Tiszai Vegyi Kombinát Nyilvánosan Működő Részvénytársaság

Annual Financial Statements

31 December 2013

Contents

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Tisza Chemical Public Limited Company

Report on financial statements

1.) We have audited the accompanying 2013 annual financial statements of Tisza Chemical Public Limited Company ("the Company"), which comprise the balance sheet as at 31 December 2013 - showing a balance sheet total of HUF 203,450 million and a profit for the year of HUF 6,201 million -, the related income statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2.) Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Hungarian Accounting Law and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6.) In our opinion the annual financial statements give a true and fair view of the equity and financial position of Tisza Chemical Public Limited Company as at 31 December 2013 and of the results of its operations for the year then ended in accordance with the Hungarian Accounting Law.

Emphasis of matter

7.) We draw attention to Note 37.3 in the supplementary notes, which describes the environmental aspects of the Company's operation and highlights the risk of additional significant decontamination expenses that might incur over the current amount of the provision in relation to past environmental damage as may be identified by future environmental surveys. Our opinion is not modified in respect of this matter.

Other matters

8.) This independent auditor's report has been issued for consideration by the forthcoming shareholders' meeting for decision making purposes and, as such, does not reflect the impact, if any, of the resolutions to be adopted at that meeting.

Other reporting requirement – Report on the business report

9.) We have reviewed the business report of Tisza Chemical Public Limited Company for 2013. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law. Our responsibility is to assess whether the business report is consistent with the financial statements for the same financial year. Our work regarding the business report has been restricted to assessing whether the business report is consistent with the financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the business report of Tisza Chemical Public Limited Company for 2013 corresponds to the disclosures in the 2013 financial statements of Tisza Chemical Public Limited Company.

Budapest, 13 March 2014

Havas István
Ernst & Young Kft.
Registration No. 001165

Havas István
Registered auditor
Chamber membership No.: 003395

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep,

TVK Központi Irodaház, 2119/3. hrsz. 136. épület

2013

Annual Report

(without dividend)

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet for the year ending on 31 December 2013

(All amounts in HUF million, unless otherwise indicated)

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

	Description	Notes	Prior year	Current year
A.	**NON-CURRENT ASSETS**		**107,774**	**111,582**
A/I	**INTANGIBLE ASSETS**	**6**	**1,895**	**2,081**
A/I/1	Capitalized cost of foundation and restructuring		0	0
A/I/2	Capitalized research and development		0	0
A/I/3	Property rights		0	0
A/I/4	Intellectual property		1,895	2,081
A/I/5	Goodwill		0	0
A/I/6	Advances on intangible assets		0	0
A/I/7	Revaluation of intangible assets		0	0
A/II	**PROPERTY, PLANT AND EQUIPMENT**	**7**	**103,098**	**107,284**
A/II/1	Land and building and related property rights		27,059	26,315
A/II/2	Plant, machinery and vehicles		70,375	64,646
A/II/3	Other equipment, fixtures and vehicles		4,030	3,968
A/II/4	Livestock		0	0
A/II/5	Assets under construction		1,634	8,212
A/II/6	Advances on assets under construction		0	4,143
A/II/7	Revaluation of property, plant and equipment		0	0
A/III	**NON-CURRENT FINANCIAL INVESTMENTS**	**12**	**2,781**	**2,217**
A/III/1	Non-current investments	11	2,781	2,217
A/III/2	Non-current loans to related parties		0	0
A/III/3	Other non-current investments		0	0
A/III/4	Non-current loans to other investments		0	0
A/III/5	Other non-current loans		0	0
A/III/6	Non-current debt securities		0	0
A/III/7	Revaluation of financial investments		0	0

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

The supplementary notes are an integral part of balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet for the year ending on 31 December 2013

(All amounts in HUF million, unless otherwise indicated)

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

	Description	Notes	Prior year	Current year
B	**CURRENT ASSETS**		**93,617**	**91,784**
B/I	**INVENTORIES**	**13**	**20,973**	**15,638**
B/I/1	Raw materials and consumables		6,048	6,408
B/I/2	Unfinished production and semi-finished products		2,063	1,039
B/I/3	Grown, fattened and other livestock		0	0
B/I/4	Finished products		11,261	8,087
B/I/5	Merchandises		1,537	37
B/I/6	Advances on inventories		64	67
B/II	**RECEIVABLES**	**16**	**68,858**	**70,188**
B/II/1	Receivables from the supply of goods and services		42,245	42,388
B/II/2	Receivables from related parties	14	8,181	11,398
B/II/3	Receivables from other investments		0	0
B/II/4	Receivables from bills of exchange		0	0
B/II/5	Other receivables	15	18,432	16,402
B/III	**SECURITIES**		**231**	**0**
B/III/1	Securities in related parties		0	0
B/III/2	Other securities		0	0
B/III/3	Treasury shares		0	0
B/III/4	Debt securities for trading purposes		231	0
B/IV	**CASH AND CASH EQUIVALENTS**		**3,555**	**5,958**
B/IV/1	Cash and cheques		3	0
B/IV/2	Bank accounts		3,552	5,958
C	**PREPAYMENTS**	**17**	**959**	**84**
C/1	Accrued income		916	39
C/2	Prepaid cost and expenses		43	45
C/3	Deferred expenses		0	0
	TOTAL ASSETS		**202,350**	**203,450**

