	100%	Full consolidation
TVK Italia S.r.l.	Italy	Wholesale and retail trade	100%	100%	Full consolidation
TVK UK Ltd.	United Kingdom	Wholesale and retail trade	100%	100%	Full consolidation
TVK Inter-Chemol GmbH	Germany	Wholesale and retail trade	100%	100%	Full consolidation
TVK Austria GmbH***	Austria	Wholesale and retail trade	51%	51%	Full consolidation
TVK France S.a.r.l. *	France	Wholesale and retail trade	100%	50%	Full consolidation (August-December) and proportionate (January-July)
Inno-Comp Kft.**	Hungary	Compound production/trade	0%	69%	Sold

***The minority shareholder of TVK Austria GmbH is Itraco GmbH owning 49% stake.

The ownership in the above companies corresponds to the voting right and to the level of control exercised by Tiszai Vegyi Kombinát Rt.

TVK Ingatlankezelő Kft.

In May 1998, TVK Rt established TVK Ingatlankezelő Kft for the utilisation of certain properties. The issued capital of the company cash contribution. The company is in charge with property management, refurbishment and utilisation through leasing or similar arrangements. In June 2002, Flexofol Kft was merged into TVK Ingatlankezelő Kft. The company has been in charge of operating TVK Rt's welfare properties since 2002. The company's equity as of 31 December 2003 was HUF 3,091 million.

TVK Italia S.r.l.

TVK Italia S.r.l. is a trading company seated in Milan, Italy, set up in 1994 by TVK Rt and Cordusio SpA., Italy. The company purchases plastic raw materials on its own account from TVK Rt and, since 2003, from Slovnaft A.S. and sells them in Italy. In 1995, TVK Rt acquired the remaining 40% of TVK Italia S.R.L. and thus became the sole owner of the company. The company raised its issued capital from retained earnings and capital reserve by HUF 21.9 million. The company's equity as of 31 December 2003 was EUR 323,000.

TVK UK Ltd.

TVK UK Ltd. was established in 1996 by TVK Rt with a seat in London and an issued capital of GBP 200,000. The company purchases polymers on its own account from TVK Rt and sells them in the United Kingdom. The company's equity as of 31 December 2003 was GBP 206,000.

TVK Inter-Chemol GmbH

TVK Inter-Chemol GmbH was established in 1997 with a seat in Frankfurt-am-Main by TVK Rt and Metallgesellschaft GmbH (49%) with share capital of DEM 1,200,000. The company purchases polymer products on its own account from TVK Rt and, since 2002, from Slovnaft A.S. and sells these products in Germany. In 2001, as the DEM ceased to exist, the company's issued capital was converted to EUR and totalled EUR 615,000. In 2002, TVK Rt acquired the stake of the minority shareholder and thus became the sole owner of the company. The company's equity as of 31 December 2003 was EUR 827,000.

TVK Austria GmbH

In December 1998, TVK Rt and ITRACO GmbH set up TVK-Austria GmbH with a capital of ATS 500,000. TVK Rt. holds 51% of the company, which is seated in Wiener Neustadt. The company distributes TVK products in Austria. The company's equity as of 31 December 2003 was EUR 307,000.

TVK France S.a.r.l.*

TVK MOL-CHEM S.a.r.l. was established in 1997 by TVK Rt and MOL-CHEM Kft on a 50-50% basis with an issued capital of FRF 500,000. The company is seated in Paris and purchases polymer products on its own account from TVK Rt, and sells these in France. On 15 August 2003 TVK Rt. acquired the 50% stake from the co-owner for HUF 20 million. The company's equity as of 31 December 2003 was EUR 160,000. In 2003, the name of the company was changed from TVK MOL-CHEM S.a.r.l. to TVK France S.a.r.l.

Investments sold in 2003:
Inno-Comp Kft.**

In December 1998, TVK Rt set up INNO-COMP Kft with a capital of HUF 822 million jointly with Switzerland based PCG Polyconsult A.G. The company is seated in Tiszaújváros, Hungary, and will develop, produce and sell special thermoplastic compounds. TVK Rt. acquired 69% of the company by contributing assets worth a total of HUF 266 million and HUF 300 million cash to the company. In October 2003, TVK Rt. sold its stake in InnoComp Kft.

2. Basis of Preparation

The Company maintains its accounting records in accordance with generally accepted accounting standards in Hungary. Certain aspects of Hungarian accounting legislation depart from International Financial Reporting Standards (IFRS). The accompanying financial statements contain certain reclassifications and adjustments required to present them in accordance with IFRS published by the International Accounting Standards Board.

Preparing IFRS financial statements requires using certain estimations and assumptions, which can influence the values disclosed in the financial statements and in the Notes. In spite of the fact that these estimations were made upon the best knowledge of the Company relating to recent events, the actual results may differ from these.

A reconciliation between the profit for the year under HAS and that reported in the accompanying consolidated financial statements is included in Note 31.

The accompanying financial statements we approved by the Board of Directors on 7 April 2004.

The Company's financial year is the same as a calendar year.

3. Significant Accounting Policies

Changes in the accounting policies

In 2002, the Company reviewed and qualified its inventories. As part of the process, spare parts the production of which is lengthy but a shortage would threat continuous operations were reclassified as strategic and security inventories. Spare parts thus categorised are not subject to impairment (See Note 5.)

Changes in financial statements

The Company's financial statements for 2003 have been prepared based on the classification and financial statements format of its largest shareholder (MOL Rt.).

In these financial statements, the comparative data for 2002 have been reclassified and are disclosed in the same format and breakdown as for 2003. This change does not affect the applied valuation principles. Due to the changes, certain balance sheet items have been disclosed in more detail.

As from 2003, the Company recognises the amount of management bonus when its amount is approved by the Board. Until 2002, management bonus had been accrued on the basis of management's estimate.

As from 2003, the Company creates provisions also for retirement payment, the accounting method of which is explained later in this note (under Provisions).

Consolidation

The consolidated financial statements of the Group include TVK Rt and the companies it controls. Control is presumed to exist where the Group can, directly or indirectly, exercise more than 50% of the voting rights and has controlling influence over the finances and operations of a company and benefits from its activities. Minority shareholding reported in equity and net profit or loss for the year is shown separately in the balance sheets and income statements respectively.

Companies under common control have been included in the consolidation in proportion of the equity owned, i.e. the revenues, expenses, assets and liabilities of such companies have been reported on apportioned to the percentage of equity owned.

The Parent company has significant participation (over 20%) in certain companies (see Note 6). These investments have been accounted for based on the equity method whereby the initial market value of investment is modified with the proportional quota (ownership percentage) of the changes in net assets after acquiring.

Goodwill

The excess of the cost of acquisition over the Company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. Goodwill is amortised on a straight-line basis over its useful life.
The amortisation period is determined on a case-by-case basis and is generally between 5 and 20 years. At each balance sheet date the Company assesses the probability of realising goodwill and the difference between the expected recoverable amount of the asset and its net value is written off.

Related party transactions

All consolidated related party transactions have been eliminated from the consolidated financial statements.

Foreign exchange transactions

The reporting and functional currency of the Company is the Hungarian Forint. Foreign exchange transactions are recorded in the reporting currency as translated at the official exchange rate of the National Bank of Hungary (NBH) prevailing on the date of the transaction. Foreign exchange differences arising on the settlement of monetary items between the prevailing rates and those sued for initial recognition are recognised in the statement of operations in the period in which they arise. (See Notes 20. 22. 23.) Foreign exchange gains and losses on trading activities are presented among other revenues/expenses, while foreign exchange gains and losses on financial activities are presented among financial revenues/expenses on a net basis.

Foreign Operations

The Company has marketing and distribution subsidiaries abroad. These subsidiaries are considered as integral to the operations of the Company. Foreign exchange translation principles are applied as if the transactions of the foreign operations were those of the Company. In the accompanying consolidated balance sheet, monetary foreign exchange items are translated at the closing rate, while non-monetary items are translated at the historical rate prevailing on the date of the acquisition. Income and expense items are translated at the exchange rates prevailing on the dates of the transactions. The resulting foreign exchange gains and losses are recognised in the accompanying consolidated statement of income in the period in which they arise.

Revenue and expense recognition

Revenue is recognised when it is probable that the economic benefits from the transaction will be realised at the Company and that the amount of such benefit is adequately quantifiable. Revenue net of related taxes and discounts is recognised upon delivery of products or services by the Company, as this is the point at which the significant risks and rewards of ownership of the goods are transferred to the customer.

Interest income is recognised as it accrues taking into account the effective yield on the asset. Dividends received is recognised when the shareholders become entitled to their dividends. Changes in the fair values of derivatives that cannot be qualified for hedge accounting purposes are recognised as they accrue.

For income and cost accounting purposes the Company uses the accruals and deferrals principle.

Tangible assets

All tangible assets were appraised by an independent valuer upon the state-owned company's transformation into a public limited company on 1 January 1992. The valuation was based on the replacement cost of the assets as adjusted with depreciation. Tangible asset additions after this date were recorded at cost.

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss.

The initial cost of property, plant and equipment comprises their acquisition cost, including import duties and non-refundable purchase taxes and directly attributable costs of bringing the asset to its working condition and location for its intended use, financing costs and the cost of operations of projects established as part of the Petrochemical Development Programme attributable to the asset under construction. After commissioning, costs attributable to continuous operations (maintenance, repairs) are expensed in the income statement when incur. Costs that clearly result in an increase in the expected useful life or the initial capacity of an asset are capitalised.

Capital projects in progress include the historic cost of acquisitions and constructions in progress. These costs include acquisition costs plus direct costs related to the constructions. Depreciation is charged only as from the date of commissioning.
Upon the disposal or write-off of an asset, the cost and accumulated depreciation of the asset is written off from the accounts and any gain or loss resulting from the transaction is recognised in the income statement.

Depreciation is calculated on a straight-line basis at rates calculated to write off the gross book value of the assets over their estimated useful lives taking residual value into consideration.

The estimated useful lives are as follows:

Buildings and infrastructure	10-50 years
Production machinery and equipment	7-15 years
Office and computer equipment	3-7 years
Vehicles	5-10 years

Borrowing costs

In general, borrowing costs are expensed as they incur. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs include interest, the exchange rate difference relating to borrowings to the extent these have an adjusting impact on the interest and other borrowing costs that are attributable to the period of capitalisation on a pro rata basis.

Impairment of tangible and intangible assets

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit. Impairment losses are reviewed annually and, where the recoverable amount of an asset has changed, are increased or written back, fully or partially, as required.

Spare parts are categorised separately in the Company's accounting policies and the related impairment policies are laid down by category. The categories are revised on a quarterly basis.

Intangible assets

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow into the enterprise; and the cost of the asset can be measured reliably. Intangible assets are recorded at cost less accumulated amortisation. Amortisation is provided over the estimated useful lives of the assets using the straight-line method for both financial reporting and for tax purposes.

The estimated useful lives are as follows:

Goodwill	5 years
Licence	7-15 years
Software	3 years

Receivables

Receivables are presented in the financial statements net of allowance for doubtful debtors.

Inventories

Inventories are stated at the lower of historical cost or net realisable value as adjusted for slow moving or obsolete inventories. The realisable value is the market value less selling and marketing expenses. The historical cost of purchased inventories is determined using a weighted average cost formula. Self-manufactured inventories include material costs, direct personnel costs and apportioned overhead. Non-realisable inventories are fully written off.

Investments in non-consolidated subsidiaries and associated companies

Investments in non-consolidated subsidiaries and in associates are carried using the equity method.

Financial Investments

The company adopted IAS 39, Financial Instruments: Recognition and Measurement on 1 January 2001. Accordingly, investments are classified into the following three categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the company, are classified as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method. These investments are stated at cost less any diminution in their value.

Available-for-sale investments are classified as current assets if the Company intends to realize them within 12 months of the balance sheet date. These investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Available-for-sale investments are subsequently carried at fair value.

Fair value gains/losses on investments available for sale and trading are recorded as financial income/expense in the accompanying income statement.

Changes in the fair value that represent the effective part of cash flow hedges are disclosed separately within reserves.

Treasury Shares

Treasury shares are recorded in the accompanying financial statements as reductions in share capital and in capital reserves. Any difference between the face value and the historic cost of these shares as well as gains/losses, if any, are accounted directly in reserves.

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value and are readily convertible into cash.

Deferred tax

The Company's corporate tax liability includes taxes relating to the given tax year and deferred taxes. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Taxes relating to the reporting year and deferred taxes are accounted for directly in equity if such taxes relate to items that had been accounted for in equity in previous periods including adjustments to the opening balances of reserves due to retrospective changes in the accounting policies, if any.

Accruals and deferrals

The effects of economic events that affect two or more years are accounted for in the period to which they relate.

As from 2003, the Company accrues the amount of bonus as approved by the Board. Until 2002, management bonus had been accrued as an estimate.

In both 2002 and 2003, the Company made an accrual for discounts given to customers.

Provisions

A provision is recognised when, and only when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate. The value of provisions reflects the present value of costs necessary to settle the related liability and is discounted based on an estimated risk free interest rate.

Provision for severance pay

At the end of the year, the Company made a provision for severance pay falling due in the following year.