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

The supplementary notes are an integral part of balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Balance sheet for the year ending on 31 December 2013

(All amounts in HUF million, unless otherwise indicated)

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

	Description	Notes	Prior year	Current year
D	**SHAREHOLDERS' EQUITY**	**18**	**109,714**	**115,915**
D/I	Share capital		24,534	24,534
	- of which: treasury shares at nominal value		0	0
D/II	Registered but unpaid capital		0	0
D/III	Share premium		4,624	4,624
D/IV	Retained earnings		94,266	80,556
D/V	Tied-up reserve		0	0
D/VI	Valuation reserve		0	0
D/VII	Net income for the period		(13,710)	6,201
E	**PROVISIONS**	**19**Hiba! A hivatkozási forrás nem található.	**4,916**	**2,609**
E/1	Provision for expected liabilities		4,916	2,609
E/2	Provision for future expenses		0	0
E/3	Other provisions		0	0
F	**LIABILITIES**		**86,241**	**81,761**
F/I	**SUBORDINATED LIABILITIES**		**0**	**0**
F/I/1	Subordinated liabilities to related parties		0	0
F/I/2	Subordinated liabilities to other investment		0	0
F/I/3	Subordinated liabilities to third parties		0	0

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

The supplementary notes are an integral part of balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY
Balance sheet for the year ending on 31 December 2013

(All amounts in HUF million, unless otherwise indicated)

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

	Description	Notes	Prior year	Current year
F/II	**NON-CURRENT LIABILITIES**	**20**	**20,390**	**24,050**
F/II/1	Non-current loans		0	0
F/II/2	Convertible bonds		0	0
F/II/3	Liability from bond issue		0	0
F/II/4	Liabilities from capital investment and development loans		0	0
F/II/5	Liabilities from other non-current loans	20	0	2,375
F/II/6	Non-current liabilities to related parties	20	20,390	21,675
F/II/7	Non-current liabilities to other investments		0	0
F/II/8	Other non-current liabilities		0	0
F/III	**CURRENT LIABILITIES**		**65,851**	**57,711**
F/III/1	Current borrowings		0	0
F/III/2	Current loans	21	3,938	6,091
F/III/3	Advances from debtors		306	145
F/III/4	Liabilities from the supply of goods and services (suppliers)		5,397	8,443
F/III/5	Bills of exchange		0	0
F/III/6	Current liabilities to related parties	22	52,951	40,035
F/III/7	Current liabilities to other investments		0	0
F/III/8	Other current liabilities	23	3,259	2,997
G	**ACCRUALS**	**17**	**1,479**	**3,165**
G/1	Deferred revenues		22	1
G/2	Accrued cost and expenses		1,456	3,164
G/3	Other deferred revenues		1	0
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**202,350**	**203,450**

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

The supplementary notes are an integral part of balance sheet.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

Income Statement for the year ending on 31 December 2013

(All amounts in HUF million, unless otherwise indicated)

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

	Description	Notes	Prior year	Current year
1	Net domestic sales revenue		206,766	212,811
2	Net export sales revenue		177,293	193,968
I	**NET SALES REVENUES**	**25**	**384,059**	**406,779**
3	Changes in own-produced inventory		4,699	(4,199)
4	Work performed by the enterprise and capitalised	26	1,517	1,435
II	**CAPITALISED OWN PERFORMANCE**		**6,216**	**(2,764)**
III	**OTHER OPERATING INCOME**	**27**	**2,166**	**3,184**
	-of which reversed impairment		966	0
5	Raw material costs		333,236	337,550
6	Value of services used		12,248	11,791
7	Other services		1,344	1,518
8	Cost of goods sold		26,660	16,972
9	Value of services sold (intermediated)		4,262	4,030
IV	**MATERIAL EXPENSES**		**377,750**	**371,861**
10	Wages and salaries	29	6,022	5,763
11	Other personnel expenses	29	1,023	922
12	Tax and contributions		1,946	1,848
V	**PERSONNEL EXPENSES**		**8,991**	**8,533**
VI	**DEPRECIATION**	**8**	**11,932**	**11,389**
VII	**OTHER OPERATING EXPENSES**	**27**	**10,950**	**7,161**
	-of which: impairment		2,168	330
A	**PROFIT OR LOSS FROM OPERATING ACTIVITIES**		**(17,182)**	**8,255**

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

The supplementary notes are an integral part of income statement.

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY
Income Statement for the year ending on 31 December 2013

(All amounts in HUF million, unless otherwise indicated)

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

	Description	Notes	Prior year	Current year
13	Received (due) dividend	30	587	531
	-of which received from related parties		587	531
14	Gain from the sale of investments	31	68	10
	-of which received from related parties		68	10
15	Interest and exchange rate gains on financial investments		16	13
	-of which received from related parties		0	0
16	Other received (due) interest and interest-type revenues		57	16
	-of which received from related parties		37	9
17	Other revenues of financial difference	32	10,185	6,891
	-of which: fair valuation difference		0	0
VIII	**TOTAL FINANCIAL INCOME**		**10,913**	**7,461**
18	Exchange rate loss on financial investments		0	0
	-of which: to related parties		0	0
19	Interest and interest-type expenses		1,100	1,607
	-of which to related parties		994	1,328
20	Impairment on investments, securities and bank deposits		(3)	0
21	Other financial expenses	32	9,887	6,999
	-of which: fair valuation difference		0	0
IX	**TOTAL FINANCIAL EXPENSES**		**10,984**	**8,606**
B	**FINANCIAL PROFIT OR LOSS**		**(71)**	**(1,145)**
C	**ORDINARY BUSINESS PROFIT**		**(17,253)**	**7,110**
X	EXTRAORDINARY REVENUES	33	3,543	576
XI	EXTRAORDINARY EXPENSES	33	0	1,265
D	**EXTRAORDINARY PROFIT OR LOSS**		**3,543**	**(689)**
E	**PROFIT BEFORE TAXATION**		**(13,710)**	**6,421**
XII	Income tax	39	0	220
F	**PROFIT AFTER TAXATION**		**(13,710)**	**6,201**
22	Use of retained earnings for dividend		0	0
23	Approved dividend and profit share		0	0
G	**NET INCOME FOR THE PERIOD**		**(13,710)**	**6,201**

Tiszaújváros, 13 March 2014

Zsolt Pethő
Chief Executive Officer

Balázs Sándor
Chief Financial Officer,
Deputy CEO

The supplementary notes are an integral part of income statement.

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

TISZA CHEMICAL GROUP PUBLIC LIMITED COMPANY

3581 Tiszaújváros, TVK-Ipartelep

TVK Központi Irodaház, 2119/3. hrsz. 136. épület

2013

Supplementary Notes

Tiszaújváros, 13 March 2014

Zsolt Pethő	**Balázs Sándor**
Chief Executive Officer	Chief Financial Officer,
	Deputy CEO

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1. Background and General Information

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

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

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

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

As at 31 December 2013, MOL Plc. owns the majority of the shares (See Note 3).

The Company, with its registered seat in Tiszaújváros produces chemical raw materials including ethylene, propylene and polymers and sells them for both domestic and foreign markets.

The registered seat of the Company is in Tiszaújváros, Hungary (H-3581 Tiszaújváros, TVK-Ipartelep TVK Központi Irodaház, 2119/3. hrsz. 136. épület), its web-site: http://www.tvk.hu.
The Company has no seats in abroad.

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

Zsolt Pethő, Chief Executive Officer
Address: H-1205 Budapest, Mikszáth u. 69., Hungary

Balázs Sándor, Deputy CEO, Management and Finance
Address: H-8600 Siófok, Bláthy Ottó u. 73., Hungary

Person responsible for managing accounting services (since 1 October 2013)
Gabriella Papp Nagy, Head of TVK's accounting services (Top Finance Kft.)
Address: H-3599 Sajószöged, Bem út 16., Hungary
PM (Ministry of Finance) registration number in the name register of person entitled to deal with accounting services: 135350

2. Accounting Policy of the Company

2.1. Method of bookkeeping, report format

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

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

Between 1 October 1999 and 15 October 2007, TVK Plc. used the BPCS, an integrated information system for large companies with a modular structure. From 15 October 2007 led new version, it is SSA ERP LX 8.3.02 of BPCS.

Based on the 155. § (2) of the Accounting Act, the audit of books is compulsory for the Company, year-end financial statements are audited. In 2013 TVK Plc. paid HUF 32 million for the auditing of annual reports and interim financial reports.

The Company publishes on its website the annual report and business report of the parent company, the consolidated annual report and business report, including the audit report with the audit opinion and makes them available until the financial data for the second business year following the relevant reporting period are published.

The Company, as a subsidiary, was fully consolidated in the financial statements of MOL Hungarian Oil and Gas Public Limited Company (H-1117 Budapest, Október huszonharmadika u. 18., Hungary).

2.2. Method and time schedule for report preparation

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

In line with the scheduling of processes for closing the year of 2013, the date for preparing the balance sheet of the Company was specified for 16 January 2014. The audit closed on 7 February 2014.

2.3. The form of Balance Sheet and Income Statement

Form of balance sheet

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

Form of the income statement

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

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

2.4.1. Valuation methods applied

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

For *tangible assets,* individual valuation is based on individual and group records. Assets that may be deemed to be identical in terms of type, purpose of use, date of putting into operation, purchase cost or production cost, cost centre, responsible owner and their purchase costs don’t reach HUF 100 thousand individually, consist of a group.

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

The company values *the inventories* individually. The valuation of assets booked in groups having the same parameters at average purchase price is also deemed to be individual valuation.
In case of purchased inventories, purchase value was determined as the weighted average price method, as according to the Hungarian Accounting Standards. The value of self-produced inventories equals to the value of calculated production cost.

In line with Article 66 section (1) of the Accounting Act, the value of the inventories is the following:

- in case of purchased inventories it is equal with the purchased cost, which is reduced by the sum of the difference of the impairment and the reversal of impairment according to Article 56 sections (1) and (2) of the Accounting Act;
- in case of own produced inventories it is equal with the direct production cost, which is reduced by the sum of the difference of the impairment and the reversal of impairment according to Article 56 sections (1) and (2) of the Accounting Act;

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

The Company records the emission rights (CO_2 quota) granted by the State of Hungary as goods.
Acquisition cost of carbon dioxide emission units in the case of the CO_2 quota granted by the State of Hungary free of charge, it is the market price valid on the credit date in the emission unit register, in case of quotas purchased, it is the actual equivalent sum paid with agency fee added. Evaluation of carbon dioxide quotas is being done individually. While there is group registration evaluation is done on an individual basis using the FIFO method.