Provision for retirement benefits

TVK Rt., based on the service time of employees, pays a maximum of two months average salary when an employee retires. The cost of providing benefits under the Company's benefit pension scheme is determined using the projected unit credit actuarial valuation method. The provision is calculated based on the salary determined in the general employment contract: one month's salary for employees retiring after a service between 10 and 20 years and two months' salary for those retiring after over 20 years Actuarial gains and losses are recognised as income or expense immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognised as an expense on a straight-line basis over the average period until the benefits become vested.
Provisions for the long-term part of retirement payments is disclosed in the statements calculated on present value.

Environmental provision

Environmental costs relating to present and future revenues are expensed or capitalised according to their nature as they incur. In the year when such costs are identified, a provision is made for the clean-up costs of existing pollution. The amount of environmental provision is determined based on applicable regulations and known technology. Environmental provision is made when the underlying liability is probable and is reliably quantifiable.

Segments

The Company has four major divisions that serve as the primary basis for the Company's segment reporting purposes. These segments are vertically integrated, i.e. the output of one segment serves as raw material for the next one (the majority of Olefin production is used as raw material for Polypropylene and Polyethylene production).

Financial Instruments

Financial instruments disclosed in the accompanying consolidated financial statements include cash and cash equivalents, marketable securities, trade and other receivables and payables, long-term receivables and loans, investments, bonds receivable and payable disclosed in the accompanying balance sheet. The valuation of financial instruments is set out in the accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the underlying contractual arrangement. Interest, gains and losses relating to financial instrument classified as a liability are reported as financial expense or income. Benefits given to the holders of equity element financial instruments reduce equity. Financial instruments are netted of against each other only when the Company is entitled by law to do so and when it is the Company's explicit intention to settle the relevant asset or liability by the way of netting-off.

Cash flow hedges

Cash flow hedging instruments are used to offset cash flow fluctuations related to the assets and liabilities disclosed in the balance sheet such as highly probable forecasted transactions or to off-balance sheet commitments. Highly effective hedging instruments that qualify for cash flow hedge accounting purposes are disclosed directly in equity among reserves. The ineffective portion of the instrument is reported in the net profit or loss for the year.

If the hedged cash flow results in an asset or liability in the balance sheet, any gain or loss recorded directly in equity should be written off from equity and recognised at cost as an asset or liability, respectively. In all other cases, gains or losses on the hedging instrument are posted to the net profit or loss for the year in the same period when the hedged commitment or forecasted transaction affects the net profit or loss.

If a hedging instrument is no longer effective, it no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument, which was initially reported directly in equity when the hedge was effective, remains in equity until the commitment is met or the forecasted transaction arises.

If the commitment or the forecasted transaction is no longer expected to be met or to arise, any related net cumulative gain or loss reported in equity is posted to the net profit or loss for the year.

Cash flow

Material non-cash transactions have been eliminated from the accompanying cash flow statement prepared according to IFRS.

Dividends

Dividends are recognised in the year when approved by the shareholders.

Earnings per share

Earnings per share is identified based on the annual average of the Group's profit and shares less redeemed treasury shares. There was no transaction in either 2003 or 2002, which would have diluted the earnings per share.

Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the balance sheet date are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

4. Intangible assets

The Group's intangible assets as of 31 December 2003 and 2002 were as follows:

	Goodwill	Software	Capitalised development	Total
	HUF millions	HUF millions	HUF millions	HUF millions
Gross book value				
Opening balance as of 1 January 2002	0	3,934	165	4,099
- additions	205	1,426	0	1,631
- scrapping	0	(35)	0	(35)
- disposals	0	(35)	(165)	(200)
- other decreases	0	(2)	0	(2)
Closing balance as of 31 December 2002	205	5,288	0	5,493
Accumulated amortisation				
Opening balance as of 1 January 2002	0	1,308	165	1,473
- ordinary depreciation	27	426	0	453
- scrapping	0	(35)	0	(35)
- disposals	0	(35)	(165)	(200)
Closing balance as of 31 December 2002	27	1,664	0	1,691
Net book value 31 December 2002	**178**	**3,624**	**0**	**3,802**
Gross book value				
Opening balance as of 1 January 2003	205	5,288	0	5.493
- additions	(7)	869	0	862
- other increases	0	1	0	1
- scrapping	0	(56)	0	(56)
- disposals	0	(306)	0	(306)
Closing balance as of 31 December 2003	198	5,796	0	5,994
Accumulated amortisation				
Opening balance as of 1 January 2003	27	1,664	0	1,691
- ordinary depreciation	42	362	0	404
- other increases	0	2	0	2
- scraping	0	(56)	0	(56)
- disposals	0	(203)	0	(203)
- other decreases	(1)	0	0	(1)
Closing balance as of 31 December 2003	68	1,769	0	1,837
Net book value 31 December 2003	**130**	**4,027**	**0**	**4,157**

31 December 2003 (amount in millions HUF, unless otherwise indicated)

5. Tangible assets

The Group's tangible assets as of 31 December 2003 and 2002 were as follows:

	Land and buildings HUF millions	Technical equipment, vehicles HUF millions	Other equipment and vehicles HUF millions	Capital projects HUF millions	Total HUF millions
Gross book value					
Opening balance as of 1 January 2002	22,046	56,677	14,412	2,282	95,417
- additions	0	0	0	16,622	16,622
- capitalisation	976	3,254	934	(5,164)	0
- scrapping	(60)	(147)	(191)	0	(398)
- disposals	(756)	(805)	(379)	(42)	(1,982)
- other changes	0	(4)	(525)	1	(528)
Closing balance as of 31 December 2002	22,206	58,975	14,251	13,699	109,131
Accumulated amortisation					
Opening balance as of 1 January 2002	4,521	25,888	7,426	0	37,835
- ordinary depreciation	815	5,204	1,517	0	7,536
- extraordinary depreciation	81	29	12	0	122
- reversed impairment of spare parts	0	0	(325)	0	(325)
- scrapping	(61)	(146)	(191)	0	(398)
- disposals	(57)	(234)	(1,275)	0	(1,566)
Closing balance as of 31 December 2002	5,299	30,741	7,164	0	43,204
Net book value 31 December 2002	16,907	28,234	7,087	13.699	65.927
Gross book value					
Opening balance as of 1 January 2003	22,206	58,975	14,251	13,699	109,131
- additions	0	0	0	54,190	54,190
- capitalisation	2,022	1,712	776	(4,510)	0
- scrapping	(25)	(82)	(68)	0	(175)
- disposals	(140)	(664)	(192)	(19)	(1,015)
- other changes	(3)	(9)	25	1	14
Closing balance as of 31 December 2003	24,060	59,932	14,792	63,361	162,145
Accumulated amortisation					
Opening balance as of 1 January 2003	5,299	30,741	7,164	0	43,204
- ordinary depreciation	838	5,201	1,282	0	7,321
- extraordinary depreciation	41	12	18	0	71
- reversed impairment of spare parts	0	0	(2)	0	(2)
- scrapping	(25)	(82)	(68)	0	(175)
- disposals	(22)	(469)	(152)	0	(643)
- other changes	1	(1)	1	0	1
Closing balance as of 31 December 2003	6,132	35,402	8,243	0	49,777
Net book value 31 December 2003	**17,928**	**24,530**	**6,549**	**63,361**	**112,368**

31 December 2003 (amount in millions HUF, unless otherwise indicated)

In 2003 and 2002, the Company reviewed and qualified spare parts. Spare parts, whose production is time consuming but a shortage would threaten continuous operations, were classified as strategic and security, respectively. These spare parts are not subject to impairment. Spare parts assets are presented at cost less impairment loss of HUF 291 million recognised in 2003 and HUF 293 million recognised in 2002.

The book value of tangible assets contains capitalised borrowing costs totalling HUF 1,354 million and capitalised single financing commission of HUF 141 million in 2003.

None of the assets was pledged as of 31 December 2003.

Assets written off to zero

The total gross value of tangible and intangible assets which are still in use but have been written off to a 0 net value was HUF 19,448 million as of 31 December 2003 and HUF 7,968 million as of 31 December 2002.

6. Financial Investments

The Group's financial investments as of 31 December 2003 and 2002 were as follows:

Company name Non-consolidated subsidiaries	Country	Range of activity	Ownership 31 Dec 2003	Ownership 31 Dec 2002	Net book value of investment 31 Dec 2003 HUF millions	Net book value of investment 31 Dec 2002 HUF millions
TVK Polisec Kft.	Hungary	Security service, Guarding-Protection	100%	100%	52	29
Chemopetrol Kft.	Hungary	Domestic and foreign trade of chemical feedstock and products	66,66%	66,66%	24	6
TVK-Polska Sp.Z.o.o.	Poland	Selling chemical feedstock, produced by TVK Rt. and Slovnaft A.S. in the polish market	100%	100%	17	15
Tiszachem Kft. V.A.	Hungary	Under liquidation	100%	100%	2	2
TVK Automatika Kft.*	Hungary	Equipment and electric assembling, operating control and telecommunication systems	-	51%	-	213
TVK Gépszerelő Kft.	Hungary	Liquidation finished	-	100%	-	3
Total non-consolidated subsidiaries					**95**	**268**
Associates						
TVK Erőmű Kft.*	Hungary	Electricity production and distribution	-	26%	-	473
Tűzoltó és Műszaki Mentő Kft.	Hungary	Fire prevention, technical rescue, technical supervision	30%	30%	113	113
VIBA-TVK Kft.	Hungary	Producing black polymer dye	40%	40%	92	82
Tiszai Hulladékégető Kft.	Hungary	Dormant	49,96%	49,96%	8	8
Total associates					**213**	**676**
TOTAL					**308**	**944**

Non-consolidated subsidiaries:

TVK is the majority owner of the following companies, but these were not consolidated as their sizes and significance are immaterial for consolidation purposes.

TVK Polisec Kft. was founded in 1996, by the TVK Rt. and TVK Gépgyár Kft. In 1999, TVK Rt. bought out the other investor and acquired 100% ownership. Due to the equity method accounting, TVK Rt.'s investment increased by HUF 23 million in 2003, its value was HUF 52 million as of 31 December 2003. The company's activities include various security services.

Chemopetrol Kft. was established by TVK Rt., the State Property Fund of the Ukraine and Mol Invest Vagyonkezelő és Értékesítő Rt. with a seat in Tiszaújváros, Hungary. In 1999, the owners increased the company's capital to HUF 3 million and then to HUF 105 million. In 2000, the owners decided to reduce the capital to HUF 30 million, and TVK Rt. purchased the stake of Mol Invest Vagyonkezelő és Értékesítő Rt. Due to the equity method accounting, TVK Rt.'s investment increased by HUF 18 million in 2003, its value was HUF 24 million as of 31 December 2003. As a result, TVK's stake increased to 66.66%. The company sells petrochemical products.

In 1998, TVK Rt. acquired 52.5% of **TVK-Polska Sp. Z.o.o.** from BritChem Trading Ltd. The company distributes TVK polymers and plastic products in Poland. In April 2002, TVK Rt. acquired the stake of the minority shareholder and thus became the sole owner of the company. Due to the equity method accounting, TVK Rt.'s investment increased by HUF million in 2002 and increased by 2 HUF million in 2003, its value was HUF 17 million as of 31 December 2003. As a result of the transaction, a goodwill of HUF 198 million gross was recorded in TVK Rt's accounts. The actual book value of the goodwill less amortisation as of 31 December 2003 was HUF 132 million.

Tiszachem Kft. V.A.: Tiszachem Rt. was set up in 1990 by TVK Rt., Chemol Rt., Mineralimpex and HIB International Ltd. with a share capital of HUF 100 million. Since 1 January 2000, the company has gone dormant and was transformed from an Rt into a Kft in the same year. The company's current capital is HUF 3 million. Since 1 January 2003 the company has been under voluntary liquidation.

TVK Gépszerelő Kft was established by TVK Rt with a seat in Tiszaújváros, Hungary. The company repairs and maintains special machinery owned TVK Rt and located at third parties in Hungary. In 2000, TVK Rt bought the minority interest thus the value of investment increased to HUF 300 million. In January 2001, most of Gépszerelő Kft's employees were taken over by TVK Rt. In 2001, the company's issued capital was reduced to 3 million HUF. On 15 July 2003 the liquidation of the company was completed.

Associates

Tűzoltó és Műszaki Mentő Kft. was founded by TVK Rt. and by other companies on the site in 1995 with a capital of HUF 1 million. TVK Rt. owns 30% of the company's capital. In 1998, further to the amendment of the companies act, the company's capital was increased to HUF 3 million from retained earnings. Due to the equity method accounting, TVK Rt.'s investment increased by HUF 112 million in 2002, its value was HUF 113 million as of 31 December 2003. The company's activities include: fire prevention, technical rescue and technical supervision.

VIBA-TVK Kft. is a company formed in 1993 by TVK Rt. and VIBA-Italy to produce polymer dye. The company's seat is in Tiszaújváros, Hungary. The raw materials are supplied by TVK Rt. Due to the equity method accounting, TVK Rt.'s investment increased by HUF 10 million in 2003, its value was HUF 92 million as of 31 December 2003.

Tiszai Hulladékégető Kft was founded in 1996 by TVK Rt (49.96%) and Lobbe N.V., Belgium (50.04%). In 2002, TVK Rt recognised a HUF 5 million impairment loss on the investment thus its value was HUF 8 million as of 31 December 2003. At present, the company is dormant.