The acquisition cost of emission units shall be reduced by the depreciation expenses if the book value of the emission units is significantly higher than the value calculated based on market price on the balance sheet cut-off date. Depreciation expenses are qualified as significant if the amount adds up to 10 million HUF.
If the reason for accounting depreciation expenses no longer exists, the depreciation shall be retrieved to the market value but to no more than the amount of the depreciation expenses accounted.

If emission rights are purchased within the frame of forward transaction, the forward part of the deal is recorded as out of balance sheet item with the payable amount defined by the contract, using the contracted (forward) price rate. Purchased emission rights are accounted based on rules for buying and selling at the time of closing the deal until the closing of the transaction. The year-end value of the purchased emission rights, which were purchased within the frame of forward transaction, is accounted on the value calculated based on market price on the balance sheet cut-off date, without consideration of permanence, if the value is significant.

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

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

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

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

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

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

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

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

If the stock exchange price does not reflect the fair market price of the given company, TVK Plc. determines the market value that serves as the basis of the comparison in individual valuation, based on the information available (analytical studies, plans for the future).
For unquoted investments, if the price paid on acquisition is higher than the equity share in the investment, TVK Plc. analyses the Company's operating efficiency, the trend of its profitability and the durability of this trend to determine the amount of impairment loss to be accounted for.

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

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

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

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

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

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

Major criteria for debtor rating:

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

(All amounts in HUF million, unless otherwise indicated)

If the amount expected to be recovered out of the receivable based on the rating of the customer or debtor on the balance sheet date considerably exceeds the book value of the receivable (criteria for write-off are not in place or are in place only in part) the Company will reverse all or a part of the impairment accounted for earlier. The book value of the receivables following the reversal may not exceed the book value of the original receivable that is not yet settled. The amount will be deemed to be significant if it exceeds HUF 100 thousand or it reaches the accounted value of impairment.

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

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

The Company's bank accounts are managed in two different cash pool systems (notional or zero balancing). In both systems the pool main account for limited purposes is owned by MOL Plc., and the transactions of the Company as a pool member are managed on the related sub-accounts (on own bank accounts).

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

2.4.2. Depreciation policy

TVK Plc. interprets depreciation in accordance with the regulations of the Accounting Act, with the following additions.
In respect of Property, Plant and Equipment, TVK Plc. usually applies a linear depreciation based on the gross value.
The depreciation time and the depreciation rates were chosen based on the expected economic life of the given asset, determined by technical evaluation.
Straight line depreciation rates are as follows:

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

No further depreciation may be recognised if the carrying value of the asset has already reached its residual value.
The residual value is not nil if it is clearly decided at the time of acquiring the asset that the asset's useful life for the Company will not reach 75 % of the asset's technical-economical useful life and the residual value expected to be significant at the end of its useful life. The residual value is significant if the value that can be realized,

reaches 30% of the gross value of the individual asset or group of assets, but at least HUF 10 million.

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

The useful life of assets was revised in 2012 and in 2013 which resulted in a growth of HUF 16 million and HUF 1 million in the recognized yearly depreciation in 2012 and in 2013, respectively.

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

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

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

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

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

2.5. Rules for provisions

As a charge on the profit before taxation, the Company recognises provisions for contingent liabilities and future expenses.

Provision for expected liabilities

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

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

TVK Plc. makes provisions for retirement bonuses granted to employees. The amount of provision for future retirement bonuses is determined considering actuarial calculation and TVK-specific assumptions.

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

The Company recognises provisions if, at the end of the year, the emission units owned by the company do not cover the CO_2 emission of the company for that year. The value of the provisions to be accounted is the value established on the basis of the amount of CO_2 emitted and the market price at balance sheet cut-off date.

3. The shareholder's structure of the Company

Share capital as of 31 December 2012 and 2013 is summarized as follows:

Shareholder	Number of Shares		Total Nominal Value (HUF million)		Ownership percentage (%)	
	2012	2013	2012	2013	2012	2013
Domestic institutional investors	23,301,477	23,663,086	23,534	23,900	95.93	97.42
Domestic private investors	294,718	299,364	298	302	1.21	1.23
International institutional investors	275,353	271,670	278	274	1.13	1.12
Foreign private investors	4,571	5,735	5	6	0.02	0.02
Unregistered investors	414,724	50,988	419	52	1.71	0.21
Total	**24,290,843**	**24,290,843**	**24,534**	**24,534**	**100.00**	**100.00**

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

Owners with investment above 5 % as of 31 December 2012 and 2013 based on the Share Register:

Owners	Location	Ownership percentage (%)	
		2012	2013
MOL Hungarian Oil and Gas Public Limited Company	Budapest	94.86	94.86

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

(All amounts in HUF million, unless otherwise indicated)

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

This chapter presents the Company's asset, financial and income position, as well as return, performance indicators and the sales revenue.

4.1. Analysis of the assets

4.1.1 Changes of the Company's structure of assets

Description	2012	2013	Percentage (%)		Change (%)
			2012	2013	
Non-current Assets	107,774	111,582	53.26	54.85	3.53
Current Assets	93,617	91,784	46.27	45.11	(1.96)
Prepayments	959	84	0.47	0.04	(91.24)
Total assets	**202,350**	**203,450**	**100.00**	**100.00**	**0.54**

Total assets increased by HUF 1,100 million, compared to last year. This increase was caused by two contrary changes: within non-current assets – in consequence of investment – mainly tangible assets increased, while in case of current assets the decrease of inventories was determinant.

4.1.2. Equity structure

Structure of sources of assets

Description	2012	2013	Percentage (%)		Change (%)
			2012	2013	
Shareholders' Equity	109,714	115,915	54.22	56.97	5.65
Provisions	4,916	2,609	2.43	1.28	(46.93)
Liabilities	86,241	81,761	42.62	40.19	(5.19)
Accruals	1,479	3,165	0.73	1.56	114.00
Total	**202,350**	**203,450**	**100.00**	**100.00**	**0.54**

In 2013, the equity changed in a small extent, due to the facts that shareholders' equity, accruals increased, while provisions and liabilities decreased compared to previous year. The reason for the growth of shareholders' equity is the profit after taxation in 2013. Liabilities decreased due to decrease in supplier balances. Energy costs, shown in accruals, are higher, than in 2012.

(All amounts in HUF million, unless otherwise indicated)

Internal structure of shareholders' equity

Description	2012	2013	Percentage (%)		Change (%)
			2012	2013	
Share capital	24,534	24,534	22.36	21.16	0.00
Share premium	4,624	4,624	4.22	3.99	0.00
Retained earnings	94,266	80,556	85.92	69.50	(14.54)
Net income for the period	(13,710)	6,201	(12.50)	5.35	-
Total	**109,714**	**115,915**	**100.00**	**100.00**	**5.65**

The increase in shareholders' equity is due to the positive net profit in 2013.

4.1.3. *Equity Ratios*

Equity ratio

	2012	2013
$\frac{\text{Shareholders' Equity}}{\text{Total Shareholders' Equity and Liabilities}} * 100$	$\frac{109,714}{202,350}$ *100 = 54.22 %	$\frac{115,915}{203,450}$ *100 = 56.97 %

The reason for the growth of this ratio is the result of the shareholders' equity increase due to the positive net profit of 2013.

4.1.4. *Working capital*

	2012	2013
$\frac{\text{Current Assets + Prepayments}}{\text{Non-current Assets}} * 100$	$\frac{94,576}{107,774}$ *100 = 87.75 %	$\frac{91,868}{111,582}$ *100 =82.33 %

The change in the working capital / fixed asset ratio was mainly due to a decrease in inventories, while the non-current assets and receivables increased, while in case of non-current assets the growth is caused by investment.

4.2. Changes in the financial position

Liquidity quick ratio

	2012	2013
$\frac{\text{Cash and cash equivalents+ Receivables + Securities}}{\text{Current Liabilities + Accrued cost and expenses}}$	$\frac{72,644}{67,307}$ = 1.08	$\frac{76,146}{60,875}$ = 1.25

The quick ratio of the company increased in a small extent between these two periods, because decrease in the current liabilities was less, than increase in current assets without inventories.

(All amounts in HUF million, unless otherwise indicated)

	2012	2013

Turnover of receivables

$$\frac{\text{Average amount of receivables}}{\text{1 day sales}} \qquad \frac{67{,}223}{1{,}052} = 63.90 \qquad \frac{69{,}523}{1{,}114} = 62.41$$

The ratio declined because of the HUF 22,720 million growth of sales revenue compared to previous year.

Indebtedness

$$\frac{\text{Non-current debt and loans + Current debt and loans — Securities — Cash and cash equivalents}}{\text{Non-current debt and loans + Current debt and loans — Securities — Cash and cash equivalents + Shareholders' Equity}} *100$$

$$\frac{25{,}100}{134{,}814} *100 = 18.62\ \% \qquad \frac{26{,}135}{142{,}050} *100 = 18.40\ \%$$

4.3. The decline of this ratio was caused by the increased shareholders' Equity.

ROAA

	2012	2013

$$\frac{\text{Profit before taxation + Interest payable}}{\text{Average total assets}} *100 \qquad \frac{(12{,}610)}{199{,}549} *100 = (6.32)\ \% \qquad \frac{8{,}028}{202{,}900} *100 = 3.96\ \%$$

The ROAA index increased, mainly due to the change of profit before taxation.

Return on Assets

	2012	2013

$$\frac{\text{Profit after taxation}}{\text{Total Assets}} * 100 \qquad \frac{(13{,}710)}{202{,}350} * 100 = (6.78)\ \% \qquad \frac{6{,}201}{203{,}450} * 100 = 3.05\ \%$$

The yield and performance indices improved, because the profit after taxation increase.

	2012	2013

ROACE (Return on Average Capital Employed)

$$\frac{\text{Profit or loss from operating activities}}{\text{Average capital employed}} * 100 \qquad \frac{(17{,}182)}{133{,}319} *100 = (12.89)\ \% \qquad \frac{8{,}035}{132{,}701} *100 = 6.05\ \%$$

	2012	2013

EBITDA ratio

$$\frac{\text{EBITDA}}{\text{Net Sales Revenues}} * 100 \qquad \frac{(5{,}250)}{384{,}059} *100 = (1.37)\ \% \qquad \frac{19{,}644}{406{,}779} *100 = 4.83\ \%$$

The improvement in profitability ratios is due to the increase of the Profit or loss from operating activities.