*** Short-term investments expected to be disposed of in 2004**

TVK Automatika Kft. was established by TVK Rt (74%), EL&ME Kft and private individuals (26%) with an issued capital of HUF 350 million. The company's seat is in Tiszaújváros, Hungary. In December 1997, TVK Rt sold a quota worth HUF 45.5 million at face value to EL&ME Kft then a further quota of HUF 35 million in 1998. TVK Rt currently owns 51% of the company. Due to the equity method accounting, TVK Rt.'s investment increased by HUF 35 million in 2002 and increased by 11 HUF million in 2003, its value was HUF 224 million as of 31 December 2003. The company plans and produces control systems, repairs and operates telecommunication systems.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

TVK Rt. established Borsod-Flex Kft on 23 August, 1999. In 2001, the company's name was changed to **TVK Erőmű Kft.** The company's main activities are electricity production and distribution. The company's main purpose is to ensure long-term heat supply for TVK Rt. In October 2001, TVK Rt. sold its investment of 74% to Észak Magyarországi Áramszolgáltató Rt. (North-Hungary Electricity Supplier). In December 2001, the company's capital was increased by HUF 100 million by the owners according to their stakes in the investment. The capital increase was registered by the Court of Registration in February 2002. In 2002, the company's capital was increased by HUF 1,715 million according to the stakes of the owners in the investment. The capital increase was registered by the Court of Registration in July 2002. In 2003 the owners increased the company's capital in more phases, in accordance with their shareholding percentage, in a total of HUF 1,055 million. Thus the capital of the company was increased to HUF 2,873 million and TVK Rt.'s stake changed to HUF 747 million.

7. Other fixed assets

The Group's other fixed assets as of 31 December 2003 and 2002 were as follows:

	31 December 2003 HUF millions	**31 December 2002** HUF millions
Prepayments for capital projects	1,754	2,376
Loan to Plastico S.A.*	734	774
Government bonds**	208	208
Bank bonds	3	275
Other	122	101
Impairment of loan granted to Plastico S.A.*	(401)	(364)
Total	**2,420**	**3,370**

* In 2002, TVK Rt. sold its investment in Plastico S.A. As a result, the principal receivable from Plastico S.A. was disclosed at HUF 333 million following as of 31 December 2003 (HUF 410 million as of 31 December 2002). In connection with this loan granted to Plastico S.A., HUF 25 million of bills of exchange receivable plus HUF 14 million related impairment loss, and an instalment of HUF 137 million falling due within one year plus HUF 75 million related impairment loss were disclosed among other current assets as of 31 December 2003. As of 31 December 2002, HUF 7 million of bills of exchange receivable plus HUF 4 million related impairment loss, and an instalment of HUF 81 million falling due within one year plus HUF 44 million related impairment loss were disclosed among other current assets in relation to the same loan to Plastico S.A. The amount of recognised impairment loss is based on a valuation of the mortgaged property that serves as security for the loan. (See Note 11.)

**Long-term securities include type 2013/C government bonds maturing in December 2013 that yield at floating interest rates.

8. Inventories

Inventories as of 31 December 2003 and 2002 were as follows:

	At cost HUF millions	**At net realizable value 31 December 2003** HUF millions	**At cost** HUF millions	**At net realizable value 31 December 2002** HUF millions
Work in progress and finished goods	4,554	4,538	5,897	5,863
Raw-material	1,232	1,232	1,582	1,582
Other materials	949	702	1,046	1,005
Purchased goods	384	384	686	686
Total	**7,119**	**6,856**	**9,211**	**9,136**

The Company believes that the level of provision as of 31 December 2003 is sufficient to cover potential future losses.
As of 31 December 2003 and 2002, no inventory owned by TVK Rt. was pledged as collateral.

Inventories are regularly checked for impairment.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

9. Receivables, net

Receivables as of 31 December 2003 and 2002 were as follows:

	31 December 2003 HUF millions	31 December 2002 HUF millions
Domestic debtors	13,437	9,479
Export debtors	12,520	13,069
	25,957	22,548
Less: impairment of doubtful debts	(430)	(370)
Total	**25,527**	**22,178**

The Company wrote off bad debts of HUF 19 million in 2003 and HUF 68 million in 2002.

For the impairment of doubtful debts, the Company estimated the total of potential losses that may arise due to the liquidity problems of certain large debtors. The impairment of smaller debtors was assessed in percentages based on an aggregate aged list of debtors. The effects of current economic trends and past experience of impairment losses were also considered. The amount of impairment loss of doubtful debts identified by the Company as of 31 December 2003 covers the amount of expected losses.

Export receivables are denominated primarily in EUR, USD and GBP and are recorded at the exchange rate as of 31 December 2003 and 2002. The resulting gain or loss is classified in a net amount either as other income and other expense, respectively (see notes 20 and 22) in the accompanying income statements.

10. Current investments

Current investments as of 31 December 2003 and 2002 were as follows:

	31 December 2003 HUF millions	31 December 2002 HUF millions
Discount treasury bills	8,242	4,527
Investments available for sale*	971	0
Bank bonds	275	0
Government bonds	0	1,102
Other shares	0	19
Total	**9,488**	**5,648**

*Investments available for sale contain HUF 747 million investments in TVK Erőmű Kft., and HUF 224 million investment in TVK-Automatika Kft. and were presented within financial investments in 2002.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

11. Other current assets

Other current assets as of 31 December 2003 and 2002 were as follows:

	31 December 2003 HUF millions	31 December 2002 HUF millions
Reclaimable VAT	4,924	3,121
Import VAT reclaimable	725	447
Interest receivables	213	364
Loans receivable *	115	97
Revenues relating to current year	59	9
Cost relating to the following year	37	88
Loans to employees and other receivables	18	0
Local tax	16	149
Prepayments to suppliers	13	187
Bills of exchange receivable *	11	40
Refundable income tax	0	83
Other	168	43
Total	**6,299**	**4,628**

*The long-term part of the loan receivable from Plastico S.A. reduced by the proportionate impairment loss has been presented among other fixed assets (See Note 7).

12. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2003 and 2002 were as follows:

	31 December 2003 HUF millions	31 December 2002 HUF millions
Cash at bank – HUF *	8,521	2,867
Cash equivalents	4,864	13,419
Cash at bank – other currencies	1,269	2,310
Cash on hand – other currencies	3	44
Cash on hand – HUF	1	1
Total	**14,658**	**18,641**

*The company factored most receivables of its foreign trade subsidiaries and a part of VAT receivables.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

13. Employee shares

Of the total number of 606,472 employee shares issued, in 1999, the Company held 103,737 (0.4% of the total shares) redeemed at face value.

In 2000 the Company redeemed 279,432 employee shares at face value, of which 21,314 shares were withdrawn in July 2000 based on the resolution of the shareholders. On 31 December 2000, the number of redeemed employee shares was 361,855.

In 2001 the Company redeemed 77,994 employee shares at face value. Further to the resolution of the shareholders, 396,158 employee shares were withdrawn and the issued capital was decreased. On 31 December 2001, the number of redeemed employee shares was 43,691.

In 2002, the Company redeemed 112,032 employee shares at face value. On 31 December 2002, the number of redeemed employee shares was 155,723.

In 2003, the Company redeemed 9,212 employee shares at face value. On 31 December 2003, the number of redeemed employee shares was 164,935.

Redeemed employee shares are classified as capital decrease under IFRS.

14. Share capital

Share capital as of 31 December 2003 was as follows:

Shareholder	Number of shares (thousand)	Face value (HUF)	Total (HUF millions)	Shareholding %
Domestic institutional investors	16,587	1,010	16,753	68.4
International institutional investors	4,765	1,010	4,813	19.6
Employees	24	1,000	24	0.1
Domestic private investors	50	1,010	50	0.2
Non-registered investors	2,833	1,010	2,861	11.7
Total	**24,259**		**24,501**	**100.0**

Shareholders with a shareholding above 5% registered in the Share Register as of 31 December 2003:

Shareholder	Shareholding %
Magyar Olaj- és Gázipari Rt.	44.31
CE Oil & Gas Beteiligung und Verwaltung AG	15.99
BorsodChem Rt.	15.40
Magyar Külkereskedelmi Bank Rt.	8.02

31 December 2003 (amount in millions HUF, unless otherwise indicated)

Share capital by type of shares as of 31 December 2003:

Type of share	Number of shares	Share capital (THUF)
Ordinary shares representing equal and equivalent rights of members (face value of one share is HUF 1,010)	24,234,843	24,477,191
Employee shares representing rights equal to ordinary shares (face value of one share is HUF 1,000)	24,065	24,065
Total	**24,258,908***	**24,501,256**

*The total number of shares of 24,258,908 does not include 164,935 treasury shares redeemed from employees in 2003.

Share capital as of 31 December 2002 was as follows:

Shareholder	Number of shares (thousand)	Face value (HUF)	Total (HUF millions)	Shareholding %
Domestic institutional investors	14,225	1,010	14,367	58.6
International institutional investors	6,352	1,010	6,416	26.2
Employees	33	1,000	33	0.1
Domestic private investors	48	1,010	48	0.2
Non-registered investors	3,610	1,010	3,646	14.9
Total	**24,268**		**24,510**	**100.0**

Shareholders with a shareholding above 5% registered in the Share Register as of 31 December 2002:

Shareholder	Shareholding %
Magyar Olaj- és Gázipari Rt.	34.48
CE Oil & Gas Beteiligung und Verwaltung AG	15.99
BorsodChem Rt.	15.40
Matura Vermögensverwaltung GmbH	9.83
Magyar Külkereskedelmi Bank Rt.	8.02

Share capital by type of shares as of 31 December 2002:

Type of share	Number of shares	Share capital (THUF)
Ordinary shares representing equal and equivalent rights of members (face value of one share is HUF 1,010)	24,234,843	24,477,191
Employee shares representing rights equal to ordinary shares (face value of one share is HUF 1,000)	33,277	33,277
Total	**24,268,120***	**24,510,468**

*The total number of shares of 24,268,120 does not include 155,723 treasury shares redeemed from employees in 2002.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

15. Long-term debt, net of current portion

Long-term debt, net of current portion as of 31 December 2003 were as follows:

	Weighted average interest rate 2003 %	Balance 31 December 2003 Currency	31 December 2003 HUF millions	Repayable by
Unsecured bank loans				
Syndicated foreign exchange loan (Deutsche Bank AG)*	EURIBOR+0.275	EUR 88.4 million	23,172	30 Sept 2015
Syndicated foreign exchange loan (Deutsche Bank AG)*	EURIBOR+0.75	EUR 74 million	19,394	10 March 2009
Total			**42,566**	

* In 2002, syndicated loan agreements were signed with a bank consortium led by Deutsche Bank AG to finance strategic projects in a total of EUR 280 million.
Both loan-agreements have floating interest rates: the EUR 130 million loan matures in 7 years, and bears an interest at EURIBOR+0.75%; the EUR 150 million loan matures in 13 years and bears an interest at EURIBOR+0.275%.
The latter loan was drawn by the Company with a guarantee by the German government and is to be used exclusively for financing the new Olefin Plant to be built by LINDE AG. A total of EUR 169.1 million was drawn down from the two loans by the end of the year, which was decreased by the ancillary costs of the drawing in the amount of HUF 1,769 million. (EUR 6.7 million)

The first instalment of the syndicated foreign exchange loans will be due on 30 September 2005 and then twice a year, on 31 March, and on 30 September.

Loans becoming due between 2-5 years amount to HUF 28,649 million, loans with a maturity over 5 years amount to HUF 10,889 million.

Both long-term and short-term loan agreements are based on pari passu and negative pledge terms.

Long-term debts, net of current portion as of 31 December 2002 were as follows:

	Weighted average interest rate 2002 %	Balance 31 December 2002 Currency	31 December 2002 HUF millions	Repayable by
Unsecured bank loans				
Syndicated foreign exchange loan (Deutsche Bank AG)	EURIBOR+0.275	EUR 16.1 million	3,787	30 Sept 2015
Syndicated foreign exchange loan (Deutsche Bank AG)	EURIBOR+0.75	EUR 8.7 million	2,064	10 March 2009
Kereskedelmi és Hitel Bank Rt Inno-Comp Kft.	12 months EURIBOR+0%	EUR 0.8 million	195	1 Dec 2004
Total			**6,046**	

31 December 2003 (amount in millions HUF, unless otherwise indicated)

16. Provision for expected liabilities and charges

Provisions for expected liabilities and charges as of 31 December 2003 and 2002 were as follows:

	Environmental* HUF millions	Severance HUF millions	Other** HUF millions	Total HUF millions
Balance as of 1 January 2002	**2,000**	**15**	**320**	**2,335**
Provision made during the year and revision of previous estimate	2,101	86	20	2,207
Provision used during the year	(314)	(15)	(188)	(517)
Balance as of 31 December 2002	**3,787**	**86**	**152**	**4,025**
Provision made during the year and revision of previous estimate	0	50	235	285
Provision used during the year	(556)	0	(95)	(651)
Balance as of 31 December 2003	**3,231**	**136**	**292**	**3,659**
Current portion 31 December 2002	1,071	86	95	1,252
Non-current portion 31 December 2002	2,716	0	57	2,773
Current portion 31 December 2003	473	109	39	621
Non-current portion 31 December 2003	2,758	27	253	3,038

* The environmental provision is expected to be further increased subject to the completion of an ongoing environmental survey. (See Notes 27.4.)
** Contains early retirement payments and retirement provisions.