(All amounts in HUF million, unless otherwise indicated)

4.4. Changes in the profitability

4.4.1. Changes in the Net Sales Revenues

Description	2012	2013	Division (%)		Change (%)
			2012	2013	
Net domestic sales revenue	206,766	212,811	53.84	52.32	2.92
Net export sales revenue	177,293	193,968	46.16	47.68	9.41
Net sales revenues	**384,059**	**406,779**	**100.00**	**100.00**	**5.92**

The net sales revenues increased by 5.92%, because domestic turnover increased by HUF 6,045 million, as well as export turnover (HUF 16,675 million).

4.4.2 Costs, expenditures compared to revenue

Description	2012	2013	Percentage (%)		Change (%)
			2012	2013	
Net sales revenues	**384,059**	**406,779**	**100.00**	**100.00**	**5.92**
Raw material costs	333,236	337,550	86.77	82.98	1.29
Value of services used	12,248	11,791	3.19	2.90	(3.73)
Other services	1,344	1,518	0.35	0.37	12.95
Cost of goods sold	26,660	16,972	6.94	4.17	(36.34)
Value of services sold (intermediated)	4,262	4,030	1.11	0.99	(5.44)
Material expenses	**377,750**	**371,861**	**98.36**	**91.41**	**(1.56)**
Wages and salaries	6,022	5,763	1.57	1.42	(4.30)
Other personnel expenses	1,023	922	0.26	0.23	(9.87)
Tax and contributions	1,946	1,848	0.51	0.45	(5.04)
Personnel expenses	**8,991**	**8,533**	**2.34**	**2.10**	**(5.09)**
Depreciation	**11,932**	**11,389**	**3.11**	**2.80**	**(4.55)**
Other operating expenses	**10,950**	**7,161**	**2.85**	**1.76**	**(34.60)**
Total costs and expenses	**409,623**	**398,944**	**106.66**	**98.07**	**(2.61)**

The ratio of the costs and revenues decreased due to the increase of the net sales revenues and the drop of the costs and expenses.

(All amounts in HUF million, unless otherwise indicated)

5. Cash flow

The table contains the summarized cash flow information for the years 2012 and 2013:

Description	2012	2013
Profit before taxation	**(13,710)**	**6,421**
Dividends received	(587)	(531)
Exchange rate difference	258	373
Research expenses	523	496
Adjusted profit before taxation	***(13,516)***	***6,759***
Depreciation and impairment	12,019	11,445
Write off and reversal of write off	1,119	274
Provision recognition and release, net	(44)	(2,307)
Gain or loss, realised on sale of non-current assets	(68)	(12)
Change of liabilities to suppliers	5.504	(9,175)
Change of other current liabilities	(945)	(465)
Change of accruals	(1,608)	1,686
Changes of trade receivables	659	(4,126)
Change of current assets (excluding trade receivables and cash)	(10,243)	7,156
Change of prepayments	(607)	875
Corporate tax paid, payable	0	(220)
Dividend paid, payable	0	0
Operating cash flow	**(7,730)**	**11,890**
Purchases of non-current assets	(9,179)	(13,504)
Sale of non-current assets	0	2
Sale of non-current financial investments	69	11
Other changes of non-current assets	81	563
Research expenses	(523)	(496)
Dividend received	587	531
Investment cash flow	**(8,965)**	**(12,893)**
Non-current loans received	31,622	59,136
Repayment of non-current credits and loans	(16,984)	(52,904)
Change of current credits	1,767	(2,826)
Financing cash flow	**16,405**	**3,406**
Change of cash	**(290)**	**2,403**
Cash at the beginning of the year	3,847	3,555
Cash at the end of the year	3,557	5,958

(All amounts in HUF million, unless otherwise indicated)

6. Intangible assets

The following table contains a summary of intangible asset movements during the years ended 31 December 2012 and 2013:

Gross Book Value

Description	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2012	**191**	**7,154**	**7,345**
Increase due to purchases	0	76	76
Other decrease	0	(1)	(1)
Scrapping	0	0	0
Closing balance as of 31 December 2012	**191**	**7,229**	**7,420**
Increase due to purchases	0	610	610
Other increase	0	7	7
Other decrease	(198)	0	(198)
Scrapping	0	(195)	(195)
Closing balance as of 31 December 2013	**(7)**	**7,651**	**7,644**

Deprecation

Description	Goodwill	Intellectual property	Total intangible assets
Opening balance as of 1 January 2012	**191**	**4,914**	**5,105**
Deprecation	0	421	421
Scrapping	0	0	0
Impairment and disposals	0	0	0
Other decrease	0	(1)	(1)
Closing balance as of31 December 2012	**191**	**5,334**	**5,525**
Deprecation	0	431	431
Scrapping	0	(195)	(195)
Impairment and disposals	0	0	0
Other decrease	(198)	0	(198)
Closing balance as of 31 December 2013	**(7)**	**5,570**	**5,563**

Net Book Value as of 31 December 2012	**0**	**1,895**	**1,895**
Net Book Value as of 31 December 2013	**0**	**2,081**	**2,081**

(All amounts in HUF million, unless otherwise indicated)

7. Property, plant and equipment

The following table contains a summary of property, plant and equipment movements during the years ended 31 December 2012 and 2013:

Gross Book Value

Description	Land and building and related property	Plant, machinery and vehicles	Other equipment, fixtures and vehicles	Assets under construction	Advances on assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2012	**40,603**	**155,509**	**18,058**	**2,320**	**0**	**216,490**
Increase due to purchases	0	0	0	8,695	0	8,695
Capitalisation	946	7,736	699	(9,381)	0	0
Other increase	0	0	0	0	0	0
Scrapping	(13)	(998)	(79)	0	0	(1,090)
Disposals	(1)	0	(7)	0	0	(8)
Other decrease	0	(47)	0	0	0	(47)
Closing balance as of 31 December 2012	**41,535**	**162,200**	**18,671**	**1,634**	**0**	**224,040**
Increase due to purchases	0	0	0	11,095	0	11,095
Capitalisation	555	3,179	756	(4,490)	0	0
Other increase	0	0	1	0	4,143	4,144
Scrapping	(12)	(763)	(465)	(20)	0	(1,260)
Disposals	0	0	(114)	0	0	(114)
Other decrease	(1)	(26)	(7)	(7)	0	(41)
Closing balance as of 31 December 2013	**42,077**	**164,590**	**18,842**	**8,212**	**4,143**	**237,864**

(All amounts in HUF million, unless otherwise indicated)

Depreciation

Description	Land and building and related property	Plant, machinery and vehicles	Other equipment, fixtures and vehicles	Assets under construction	Advances on assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2012	**13,228**	**83,351**	**13,863**	**0**	**0**	**110,442**
Of which: Depreciation	13,167	83,334	13,851	0	0	110,352
Impairment	61	17	12	0	0	90
Depreciation	1,253	9,396	862	0	0	11,511
Impairment based on market value	0	0	0	0	0	0
Impairment due to scrapping	9	76	2	0	0	87
Decrease due to scrapping, damages and shortages	(13)	(998)	(79)	0	0	(1,090)
Disposals	(1)	0	(7)	0	0	(8)
Reclassification and other movements	0	0	0	0	0	0
Closing balance as of 31 December 2012	**14,476**	**91,825**	**14,641**	**0**	**0**	**120,942**
Of which: Depreciation	14,415	91,823	14,629	0	0	120,867
Impairment	61	2	12	0	0	75
Depreciation for the year	1,292	8,854	812	0	0	10,958
Impairment based on market value	0	0	0	0	0	0
Impairment due to scrapping	6	29	1	20	0	56
Decrease due to scrapping, damages and shortages	(12)	(763)	(465)	(20)	0	(1,260)
Disposals	0	0	(114)	0	0	(114)
Reclassification and other movements	0	(1)	(1)	0	0	(2)
Closing balance as of 31 December 2013	**15,762**	**99,944**	**14,874**	**0**	**0**	**130,580**
Of which: Depreciation	15,701	99,942	14,862	0	0	130,505
Impairment	61	2	12	0	0	75

(All amounts in HUF million, unless otherwise indicated)

Net book value	Land and building and related property	Plant, machinery and vehicles	Other equipment, fixtures and vehicles	Assets under construction	Advances on assets under construction	Total property, plant and equipment
Net Book Value as of 31 December 2012	**27,059**	**70,375**	**4,030**	**1,634**	**0**	**103,098**
Net Book Value as of 31 December 2013	**26,315**	**64,646**	**3,968**	**8,212**	**4,143**	**107,284**

Leased assets

Property, plant and equipment include machinery under finance leases:

Description	31 December 2012	31 December 2013
Gross value	478	478
Accumulated depreciation	465	477
Net book value	**13**	**1**

8. Depreciation

Depreciation

Description	Straight line		Lump sum		Total	
	2012	2013	2012	2013	2012	2013
Property rights	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0
Intellectual property	421	431	0	0	421	431
Capitalised research and development	0	0	0	0	0	0
Capitalised foundation and restructuring	0	0	0	0	0	0
Intangible Assets	**421**	**431**	**0**	**0**	**421**	**431**
Land and building and related property	1,253	1,292	0	0	1,253	1,292
Plant, machinery and vehicles	9,396	8,854	0	0	9,396	8,854
Other equipment, fixtures and vehicles	845	778	17	34	862	812
Total property, plant and equipment	**11,494**	**10,924**	**17**	**34**	**11,511**	**10,958**
Total	**11,915**	**11,355**	**17**	**34**	**11,932**	**11,389**

(All amounts in HUF million, unless otherwise indicated)

Impairment and reversal of impairment

Description	Impairment based on market valuation		Impairment due to scrapping, damages and shortages		Reversal of impairment		Total	
	2012	2013	2012	2013	2012	2013	2012	2013
Property rights	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Intellectual property	0	0	0	0	0	0	0	0
Capitalised research and development	0	0	0	0	0	0	0	0
Capitalised foundation and restructuring	0	0	0	0	0	0	0	0
Intangible Assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Land and building and related property	0	0	9	6	0	0	9	6
Plant, machinery and vehicles	0	0	76	29	0	0	76	29
Other equipment, fixtures and vehicles	0	0	2	1	0	0	2	1
Assets under construction	0	0	0	20	0	0	0	20
Total property, plant and equipment	**0**	**0**	**87**	**56**	**0**	**0**	**87**	**56**
Total	**0**	**0**	**87**	**56**	**0**	**0**	**87**	**56**

Impairment expense recognized in amount of HUF 56 million in 2013. Significant part of it related to scrapping due to periodical maintenance.