17. Payables and other current liabilities

The Company's payables and other current liabilities as of December 2003 and 2002 were as follows:

	31 December 2003 HUF millions	31 December 2002 HUF millions
Domestic trade creditors	10,708	8,118
Suppliers	9,115	1,603
Import creditors	4,019	3,454
Accrued expenses	3,449	2,410
Import VAT	773	631
Amounts due to employees	498	322
Personal income tax	174	0
Corporate tax	122	0
Financial leasing	90	0
Dividends payable*	75	76
Other	59	38
Total	**29,082**	**16,652**

* Dividend payable includes unpaid dividends approved in prior years.

Most of the HUF 10,667 million increase in creditors from 2002 to 2003 was due to increases in suppliers to strategic projects and to an increase in the prices of raw materials acquired from creditors.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

18. Short-term debts

Short-term debts as of 31 December 2003 were as follows:

	Weighted average interest rate	Balance		
	2003	31 December 2003	31 December 2003	Repayable by
	%	Currency	HUF millions	
Unsecured bank loans				
Overdraft	Floating		26	18 June 2004
HypoVereinsbank, London loans to TVK UK	Floating	GBP 286 thousand	106	31 July 2004
HVB Bank (Hungary)-InterChemol	Floating	EUR 967 thousand	254	31 July 2004
TVK Italia overdraft	Floating	EUR 5.6 million	1,462	Continuous
CIB Bank TVK Italia	EURIBOR+0.2%	EUR 7.3 million	1,914	15 March 2004
Total			**3,762**	

Short-term debts as of 31 December 2002 were as follows:

	Weighted average interest rate	Balance		
	2002	31 December 2002	31 December 2002	Repayable by
	%	Currency	HUF millions	
Unsecured bank loans				
Current portion of syndicated loan *	EURIBOR+0.5%	DEM 64 million	7,709	31 July 2005
Overdraft	Floating		2	31 Dec 2003
HypoVereinsbank, London loans to TVK UK	4.625%	GBP 551 thousand	200	31 July 2003
HVB Bank (Hungary)-InterChemol	4.3%	EUR 969 thousand	229	31 July 2003
TVK Italia overdraft	Floating	EUR 5,796 thousand	1,367	Continuous
Other			11	
Total			**9,518**	

* The Company signed a DEM 260 million loan agreement with a bank consortium led by OTP Bank Rt in July 1998. The loan has a floating interest rate at EURIBOR+ 0.5%. The loan has been drawn and will be repaid in several instalments. The last instalment is due on 31 July 2005. According to the Company's decision, the entire loan outstanding at the end of 2002 was repaid on 31 January 2003, therefore the loan has been reclassified to current liabilities.
A forward contract of EUR 10 million made for part of the early repayment yielded HUF 30 million foreign exchange gain upon its maturity in 2003. This reduced current liabilities in 2002. Overall, the early repayment caused HUF 264 million exchange loss to the Company as of 31 January 2003.
Both long-term and short-term loan agreements include the pari passu and negative pledge terms.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

19. Segment reporting

The Group's sales per geographical segment as of 31 December 2003 and 2002 were as follows:

	2003 HUF millions	2002 HUF millions
Hungary (reduced by discount)	68,607	61,876
Other European Countries	16,908	16,784
Germany	21,587	15,681
Italy	15,490	11,821
Poland	11,838	9,651
United Kingdom	4,199	5,230
France	2,814	3,518
Austria	2,769	2,617
Slovakia	2,061	1,948
Romania	1,771	1,691
Non-European Countries	3,184	5,041
- Export quantity discount	(944)	(734)
Total	**150,284**	**135,124**

The Group's sales per operational segment for the years 2003 and 2002 were as follows:

Division	2003 Domestic sales	2003 Export sales	2003 Total sales	2002 Domestic sales	2002 Export sales	2002 Total sales
Polypropylene	18,056	32,170	50,226	15,780	34,062	49,842
HDPE	6,772	24,395	31,167	7,146	24,726	31,872
LDPE	9,754	10,013	19,767	9,347	9,774	19,121
Olefin	30,778	576	31,354	26,811	2,224	29,035
Other	4,491	15,467	19,958	3,889	3,196	7,085
- Quantity discount	(1,244)	(944)	(2,188)	(1,097)	(734)	(1,831)
Total	**68,607**	**81,677**	**150,284**	**61,876**	**73,248**	**135,124**

The gross book value of tangible fixed assets and accumulated depreciation per operational segment as of 31 December 2003 and 2002 were as follows:

	31 December 2003			31 December 2002		
Division	**Gross book value***	**Accumulated depreciation**	**Net book value**	**Gross book value***	**Accumulated depreciation**	**Net book value**
Olefin	68,477	16,892	51,585	35,863	14,285	21,578
Polypropylene	31,813	12,919	18,894	32,105	10,905	21,200
Polyethylene	24,858	9,545	15,313	14,994	9,119	5,875
Other	36,997	10,421	26,576	26,169	8,895	17,274
Total	**162,145**	**49,777**	**112,368**	**109,131**	**43,204**	**65,927**

*Also contains the value of assets in the course of construction.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

Assets capitalised on a Group level in 2003 and 2002 were as follows:

	2003		2002	
Division	**Capitalised value**	**Of which: intangibles**	**Capitalised value**	**Of which: intangibles**
Olefin	1,069	1	686	11
Polypropylene	145	0	2,429	22
Polyethylene	759	0	727	0
Other	2,550	12	1,613	258
Total	**4,523**	**13**	**5,455**	**291**

20. Other operating income

Other operating income as of 31 December 2003 and 2002 were as follows

	2003	2002
	HUF millions	HUF millions
Foreign exchange loss on receivables and payables, net	738	0
Retrospective discount	113	16
Default interest received, indemnity, penalties	95	33
Gain on the disposal of tangible assets	90	92
Releasing other provisions	76	0
Donations received	39	0
Reversal of impairment of inventories	24	0
Reversed impairment loss of tangible assets*	2	704
Other	217	282
Total	**1,394**	**1,127**

* The amount for 2003 and 2002 includes the reversed impairment loss of slow moving spare parts.

21. Personnel expenses

Personnel expenses as of 31 December 2003 and 2002 were as follows:

	2003	2002
	HUF millions	HUF millions
Wages and salaries	6,103	5,952
Social security	2,318	2,156
Other personnel expenses	1,842	1,370
Total	**10,263**	**9,478**

31 December 2003 (amount in millions HUF, unless otherwise indicated)

22. Other operating expenses

Other operating expenses as of 31 December 2003 and 2002 were as follows:

	2003 HUF millions	2002 HUF millions
Insurance premium	1,055	1,050
Rental costs, leasing	647	629
Local taxes	562	537
Property protection and fire prevention	344	328
Public sanitation	301	304
Administration, banking costs, duties and similar charges	295	393
PR and promotion	250	241
Consulting, advisory and auditing costs	221	567
Receivables impairment, net	116	389
Donations set-off costs, expenses	113	167
Compensation, default interest, penalties, fines	106	28
Elimination of waste	104	128
Damages	0	422
Environmental expenses and environmental provision	0	2,111
Foreign exchange loss on receivables and payables, net	0	553
Other	542	726
Total	**4,656**	**8,573**

23. Net financial (loss)/profit

The net financial (loss)/profit as of 31 December 2003 and 2002 was as follows:

	2003 HUF millions	2002 HUF millions
Gain on short-term securities sold	800	2,194
Interest received	247	459
Dividends received	5	2
Foreign exchange gains, net*	0	324
Gain of investments	0	119
Other	111	0
Total financial income	**1,163**	**3,098**
Foreign exchange losses, net*	(558)	0
Rebate	(341)	0
Interest paid	(294)	(880)
Loss on the disposal of financial investments	0	(38)
Other	0	(10)
Total financial expenses	**(1,193)**	**(928)**
Net financial (loss)/profit, net	**(30)**	**2,170**

* Foreign exchange gains and losses are presented net.

31 December 2003 (amount in millions HUF, unless otherwise indicated)

24. Corporate tax, Deferred tax

In 2003 and 2002, the normal corporate profit tax rate was 18%. However, TVK Rt. is entitled to make use of tax holiday in 2003 and 2002, based on the following.

According to subsections 21(7) and (9) of the corporate tax act, in 2002, the Company was entitled to a tax holiday of 90.4% of its sales on the ground that production equipment worth over HUF 3 billion was commissioned in 2001.

The Company enjoyed a further tax holiday upon commissioning production equipment worth over HUF 1 billion based on subsection 21(1) of the corporate tax act. The tax holiday was first used by the Company in 2000, based on the production equipment commissioned in 1999. This tax holiday can be used for 5 years after the completion of the project provided that sales continue to grow (statutory criterion). The last year when the tax holiday is available is 2002. Overall, the total of tax allowance enjoyed by the Company in 2002 was 97.13 %.

According to subsections 21(7) and (9) of the corporate tax act, in 2003, the Company was entitled to a tax holiday of 89.73% on the ground that production equipment worth over HUF 3 billion was commissioned in 2002.

Effect of the tax audit of years 1998-2000:
TVK examined the conditions that would make the Company eligible for a tax holiday based on the value of assets purchased in 1999 , which fell in the category of assets used for production purposes. To address uncertainties in the interpretation of the law, the Company requested guidance from the authorities at the end of 2000. As the answers were both inconsistent and unfavourable to the Company, management decided to take a prudent approach and reported only a 50% tax holiday in the 2000 financial statements and paid the relevant taxes accordingly. However, certain authorities agree with the Company that fulfilment of the requirements for a 100 % tax holiday can also be evidenced. Therefore, in its corporate tax assessment, the Company considered a 100% tax holiday. he tax audit of TVK Rt. by the Tax Authority of the years of 1998-2000 began in 2002. The tax audit was completed in 2003 and it did not challenge the 100% tax holiday calculated for 2000.
The profit for 2003 contains the net effect of the tax audit for the three years and totals HUF 1,212 million. (See Note 31)

Deferred tax:
According to the provisions of the corporate tax act effective from 2002, the Company will be entitled to additional tax holidays only on capital projects started before the EU accession treaty act becomes effective. According to the corporate tax act, the last day of gaining eligibility for a tax holiday is the end of 2002. One of the main criteria is increasing the company's number of staff (compared to the average number of employees in the year prior to the inception of the project).

One of the Company's future priorities is to focus on increasing efficiency. Owing to changes in applicable legislation, management revised tax holiday forecasts based on major capital projects until 2011, as the necessary increase in the number of employees is unlikely to be achieved. According to the revised forecasts, the 100% tax holiday requirements can be met in only two years (in 2005 and in 2006). The Company calculated the deferred tax based on a tax rate of 16% except for 2005 and 2006, for which years a full tax holiday entitlement is expected. In 2003, HUF 318 million of deferred tax liability has been disclosed in the financial statements. In view of the above factors, the deferred tax liability in 2002 of HUF 587 million reduced to HUF 269 million in 2003.

Tax income/expense disclosed in the enclosed consolidated financial statements for the years ended 31 December 2003 and 2002 contained the following items:

	2003 HUF millions	2002 HUF millions
Corporate tax liability in the reporting year	152	123
Effect of tax audit	(1,054)	0
Deferred corporate tax	(318)	587
Total tax (income) / expense	**(1,220)**	**710**

31 December 2003 (amount in millions HUF, unless otherwise indicated)

The deferred income/expense consisted of the following items as of 31 December 2003 and 2002:

	2003 HUF millions	2002 HUF millions
Depreciation	1,304	1,476
Environmental provision	(303)	(489)
Impairment losses and other provisions	(473)	(457)
Differences due to capitalisation according to IFRS	24	57
Differences due to accrued discount	(283)	0
Total deferred tax	**269**	**587**

Reconciliation of TVK Group's actual corporate tax income/expense and that expected based on its accounting profit:

	2003 HUF millions	2002 HUF millions
Profit before tax	**4,075**	**2,529**
Tax liability based on a 18% tax rate	734	455
Tax holiday based on capital projects	(806)	(112)
Tax effect of income taxable in foreign countries	91	146
Changes in related tax rate expectations	(65)	0
Non-recoverable timing differences	(120)	221
Effect of tax audit	(1,054)	0
Total tax (income) / expense	**(1,220)**	**710**

25. Earnings per share (EPS)

The Group's earnings per share based on consolidated information for 2003 and 2002 are as follows:

	2003	2002
Net income, IFRS (million HUF)	5,295	1,819
Weighted average of shares outstanding in the period (pieces)	24,257,886	24,315,619
EPS (HUF 1,010 face value)	HUF 218	HUF 75

The average number of ordinary shares was determined based on the weighted mathematical average method. Employee shares were also considered in the calculation as employees are also entitled to dividends.

According to the Company, diluted EPS is the same as undiluted EPS as the Company does not hold ordinary shares or purchase options.

26. Related party transactions

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

MOL Group has been TVK Rt's main raw material supplier and buyer of TVK products ever since the Company was established. Deliveries are based on a long-term contract signed in 1993 and valid until 2003. In 2001, the Company signed a long-term contract with MOLTRADE-Mineralimpex Rt. on supplying raw materials for the period between 2004 and 2013.
TVK Rt. has also been the ethylene supplier to BorsodChem Rt. for decades. In 2002, the Company signed a long-term ethylene supply contract valid for the period between 2004 and 2013.
The existing supply contracts between TVK and the above mentioned companies and changes in contract terms are summarised below.

26.1 Contract with the MOL Group

Based on the existing long-term general contract between the Company and MOLTRADE-Mineralimpex Rt. valid until 2003, MOLTRADE-Mineralimpex Rt. delivers 790 thousand tons of naphtha, 170 thousand tons of gasoline and 94.5 thousand tons of fluid gas to TVK, in every year and repurchases approximately 200 thousand tons of TVK's by-products. In 2003, TVK purchased 914.3 kt of pyrolysis feedstock as total, and MOL Rt. repurchased 202.2 kt of by-products. TVK's exported 4 kt of products to Slovnaft A.S.

The Company signed a two-year contract with MOLTRADE-Mineralimpex Rt. to meet TVK's additional propylene demand for the years of 2003 and 2004, within MOL Group. The contracts make an opportunity to supply 81.8 kt of propylene in 2003, the material-sales amounted to 72.3 kt in 2003.

With regard to its strategic investment plan, the Company signed a long-term delivery contract with MOLTRADE Mineralimpex Rt. on raw material supply (naphtha and gasoline) for the period between 2004 and 2013. The total amount of raw materials to be delivered (1,850-2,000 kilotons annually) was laid down in the contract, of which at least 57% will be naphtha and the remaining will be other light raw materials.

During 2003 TVK purchased raw materials (materials and goods) in a total of HUF 74,195 million from the MOL Group and sold by-products to the MOL Group in the value of HUF 16,068 million. As of 31 December 2003 receivables from the MOL Group amounted to HUF 2,150 million and payables totalled HUF 9,617 million.

26.2 Contract for ethylene supply to BorsodChem Rt.

In 1993 TVK Rt. signed a long-term ethylene supply agreement with BorsodChem, a PVC-producing company. According to the agreement, TVK Rt. is obliged to deliver a minimum of 66 thousand tons of ethylene annually until 2003.

In accordance with its long-term strategic plans, TVK Rt entered into negotiations with BorsodChem Rt concerning the conditions of future ethylene need and supply, as a result of which the parties signed on a long-term ethylene supply contract for the period between 2004 and 2013. According to the contract, BorsodChem Rt. has to purchase 140-155 kt of ethylene each year.

In 2003, according to a general contract, the Company has to deliver 80 kt of ethylene, and in accordance with the related supplementary contract, further 10 kt of ethylene depending on the Russian party's ability to ensure supply.

In 2003, the imported ethylene was 37 thousand tons. The Company delivered to BorsodChem Rt 84 thousand tons of ethylene.

During 2003 TVK sold self-produced and purchased ethylene to BorsodChem in a total of HUF 11,657 million. As of 31 December 2003 TVK's receivable from and payables to BorsodChem amounted to HUF 1,481 million and HUF 3 million, respectively.

27. Off-balance sheet items

27.1 Sale of plastics operations

In 2001 the Company sold its investment in Unterland A.G.

The contract on the acquisition of Unterland A.G. includes a clause, according to which, between 2003 and 2005, TVK is entitled to a percentage of the future audited after tax profits of Unterland A.G. apportioned to its previous share in Unterland A.G. In 2003, Unterland A.G. made no such payment.

The sale of TVK's share in Plastico S.A. was completed in 2002. In 1997-1998, TVK acquired its 90.87% share in Plastico through purchase (13.73%) and through capital increase (77.14%). Since the purchase of 13.73% of the shares was registered only in Plastico's Share Register and with the Court of Registration, but it had not been registered with the Central Romanian Registration Office (Regisco) because of law interpretation differences and clerical errors, only the shares above 13.73% could be offered for sale by the Company. On 28 February 2002 the shareholder's meeting of Plastico S.A. acknowledged the cancellation of the original purchase contract made among TVK Rt., PAS (association of employees and management) and a private person regarding the purchase of 13.73% of the shares. Thus TVK's shareholding changed to 77.14%. At the same time, PAS committed itself to sell these shares on the stock exchange and transfer the consideration received to TVK Rt. In April 2002, TVK Rt. signed an agreement with PAS (who owned 9.83% of the remaining 13.73% shareholding) on selling its shares to the new shareholder, Plastico S.A. In order to transfer the remaining app. 3.9% stake, the TVK Rt. started legal proceedings against the private person.

27.2 Investments sold in 2003

Other investments

In 2003, the Company sold its investment representing 69% ownership in INNO-Comp Kft.

27.3 Legal disputes over investments in securities

In 1998, a former executive of the Company misused her authority and instructed stockbrokers Quantum Bróker Rt to invest HUF 1,000 million in an equity portfolio and financial instruments instead of treasury bills as approved by TVK Rt's management. The Company disputes the proper authorisation of the transaction and believes that the broker firm did not perform its duty with proper professional care and stewardship, and the Company reported the case to the police in October 1998. The police took custody of the portfolio of shares and delivered them to TVK Rt.
In the lawsuit against Quantum Bróker, the Supreme Court rejected TVK's appeal, therefore the Company wrote off its receivable amounting to HUF 569 million from Quantum Bróker in 2001.

In 2002, TVK Rt had pecuniary demands of app. HUF 450 million at the Metropolitan Court against Insider Kft, as the related criminal proceedings revealed that Insider Kft could be connected to the damage caused to TVK Rt. It is not reasonable to expect the damages be returned as the result of the proceedings. Final judgement is expected in 2004.

In 1998, the Company entered into a portfolio management contract in an amount of HUF 500 million with BudaCash Brókerház Rt. The contract included a yield guarantee. In October 1998, when the contract expired, BudaCash failed to pay back the nominal value as increased by the guaranteed yield and disputed TVK's interpretation of the contract regarding the guarantee. TVK Rt. started legal proceedings. In 1998, TVK Rt received HUF 160 million of the initial amount and HUF 34 million of the yield and wrote off the remaining part of the initial investment (HUF 340 million). TVK Rt. upholds its claim against the brokers. According to the final judgement of the Supreme Court, BudaCash Brókerház paid all its debts and related interest (counted from 1 December 1998) in 2001. In 2002, the Court rejected the brokers' application for a revision of the case.

27.4 Environmental protection

In 1996, before the privatisation of TVK Rt, an environmental audit of the Company had been carried out. Based on the findings of the audit, the clean up of the contaminated soil in the area of the Olefin plant was started. The clean up work on the area of the Paint Factory continued. The clean-up 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 on grounds of expected extra clean-up 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 remediation. The survey found significant underground pollution. The Company submitted the summary report on the environmental survey completed at the end of 2003 to the North-Hungary Area Environment Authority by the required deadline.

The Authority will make a resolution as to TVK Rt's additional environmental restoration tasks once the Company has submitted all outstanding documents, those documents have been approved and a technical consultation has taken place. The Authority's decision will be binding for TVK Rt. The company had not received this resolution by the date of preparing the financial statements. The Authority, considering the defined priority order and schedule, is expected to order TVK Rt. to accomplish the identified environment restoration tasks for which TVK Rt will have to prepare a technical action plan. The technical plan will have to be submitted towards the end of the first half of 2005. The costs of the necessary environment restoration work will be quantifiable after the acceptance of the technical action plan.

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At the same time, the Authority confirmed its former resolution, which required to begin of the clean-up of lime sludge reservoirs immediately and to continue other restoration work already in progress. The clean-up work can only begin after an accredited measurement of the volume of lime sludge in the reservoirs. The related agreement has been drawn up. The related decontamination costs will be quantifiable once the survey is completed.

The company continuously analyses the progress of the clean-up process and has made significant financial and intellectual efforts in order to comply with relevant legal requirements by eliminating environmental problems inherited from the past. The expectedly significant costs of the necessary environment restoration work will be quantifiable once the results of the above tests become available. The amount of the environmental provisions made on 31 December 2003 amounted HUF 3,231 million, that covers only those expenses that could be assessed and reliably quantified at the time of reporting.

28. Strategic projects in 2003

On 26 March 2002, the Board approved the implementation of the strategic project programme. On 25 September 2002, a ground stone ceremony was held.

The planning, the related goods and service purchasing of the Company's Petrochemical Development Project stepped to its final stage. Implementation is ongoing intensively in case of all subprojects. In the last quarter of 2003, the average number of external contractor employees working on the project was over 1,800.

The 2003 events of the subprojects were as follows:

Olefin-2 Project: Design engineering has been completed, goods orders is in progress and 88% of the goods have already been ordered. Construction has been completed. Laying down underground wiring and steel structure assembling are soon to be completed. The construction of a cracking furnace has been completed and the assembly of the related pipeline is in progress. In June 2003, the pre-manufacturing of the over-ground pipeline began, which is a critical phase of the project. In October 2003, piping site assembly began. The construction of the Olefin-2/PE-4 plants' common cooling tower has been completed. Mechanical engineering works are currently in progress. The process control system installation has begun and we have carried out the first Factory Acceptance Test. Construction of electric substation has been completed, its testing is in progress. On-site electrical and instrumental construction work has begun.

PE-4 Project: Design engineering has been completed. The contractor has delivered all contracted equipment. All other construction works, except the extruder building have been completed. More than 90% of equipment and steel construction parts have been completed. The installation of the electric substation stepped into its final stage. On-site electrical construction work has begun. At the beginning of September 2003, piping prefabrication, at the end of November 2003, piping assembly begun. In the logistics area, a warehouse and a granule storage quarter were built. The preparatory work of the packaging line is in progress.

Off-Site Facilities Project: Design engineering of all the six off-site facilities has been completed. Goods delivery was carried out in harmony with the implementation. The construction of roads and utilities has been completed. S part of the in-site product and service wires subproject construction of the new pipe rack, installation of steel construction has been completed. On-site piping assembly is in progress. The construction of the new ethylene storage tank is continuous. By the end of this year, 50% of the construction works had been completed. This work included building a storage tank, the foundation of technological equipment and construction of the related pipe racks. The installation of an electric supply system for the ethylene storage tank and for the Olefin-2/PE-4 plants has entered its final stage. 90% of the sewage modernisation works had been completed by the end of the year.

The above projects are financed partly from own resources and partly from loans. The amount of the expected draw down in 2004 is HUF 18,798 million, the expected amount of own resources to spend on the projects is HUF 20,580 million.

The total disbursement for the construction period in yearly distribution as at 31December 2003 is as follows:

Project	2004	2005	Total
Olefin-2	85	1	86
Polyethylene-4	44	0	44
Polypropylene intensification	0	0	0
Off-Site Facilities	24	0	24
Total (EUR millions)	**153**	**1**	**154**

29. Representations and guarantees to related parties

29.1. Comfort letter

TVK Rt. has issued a comfort letter to Raiffeisen Bank Rt. in relation to the HUF 120,000,000 overdraft of TVK-Automatika Kft. TVK Rt. has a 51% ownership in TVK-Automatika Kft. TVK Rt. has assumed an early warning obligation in the event its shareholding in TVK-Automatika Kft. should drop below 50%. The comfort letter is valid until the overdraft is available, i.e. until 30 July 2004.

TVK Rt. has issued a comfort letter to Raiffeisen Bank Rt. in relation to the HUF 10,000,000 overdraft of Chemopetrol Kft. TVK Rt. has a 66.7% ownership in Chemopetrol Kft. TVK Rt. has assumed an early warning obligation in the event its shareholding in Chemopetrol Kft. should drop below 50%. The comfort letter is valid until the overdraft is available, i.e. until 30 July 2004.

TVK Rt. has issued a comfort letter to Raiffeisen Bank Rt. in relation to the HUF 20,000,000 overdraft of TVK-Polisec Kft. TVK Rt. has a 100% ownership in TVK-Polisec Kft. TVK Rt. has assumed an early warning obligation in the event its shareholding in TVK-Polisec Kft. should drop below 50%. The comfort letter is valid until the overdraft is available, i.e. until 30 July 2004.

30. Financial instruments, risk management

Foreign exchange and commodity price risks

The prices of the most important raw materials and those of olefin and polymer products produced by TVK Rt fluctuate according international market rates. Sales are significantly affected by the EUR/HUF exchange rate, while purchases are primarily USD based. In order to mitigate foreign exchange risks, TVK Rt has made a limited number of forward contracts except swap, option or other derivative contracts. The loan granted to the Company is denominated in EUR in order to reduce exchange rate risks.

As of 31 December 2003, the Company had EUR 1.5 million in an open forward contract.

Liquidity and credit risk

Liquidity risk arises from the possibility that customers may not be able to settle their liabilities to the Company within the normal terms of trade. Credit risk arises from the risk of late payment by another party. In order to mitigate these risks, the Company carefully assesses each debtor and the debtor's ability to repay its debt on a regular basis. The company covers a significant part of trade receivables by credit insurance. Management is of the opinion that the maximum credit risks approximate the carrying amounts of the respective assets.

Fair value of financial instruments

Financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount as appropriate. The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents, current investments and other current assets

The net book value of cash and other financial assets approximates the fair value due to the relatively short-term maturity of these financial instruments. The fair value of publicly traded instruments is estimated based on quoted market prices. In the case of all other instruments for which no quoted market price exists, a reasonable fair value estimate has been calculated based on the expected cash flows of the underlying net asset base for each investment.

Short-term borrowings, creditors and other current liabilities

The book value of current liabilities approximates the fair value due to the relatively short period of maturity involved.

Long-term borrowings and other payables

The fair values of long-term borrowings and other payables denominated in foreign exchange with variable interest rates approximate their carrying values.

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31. Reconciliation between HAS unconsolidated financial statements and IFRS financial statements

The Hungarian Accounting Act came into effect as of 1 January 1992, and was amended several times. Hungarian accounting regulations became significantly closer to IFRS when the new accounting law (act C of 2000) came into effect on 1 January 2001. EU directives 4, 7 and 8 played significant role in preparing the accounting principles, though these may depart from IFRS.

The following table shows the reconciliation of the equity under the Hungarian statutory and the IFRS financial statements:

		Share capital HUF millions	Reserves HUF millions	Net income HUF millions	Shareholders' equity HUF millions
31 December 2003 – HAS		**24,666**	**73,368**	**5,851**	**103,885**
Effect of IFRS consolidation		0	(173)	224	51
Shareholding of external shareholders according to IFRS		0	0	(90)	(90)
IFRS adjustments					
- Redeemed employee shares	1	(165)	0	0	(165)
- Deferred tax	2	0	(587)	318	(269)
- Capitalised technical equipment	3	0	7,668	0	7,668
- Depreciation of technical equipment	3	0	(6,601)	(657)	(7,258)
- Capitalisation of borrowing costs	4	0	63	(126)	(63)
- Revaluation of financial assets	5	0	647	(647)	0
- Accrued unrealised quantity discount	6	0	(1,036)	(730)	(1,766)
- Revaluation difference on investments	7	0	366	164	530
- Tax refund of the years 1998-20008		0	(1,212)	1,212	0
- Other		0	62	(224)	(162)
31 December 2003 – IFRS Group		**24,501**	**72,565**	**5,295**	**102,361**

		Share capital HUF millions	Reserves HUF millions	Net income HUF millions	Shareholders' equity HUF millions
31 December 2002 – HAS		**24,666**	**68,496**	**3,660**	**96,822**
Effect of IFRS consolidation		0	172	(184)	(12)
Shareholding of external shareholders according to IFRS		0	0	(84)	(84)
IFRS adjustments:					
- Redeemed employee shares	1	(156)	0	0	(156)
- Deferred tax	2	0	0	(587)	(587)
- Capitalised technical equipment	3	0	7,668	0	7,668
- Depreciation of technical equipment	3	0	(5,951)	(650)	(6,601)
- Capitalisation of borrowing costs	4	0	0	63	63
- Revaluation of financial assets	5	0	1,704	(1,057)	647
- Accrued unrealised quantity discount	6	0	(897)	(139)	(1,036)
- Impairment of purchased inventories		0	(538)	538	0
- Revaluation difference on investments	7	0	77	289	366
- Other		0	52	(30)	22
31 December 2002 – IFRS Group		**24,510**	**70,783**	**1,819**	**97,112**

1. Redeemed employee shares
According to IFRS, the par value of the redeemed employee shares reduces the share capital.

2. Deferred tax
According to IFRS requirements, a deferred tax asset or liability has to be recognised for all timing tax differences. No such asset or liability can be recognised under Hungarian accounting legislation.

3. Capitalisation and depreciation of technical equipment
IFRS allows for the capitalisation of costs directly attributable to the acquisition or production of an asset. The related financing costs may include the interest substituting part of foreign exchange differences. Until 31 December 2001, the accounting law did not allow capitalising foreign exchange differences, but required to capitalise the interest relating to financing costs.

4. Capitalisation of borrowing costs
IFRS allows for the capitalisation of costs directly attributable to the acquisition or production of an asset. The related financing costs may include the interest substituting part of foreign exchange differences to the extent such interest has an adjusting effect. As from 1 January 2002, HAS also allows for the capitalisation of interest and foreign exchange gains and losses related to financing costs but without any limitation.

5. Revaluation of financial assets
According to IFRS, monetary assets and liabilities denominated in foreign exchange must be re-valued at the year-end foreign exchange rate. However, previously, the Hungarian accounting law required to defer total net unrealised foreign exchange gain against future foreign exchange losses. As from 1 January 2003, with retrospective effect to 2002, this method changed in that accumulated unrealised foreign exchange gains deferred until the end of 2001 must be released over the next five years.

6. Accrued unrealised quantity discount
IFRS allows for the recognition of given or received but unpaid discounts. According to the Hungarian accounting law, the contracted value of retrospective discounts (i.e. unbilled discounts indirectly related to product, material, goods or services) outstanding as of the balance sheet date are to be disclosed under other expenses.

7. Accounting for investments
Under IFRS, investments are measured based on the equity method. Under HAS, investments are presented at historic cost less impairment loss, if any.

8. Tax refund of the years 1998-2000
According to IFRS regarding the adjustment of accounting estimations, the adjusted estimate had to be considered when determining current period's net profit or loss.

32. Subsequent events

Integrated petrochemical production and trading operations

The Board of Directors of TVK Rt., MOL Rt. and of Slovnaft a.s. resolved to create an integrated Petrochemical Division, whereby they unite the petrochemical production and trading operations of TVK and Slovnaft as of 1 January 2004.

The Petrochemical Division will be responsible for the co-ordination of TVK's and Slovnaft's daily production and trading activities, while both companies remain legally independent.

The aim of the integrated petrochemical production and trading operations of TVK Rt. and Slovnaft a.s. is to increase supply optimalisation and to create a better product portfolio which generates significant synergies and improves efficiency at both companies.

Outsourcing maintenance
According to the resolution of the Board, agreements have been signed to outsource the Company's maintenance activities. Petrolszolg Kft. will provide the outsourced services as from 1 February 2004.

Corporate Governance

TVK attaches high priority to applying a corporate governance system that meets even the most exacting expectations. Accordingly, in response to the Guidelines of Responsible Corporate Governance issued by the Budapest Stock Exchange, TVK volunteered to assert in April 9, 2004 its awareness of and fundamental agreement to the Guidelines and declared that the Board of Directors of the Company does its best to observe the Guidelines in the course of running the Company and its operations.

Operating the Board of Directors

The BoD delegated certain responsibilities to the committees it set up for the purpose. The committees are authorized to propose preliminary resolutions in matters specified in a list of decisions and competences designed to divide responsibilities between the Board and Management.

Committees operated by the Board of Directors

Finance and Audit Committee (6 members, 2 executive, 4 non-executive) responsibilities: Promote the efficiency of the Board regarding issues related to finance, risk management and financial audit as well as in matters designated by the Board. The Finance and Audit Committee met ten times in 2003. The average rate of participation was 88%.

Corporate Governance Committee (3 members, 1 executive, 2 non-executive) responsibilities: Support operating and constructing the Board in line with international standards, promote the transparency and unequivocal nature of the relationship between the Board and shareholders and promote the efficiency of the Board regarding issues related to corporate operations, top management, the system of remuneration and incentives as well as in matters designated by the Board. The Corporate Governance Committee met five times in 2003. The average rate of participation was 80%.

Project Steering Committee (9 members, 4 executive, 5 non-executive) responsibilities: The Project Steering Committee supervises the process of implementing strategic projects at TVK, controls and evaluates the efforts of the Project Implementation Team, secures the resources for efficient project management operations and for completing facilities at optimum technical standard, by deadline and within budget. Additionally, the Project Steering Committee is responsible for assisting the Board's efforts and for supporting its resolutions. The Project Steering Committee is not authorized to take direct measures and may not engage in activities of this nature, as it is responsible for operational control over the strategic project. Operational project management is the responsibility of the director of coordination of the strategic project and the CEO.

Relationship Between the Board of Directors and the Management

The Matrix of Decision Making Competences specifies the powers and competences delegated by the Board to the Management in an attempt to ensure the most efficient enforcement of the business, HSEQ, ethics, risk management and internal control policies specified by the Board. The objective of the Matrix of Decision Making Competences is to maximize the shareholder value of the Company and to capture unambiguously the decision-making powers and competences so as to reach operational and financial excellence.

In principle the Matrix of Decision Making Competences should

- ensure that the interests of shareholders is efficiently asserted via the Board of Directors; support and promote that decisions are taken more efficiently, at greater speed and uniformly at TVK Rt. level;
- ensure proper balance between the freedom of management to make decisions and the requirements of the strict internal system of governance and performance evaluation;
- guarantee that decision making competences are assigned to levels of the organization where the largest amount of information is available to support a decision;
- guarantee proper follow-up and control;
- guarantee governance by function and business matrix at both TVK Rt. and subsidiary level.

The system is designed to prevent the Company from performing erroneously the policies and strategy set by the Board of Directors.
The Matrix of Decision Making Competences is structured to cover the levels of corporate management with

Management Level I corresponding to the Chief Executive Officer. Management Levels II, III and IV correspond to the managers of business units and the top management of subsidiaries.

Supervisory Board

Commissioned by the shareholders, the Supervisory Board exercises control over the management of the Company and reports to the General Meeting.
The Articles of Association of TVK provides that the Supervisory Board of the Company should have at least three, but no more than fifteen members. As provided in the Company Act, 1/3 of the members of this body includes employee representatives, hence two members of the Supervisory Board of TVK represents employees and there are three non-executive members appointed by the shareholders.
The most recent resolution on the remuneration of the Supervisory Board was passed at the Ordinary General Meeting on April 24, 2003, providing that employees or senior officers of the MOL Group (other than representatives delegated by employees) should not be remunerated for acting on the Supervisory Board regardless of their function. The fee paid to each remunerated member of the Supervisory Board is HUF 200,000 / month and HUF 250,000 / month if a remunerated member acts as chairperson.

Auditors

The auditor is elected by the General Meeting of TVK.
Arthur Andersen acted as the auditor of TVK between 1999 and 2002. The Ordinary General Meeting held on April 24, 2003 selected Ernst & Young Könyvvizsgáló Kft. as auditor of the Company and an agreement was concluded for auditing the annual reports closing the business year of 2003. The commission is in force until the conclusion of the Ordinary Annual General Meeting held in 2004 to decide on the approval of the 2003 annual reports.
The audit agreement provides that Ernst & Young Kft. should audit the consolidated and non-consolidated annual reports drawn up under the Accounting Act and the consolidated annual report drawn up under International Financial Reporting Standards (IFRS, formerly IAS). The aforementioned financial statements have been audited as required by National Audit Standards, International Standards of Auditing (ISA) and the provisions of the Accounting Act and any other acts and laws on auditing. The auditors ensure the continuous nature of performing the audit assignment by working on site and by participating at the meetings of key TVK bodies as well as through other forms of consultation.
Furthermore, auditors review the quarterly stock exchange flash report but issue no auditor's statement, as the flash reports are not fully audited.
Arthur Andersen Kft. and Ernst & Young Kft. also delivered other services to TVK. In 2003, the total cost of such services was the half of the fee charged for the audit.
The miscellaneous services of importance included:
- accounting services
- advising in tax matters.

We do not think that any of the services rendered by Ernst & Young Kft. under the aforementioned titles would jeopardize its independence as auditor.

Fees paid to auditors, 2002-2003 (HUF million)

	2002	2003
Fee for the audit of TVK Rt.	28.5	31.0
Fee for the audit of subsidiaries	0	0
Other services	2.0	14.9
Total	**30.5**	**45.9**

The Principles of Responsible Corporate Governance

Guidelines for Evaluating the Performance of, and Remunerating Managers

The Board evaluates the performance of the management of the Company individually and at company level and sets the responsibilities and the related targets of achievement for management for the given period according to the system of incentives.

Operating a system of compensation and adopting practical solutions in line with the strategy of the company is a guideline for developing the structure of performance evaluation and remuneration in a way that it may be used efficiently for attaining the objectives of the Company whilst giving priority to motivating key employees in the organization.

Risk Management Guidelines

See the Financial Report and the Management Report for information on risk management guidelines.

Insider Trading Guidelines

Senior officers, members of the Supervisory Board and each employee of TVK holding unpublished insider information regarding the ordinary stock of TVK – which, if published, could influence the value and the market price of such stock substantially – is strictly prohibited from engaging in or placing orders for transactions in the ordinary shares of TVK.

Members of the Board of Directors, the Supervisory Board and top management have to report to TVK Rt. and to the competent authority, and make a public disclosure of, their transactions in ordinary shares issued by TVK.

To protect insider information, the management of TVK must ensure that

- access to insider information is limited within TVK to employees whose knowledge of such information is indispensable for performing their jobs;
- any independent organizations of persons involved in the activities of TVK should be given access to information reasonably necessary for performing their actual assignment and that a confidentiality agreement is concluded to protect such information.

Business Ethics Guidelines

The Code of Ethics summarizes and sets forth all the norms and responsibilities of doing business that the TVK Group is provided for itself as a successful and respected member of the domestic and the international economic environment. The TVK Group will enforce these guidelines during its operations and will use on them in its business relations. The guidelines set in the Code of Ethics create a uniform framework for the affiliates of the TVK Group to develop their internal systems, instructions and to review their existing procedures in the same spirit. The Code of Ethics of TVK is publicly accessible at the TVK web-site.

Disclosure Guidelines

The Board of Directors specifies the guidelines that ensure the timely and accurate publication of all significant information pertaining to the Company or affecting the market price of its securities. This serves to offer reliable and comparable information to investors for their evaluation of the business activities and the position of the Company and helps them select from investment alternatives.

The management of the Company must ensure that the disclosure practices of the Company comply with the guidelines set by the Board of Directors.

The Company develops a system of public announcements designated to ensure that information intended for disclosure gets published as soon as possible.

Board of Directors

as of 31 December 2003

1 MOSONYI, György (54)
Chairman of the Board since April 26, 2002, CEO of MOL Rt. Fully Qualified Chemical Engineer

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

2 OLVASÓ, Árpád (45)
Deputy Chairman of the Board since April 26, 2002, Member of the Board since August 29, 2000, CEO of TVK Rt. Qualified Chemical Engineer, MBA

Management Studies at Buckinghamshire College – SZÁMALK university in 1992. Received post-graduate degree at the College of Petroleum and Energy Studies in 1993 and an MBA degree at Brunel University – SZÁMALK in 1995. Worked for Dunai Kõolajipari Vállalat as plant engineer, operator, shift manager and as deputy plant manager between 1983 and 1992 to move on to the positions of plant manager and later project manager at Danube Refinery of MOL Rt. between 1992 and 1995; acted as first consultant and project manager for Oracle Hungary from 1995 to 1997. Starting 1997, he worked as manager for partner relations at MOL Rt. DS until his appointment as head of the Chemical Division in 1999 and in turn as Director of Chemical Portfolio Management in 2001. Since 1997, Mr. Olvasó has been member of the Presidium of the Hungarian Chemical Industry Association.

3 ÁLDOTT, Zoltán (35)
Member of the Board since April 26, 2002, Deputy CEO, Strategy and Business Development, MOL Rt., Qualified Economist

Has worked as Director of Strategy and Business Development at MOL Rt. since 2001. Graduated from Budapest University of Economics in 1991. Member of Creditum Pénzügyi Tanácsadó Rt. between 1990 and 1991. Held a variety of positions at Eurocorp Pénzügyi Tanácsadó Kft. between 1992 and 1995. Was in charge of the Privatisation Division at MOL between 1995 and 1997 and in turn acted as member of the Board of Capital Market Transactions between 1997 and 1999. Has been in charge of Strategy and Business Development since 1999. Has acted as Director of Strategy and Business Development at MOL since November 2000 and in the same capacity at MOL Group since June 2001. Deputy Chairman of the BoD of Slovnaft, member of the BoD of TVK Rt. and Budapest Stock Exchange Ltd. Member of the Supervisory Board of INA d.d. since October 2003.

4 BÁCS, Zalán (35)

Member of the Board since April 26, 2002, Deputy CEO, Management and Finance, TVK Rt, Qualified Chemical Engineer, MBA

Graduated as Qualified Chemical Engineer from Napier University, Edinburgh, Scotland – Budapest Technical University in 1992; earned MBA degree at London Business School – Budapest University of Economics in 1994. Joined the Marketing Directorate of MOL Rt. in 1992, moved on to the London office of Consultants Arthur D. Little and worked as head of department, Foreign Businesses at MOL Rt. Acted as Managing Director of MOL Romania in 1996. Worked for MOL Rt. as Director for Resource Allocation starting 1997, moved on to the position of Slovnaft project manager in 2000. Acted as Director of Planning and Controlling at MOL Rt. between 2000 and 2003.

5 DELCOMMUNE, Michel-Marc (56)

Member of the Board since November 3, 2000, CFO, MOL Rt. Qualified Chemical Engineer, MBA, Belgian citizen

MOL Group Chief Financial Officer since 11 October 1999 and member of the Board of Directors of MOL since 28 April 2000. Mr. Delcommune earned a degree in Chemical Engineering at the University of Liege, Belgium and holds an MBA from Cornell University, New York. Mr. Delcommune joined the PetroFina Group in 1972 and was elected to the Board of Directors of PetroFina S.A. in 1992. From 1990 he was primarily responsible for Corporate Finance and Insurance as senior vice-president and chief financial officer. From 1999 he served in addition as human resources director and handled the successful merger PetroFina and Total. Mr. Delcommune is a member of the International Advisory Board of Cornell University Business School and also a member of the Board of Directors of TVK. He is a Belgian citizen.

6 FAIZ, Fred (49)

Member of the Board since November 3, 2000, Chairman, Privatisation Strategy Consultants, Chartered Auditor, UK citizen.

He graduated from the University of Southampton in 1975 with a degree in mathematics and qualified as a chartered accountant in 1978. He joined KPMG (London office) in 1975 and held a variety of management positions with the firm until 1990; his accomplishments over this period included acting as business adviser to the UK Department of Energy in connection with the privatisation of British Gas and project managing a multi-disciplinary team advising the UK Department of Environment on restructuring the ten water authorities in England and Wales in connection with their privatisation. Since 1990, he has been the Managing Director of Privatisation Strategy Consultants, engaged in provision of privatisation project management and advisory services, including acting (between 1990 and 1998) as adviser to the Hungarian State on its privatisation programme and on the development of the Budapest Stock Exchange.

7 HORVÁTH, Zoltán (41)

Member of the Board since April 20, 2001, Consultant, Strategy and Business Development, MOL Rt., Engineer-Economist with Degree in Law, Investment Analyst

Graduated in 1987, 1992, 1995 and 1998, speaks English. Has worked for MOL Rt. since January 1997. Acted as Head of Department for Privatisation and Capital Market Transactions from 1997 to 1999. In charge of certain priority projects related to MOL's expansion strategy as consultant to the Directorate of Strategy and Business Development. Participated in privatisation transactions realized mostly by way of the capital market at government property organizations responsible for privatisation, such as SPA, SP Ltd. and State Privatisation and Property Holding Company between 1992 and 1997.

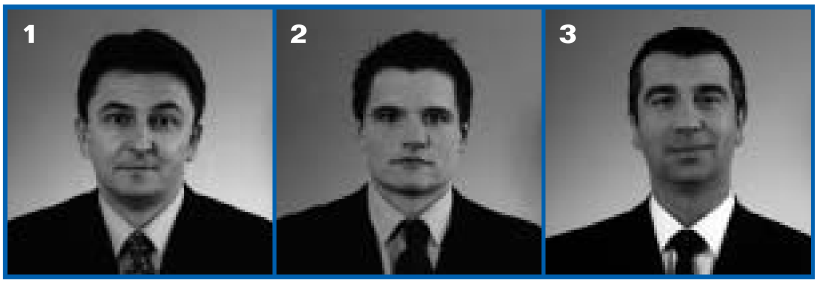
8 MOLNÁR, József (48)

Member of the Board since April 20, 2001, Director, Planning and Controlling, MOL Rt., Qualified Economist

Graduated in 1978. Held various middle tier management positions at Borsodi Vegyi Kombinát, the legal predecessor of BorsodChem Rt. Participated in the reorganization of BorsodChem Rt. and the preparation for listing its shares in the capacity of CFO in 1991. Was responsible for finance, accounting, controlling, IT, acquisitions and divestment jobs as well as for controlling subsidiaries at the company and in turn at BorsodChem Group until April 18, 2001. Acted as CEO of TVK Rt. until April 23, 2001. Appointed as Director of Planning and Controlling at MOL Group on July 1, 2003.

Top Management

as of 31 December 2003



1 OLVASÓ, Árpád (45)
Deputy Chairman of the Board since April 26, 2002, Member of the Board since August 29, 2000, Chief Executive Officer, Qualified Chemical Engineer, MBA

See CV in the section on the Board of Directors

2 BÁCS, Zalán (35)
Member of the Board since April 26, 2002, Deputy CEO, Management and Finance, Qualified Chemical Engineer, MBA

See CV in the section on the Board of Directors

3 NAGY, András (35)
Deputy CEO, Polymer Marketing and Sales, Chemical engineer, BBA, MBA

Studied at Budapest Technical University and graduated as chemical engineer in 1991 and as bachelor of business administration for the Budapest College for Foreign Trade in 1992. Got an MBA degree at course managed jointly by Budapest University of Economics, Purdue University and Tilburg University. Joined Richter Gedeon Rt. to work in his first job as project manager and moved on to the position of Product Director at Shell Hungary Rt. Entered employment at Great Lakes as key account manager in 1996. Has worked for TVK since 2001.

Other Members of the Senior Management

CSERNYIK, István (56)
Manager, Polymer Business Unit, Qualified chemist, engineer-manager

DEÁK, Árpád (56)
Director for Coordination, Strategic Project, Chemical engineer

GALBA, Béla (59)
Director, Technical Affairs and Services, Electrical engineer

KOSZTOLÁNYI, Ágnes (31)
Director, Human Resources, Economist

KOVÁCS, Attila (56)
Chemical engineer, chemical economic engineer, general director until 31 December 2003, senior manager of Corporate Services as from 1. January 2004

SEBESTYÉN, László (53)
Director, Prodution, Qualified chemist

Supervisory Board

as of 31 December 2003

Dr. BÁNHEGYI, Ilona (35)

Chairperson of the Supervisory Board since September 15, 2000, Member of the Supervisory Board since August 29, 2000, Chief Legal Officer of MOL Rt. , Lawyer

Graduated from the Faculty of Political Science and Law of ELTE in 1991, and as LL.M at the faculty of law of DUKE University (USA) in 1994.
Worked for the Legal Department of Magyar Hitelbank from 1991, for the law firm Gárdos Benke Mosonyi Tomori from 1992 to 1993, for the law firm Shearman & Sterling from 1994 to 1996, for the law firm Bruckhaus Westrick Heller Löber registered in Frankfurt a.M. (D) and in Budapest from 1996 to 1999. Acted as Chief Legal Officer for MOL Rt. since 2000. Is a member of the Bar Association in the State of New York and in Budapest.
Act simultaneously as chair of the Supervisory Board of Slovnaft, a.s. and as member of the Supervisory Board of Panrusgáz Rt.

Dr. HUSZÁR, András (39)

Deputy Chair of the Supervisory Board since November 18, 2003, Member of the Supervisory Board since April 24, 2003, Treasury Director of MOL Rt., Qualified Economist, doctorate degree and CFA

Majored in planned economy and graduated from the University of Economics in Budapest in 1988, got his doctorate degree in 1993 and his CFA title in 1999. Chaired the Index Committee of the BSE since 1997. Has acted as Treasury Director for MOL Rt. since 2001. Previous jobs: SZÁMALK (1988-1990), head of department, Budapest Stock Exchange (1991-1994), Director, Capital Markets, Investel Rt. (1994-1998), Director, Capital Markets, Matáv Rt. (1999) and later Treasurer (2000-2001).
Act simultaneously as member of the Supervisory Board of Panrusgáz Rt.

Dr. BÁNHEGYI, Ferenc (64)

Member of the Supervisory Board since April 26, 2002, Head of the Miskolc Branch of Magyar Külkereskedelmi, Bank Rt., Qualified economist, doctorate degree

Holds degrees in mechanical engineering and economy. Graduated from Budapest University of Economics in 1979 and qualified as Doctor of Economic Sciences. Worked in commercial and financial positions for Borsodi Vegyi Kombinát, the legal predecessor of BorsodChem Rt. for more than 20 years, acting as head of department responsible for finance and fund raising for years. Worked as Deputy CFO of MÁTRA FÜSZÉRT Rt. between 1985 and 1995. Has worked as Director of the Miskolc Branch of Magyar Külkereskedelmi Bank Rt. since 1995.

KEMÉNYNÉ, ÚJVÁRI Ildikó (50)

Member of the Supervisory Board since October 10, 1999 Laboratory Engineer at TVK Rt. Polymer Business Unit, Chemical engineer

Graduated as chemical engineer from the University of Light Industrial Technology in Kiev 1976. Joined the Pigment Plant of TVK Rt. in 1976. Worked at the LDPE plant between 1986 and 1995 and as senior quality controller in the QC department of the HDPE Business Unit starting 1995. Acted as engineer and unit manager at the PE laboratory of the Polymer Business Unit between 2001 and 2003. Employed as laboratory engineer in the Quality Control Department of the Polymer Business Unit since 2003.

MAGYAR, Tamás (35)

Deputy Chair of the Supervisory Board between August 29, 2000 and November 18, 2003, Member of the Supervisory Board after March 13, 1998, Service Technologist at TVK Rt. Energy Supply, Electric Product Engineer

Graduated as electric product engineer from Kandó Kálmán Technical College for the Electric Industry in 1989. Worked for TVK Rt. at the Electricity Division and at the Electric Network Plant between 1989 and 1993. Moved to the position of product engineer at the technical Department between 1993 and 1994 and to service manager at the High Voltage Unit between 1994 and May 1997. Acted as head of the Electric Maintenance Unit of the Energy Supply Division between 1997 and 2000. Has been service manager and service technologist at the Electricians Service Unit since 2000.

Report of the Supervisory Board

FOR THE APRIL 29, 2004 ANNUAL GENERAL MEETING OF TVK RT.

In the business year of 2003 the Supervisory Board of TVK Rt. fulfilled its tasks with unchanged number of staff, holding regular board meetings. The Supervisory Board presents its Report on the business year of 2003 prepared on the basis of the Report of the Board of Directors, the Independent Auditors' Report and the continuous interim control of the operation of the Company.

The Supervisory Board declares that the last year's operation and actions of the Board of Directors were in compliance with legal regulations, the TVK Rt's Articles of Association and the internal regulations of the Company. The information systems and the internal regulations of the Company are able to provide for transparency and continuous control of the operation of the Company.

The Board of Directors through the Chief Executive Officer of the Company continuously informed the Supervisory Board on the business management of the Company, with special attention to the implementation progress of the petrochemical development program, which is of significant strategic importance in view of the future operation of the Company.

The Supervisory Board proposes that the General Meeting should approve the Annual Report of TVK Rt. for the year 2003, prepared in accordance with the Hungarian Law of Accountancy with the Balance Sheet footing of HUF 177,103 million and with profit after tax amounting to HUF 5,851 million, and the Annual Consolidated Report of TVK Group on the year 2003 prepared in accordance with the Hungarian Law of Accountancy, with the Balance Sheet footing amounting to HUF 183,964 million and profit after tax totalling HUF 6,151 million. With reference to the extent of the investments and financing claims of the Company the Supervisory Board approves the proposal of the Board of Directors, according to which the profit after tax achieved in 2003 would not be distributed among the shareholders. Further, the Supervisory Board supports electing of Ernst & Young Könyvvizsgáló Kft. as Auditor of the Company for the business year 2004 as well.

The Supervisory Board reviewed the proposals by the Board of Directors on the amendments to the Articles of Association and proposes that the General Meeting should approve these.

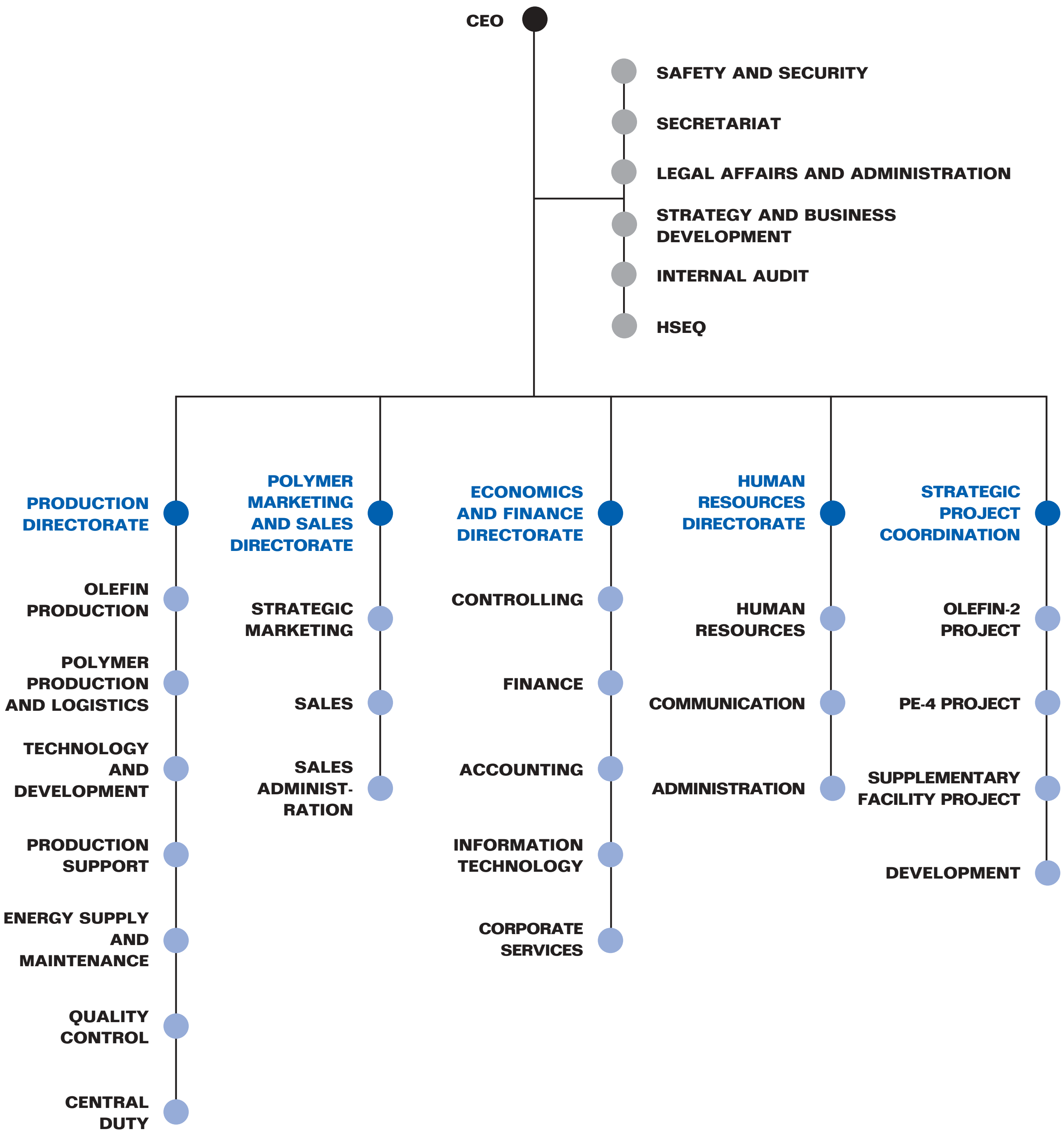
Budapest, April 8, 2004.

Dr. Ilona Bánhegyi
Chairwoman of the Supervisory Board

Changes in the Elected Officers and Top Management in 2003 and Treasury Shares Held

Name	Position	Date of Appointment	Term, Date of Termination	Treasury share holdings
Mosonyi, György	Chairman of the Board	04.26.2002	Elected for 5 years	0
Delcommune, Michel-Marc	Member of the Board	11.03.2000	Elected for 5 years	0
Áldott, Zoltán	Member of the Board	04.26.2002	Elected for 5 years	0
Olvasó, Árpád	Member of the Board	08.29.2000	Elected for 5 years	0
	Chairman of the Board	09.21.2000	04.26.2002.	
	Deputy Chairman of the Board	04.26.2002		
Bács, Zalán	Member of the Board	04.26.2002	Elected for 5 years	0
Horváth, Zoltán	Member of the Board	04.20.2001	Elected for 5 years	0
Hudson, Mark William	Member of the Board	08.29.2000	01.08.2003	0
Faiz, Fred	Member of the Board	11.03.2000	Elected for 5 years	0
Molnár, József	Member of the Board	04.20.2001	Elected for 5 years	0
Dr. Bánhegyi, Ilona	Member of the Supervisory Board	08.29.2000	Elected for 5 years	0
	Chair of the Supervisory Board	09.15.2000		
Dr. Huszár, András	Member of the Supervisory Board	04.24.2003	Elected for 5 years	0
	Deputy Chair of the Supervisory Board	12.17.2003		
Keményné Újvári, Ildikó	Member of the Supervisory Board Employee Representative	04.28.2000	Elected for 5 years	0
Magyar, Tamás	Member of the Supervisory Board Employee Representative	04.20.2001	Elected for 5 years	0
	Deputy Chair of the Supervisory Board	04.20.2001		
Dr. Bánhegyi, Ferenc	Member of the Supervisory Board	04.26.2002	Elected for 5 years	0
Bamfield Stewart-Roberts, Daniel James	Member of the Supervisory Board	11.03.2000	24.04.2003	0
Olvasó, Árpád	CEO	07.01.2003	Indefinite	0
Molnár, József	CEO	04.23.2001	06.30.2003	0
Bács, Zalán	Deputy CEO, Economics and Finance	07.01.2003	Indefinite	0
Széll, Gábor	Deputy CEO, Economics and Finance	09.01.2000	06.30.2003	0
Nagy, András	Deputy CEO, Polymer Marketing and Sales	03.01.2002	Indefinite	0
Csernyik, István	Director, Polymer Business Unit	10.01.2000	12.31.2003	134 employee shares
Galba, Béla	Director, Engineering and Services	10.01.2002	12.31.2003	0
Deák, Árpád	Director of Coordination, Petrochemical Project	06.01.2001	Indefinite	0
Kosztolányi, Ágnes	Director, Human Resources	02.01.2002	Indefinite	0
Kovács, Attila	Director, General	10.01.2001	12.31.2003	134 employee shares
Sebestyén, László	Director, Olefin Business Unit	12.01.1997	12.31.2003	0
	Director, Production	01.01.2004	Indefinite	

Organizational Chart



General Information

Date of incorporation of TVK Rt.: December 31, 1991. Registered by the B-A-Z County Court, of Justice acting as Court of Registration on 23 March 1992. with effect as of 31 December 1991. (Date of charter: December 31, 1991., initial date of operation: January 1, 1992)

Legal predecessor: Tiszai Vegyi Kombinát

Registration number: Cg. 05-10-000065

The Annual Ordinary General Meeting modified the **Articles of Association** in force on April 24, 2003. The Articles are available for inspection and may be ordered at the head office of the Company and is available for downloading at the Company web site.

Capital issued: As of December 31, 2003 the capital of the Company included 24,234,843 ordinary shares with a face value of HUF 1,010, each and 189,000 employee shares with a face value of HUF 1,000, each.

Ownership structure

Shareholder	Stake at December 31, 2002 (%)	Stake at December 31, 2003 (%)
Hungarian institutional investors	58.25	67.92%
Foreign institutional investors	26.01	19.51%
Hungarian private investors	0.20	0.20%
Foreign private investors	0.00	0.00%
Employees	0.77	0.77%
Unidentified holders	14.77	11.60%
TOTAL	**100.00**	**100.0**
Number of shares	**24 423 843**	**24 423 843**

TVK Rt. has no treasury shares.

Shareholders with more than 5% interest as shown in the Share Register on December 31, 2003

Shareholder	Stake (%)
Magyar Olaj- és Gázipari Rt.	44.31
CE Oil & Gas Beteiligung und Verwaltung AG	1.99
BorsodChem Rt.	15.40
Magyar Külkereskedelmi Bank Rt.	8.02

The securities of the Company are traded in the following foreign markets

Market type	City	Date of listing	Category
OTC organized	London	August, 1996	SEAQ
OTC not organized	New York	August, 1996	PORTAL
OTC not organized	Frankfurt	August, 1996	Freiverkehr

Most important particulars of the TVK stock, 1999-2003

	1999	2000	2001	2002	2003
Number of shares (on December 31)	24,841,315	24,820,001	24,423,843	24,423,843	24,423,843
Closing price of the TVK share on the Budapest Stock Exchange					
Highest (HUF)	4,875	6,670	4,990	4,800	4,550
Lowest (HUF)	2,120	3,180	1,990	2,800	3,250
On December 31 (HUF)	4,820	4,600	3,250	3,940	3,955
Other information					
Capitalization (HUF million) (on December 31)	116,812	111,480	78,763	95,485	95,849
Annual turnover (HUF million)	697,007	359,509	23,300	20,901	6,696
Average daily turnover during the year (HUF million)	2,788	1,432	95	84	27
Dividend per share (HUF)	240	-	-	-	n.a.
End of year P/E	14.2	76.8	9.1	10.9	51.6
EPS	340	60	356	74	204

Corporate Information

Head Office

Tiszai Vegyi Kombinát Rt. (TVK Rt.)

TVK Rt. head office: H-3581 Tiszaújváros,
TVK Industrial Site, Gyári út, HUNGARY

TVK Rt. branch office: H-1138 Budapest XIII. kerület, Váci út 169. 2nd floor, HUNGARY

Mailing address: H-3581 Tiszaújváros, Pf. 20, HUNGARY

Central phone: +36 49/522-222
Central fax: +36 49/521-322

E-mail: tvkinfo@tvk.hu
Web-site: www.tvk.hu

Investor relations

For disclosures to investors, Annual Reports, flash reports, financial figures contact:

Tiszai Vegyi Kombinát Rt.
H-3581 Tiszaújváros, Pf. 20, HUNGARY
Phone: +36 49/522-377, 521-121
Fax: +36 49/521-903
E-mail: bki@tvk.hu, hvanda@tvk.hu

Legal office, share registry

For information on shares, the administration of shares, keeping the share register contact:

Tiszai Vegyi Kombinát Rt.
H-3581 Tiszaújváros, Pf. 20, HUNGARY
Phone: +36 49/522-844, 522-022
Fax: +36 49/521-266
E-mail: reszvenyiroda@tvk.hu

For information on trading the shares, contact

Budapest Stock Exchange Ltd.
H-1052 Budapest, Deák Ferenc u. 5., HUNGARY
Phone: +36 1/429-6636
Fax: +36 1/429-6654

GDR Information

The Bank of New York
Depositary Receipts Division
101 Barclay Street, 22nd floor
New York, NY 10286, USA
Tel: +1 212-815-2293
Fax: +1 212-571-3050

Place of publishing announcements

The Company publishes its announcements in the national daily papers Magyar Tõkepiac and Napi Gazdaság.