Effect of the revision of useful life of intangible assets and property, plant and equipment

Description	Gross book value	Depreciation for the year		Effect on Income Statement	Effect on balance sheet
		Without revision of life	As the result of revision of life		
Plant, machinery and vehicles	175	2	3	(1)	(1)
Other equipment, fixtures and vehicles	0	0	0	0	0
Total property, plant and equipment	**175**	**2**	**3**	**(1)**	**(1)**

9. Research and development

Research and development areas	2012			2013		
	Expense incurred	Of which		Expense incurred	Of which	
		Capitalised	Expensed		Capitalised	Expensed
Product development	331	-	331	321	-	321
Environment protection	0	-	0	0	-	0
Other (studies)	192	-	192	175	-	175
Total	**523**	**-**	**523**	**496**	**-**	**496**

(All amounts in HUF million, unless otherwise indicated)

10. Property, plant and equipment used for environmental protection

Gross Book Value

Movements	Land and building and related property	Plant, machinery and vehicles	Other equipment, fixtures and vehicles	Assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2012	**292**	**474**	**175**	**434**	**1,375**
Addition	201	796	100	996	2,093
Decrease and reclassification	0	0	0	(1,097)	(1,097)
Closing balance as of 31 December 2012	**493**	**1,270**	**275**	**333**	**2,371**
Addition	0	0	0	6,427	6,427
Decrease and reclassification	87	198	133	(418)	0
Closing balance as of 31 December 2013	**580**	**1,468**	**408**	**6,342**	**8,798**

Depreciation

Movements	Land and building and related property	Plant, machinery and vehicles	Other equipment, fixtures and vehicles	Assets under construction	Total property, plant and equipment
Opening balance as of 1 January 2012	**24**	**240**	**83**	**0**	**347**
Addition	9	58	25	0	92
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2012	**33**	**298**	**108**	**0**	**439**
Addition	17	168	46	0	231
Decrease and reclassification	0	0	0	0	0
Closing balance as of 31 December 2013	**50**	**466**	**154**	**0**	**670**

	Land and building and related property	Plant, machinery and vehicles	Other equipment, fixtures and vehicles	Assets under construction	Total property, plant and equipment
Net Book Value as of 31 December 2012	**460**	**972**	**167**	**333**	**1,932**
Net Book Value as of 31 December 2013	**530**	**1,002**	**254**	**6,342**	**8,128**

(All amounts in HUF million, unless otherwise indicated)

11. Non-current investments in related parties

As of 31 December 2012 and 2013, the Company's non-current investments are summarized as follows:

Description	Ownership (%)	Net book value		Proportionate amount of equity	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013
Subsidiaries:					
TVK Ingatlankezelő Kft.	100.0	2,070	1,620	2,173	1,756
TVK UK Ltd.*	-	0	0	0	0
TVK-France S.a.r.l.	100.0	20	20	57	60
TVK Polska Sp. z o.o.**	-	6	0	156	0
TVK Ukraina tov.***	-	0	0	0	0
Associates:					
TMM Tűzoltó és Műszaki Mentő Kft.****	-	1	0	134	0
TVK-Erőmű Kft.	26.0	684	577	1,181	1,250
Total		**2,781**	**2,217**	**3,701**	**3,066**

Net book value contains impairment and revaluation difference.

* Dissolution finished on November 9th, 2012 and deleted on November 14 th 2013.
** Dissolution started on June 15, 2012 and dissolution finished on February 28th, 2013
*** It was sold on March 26th, 2012.
**** It was sold on June 18th, 2013.

The seat and the range of activity of the Company's investments, which are shown in financial investments, are summarized as follows:

Description	Seat of the company	Range of activity
Subsidiaries:		
TVK-Ingatlankezelő Kft.	Tiszaújváros	Property leasing, management
TVK-France S.a.r.l.	Paris	Wholesale and retail trade
Associates:		
TVK-Erőmű Kft.	Tiszaújváros	Electricity production and distribution

Shareholders' equity of the Company's investments as of 31 December 2012:

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income for the period
Subsidiaries:					
TVK Ingatlankezelõ Kft.	HUF million	2,173	2,070	10	93
TVK UK Ltd.	GBP thousand	0	0	0	0
TVK-France S.a.r.l.	EUR thousand	195	76	17	102
TVK Polska Sp. z o.o.	PLN thousand	2,218	109	50	2,059
Associates:					
TMM Tűzoltó és Műszaki Mentõ Kft.	HUF million	448	3	437	8
TVK-Erőmű Kft.	HUF million	4,543	2,630	1,320	593

Shareholders' equity of the Company's investments as of 31 December 2013

Name	Currency	Shareholders' equity	Share capital	Reserves	Net income for the period
Subsidiaries:					
TVK Ingatlankezelõ Kft.	HUF million	1,756	1,620	0	136
TVK-France S.a.r.l.	EUR thousand	203	76	8	119
Associates:					
TVK-Erőmű Kft.	HUF million	4,806	2,218	1,913	675

(All amounts in HUF million, unless otherwise indicated)

Changes of the non-current investments in related parties in 2012:

Name	Gross book value of investments			Impairment			Investment closing book value
	Opening book value	Increase	Decrease	Opening book value	Increase	Reversal	
Subsidiaries:							
TVK Ingatlankezelõ Kft.	2,070	0	0	0	0	0	2,070
TVK UK Ltd.	74	0	(24)	53	0	(3)	0
TVK-France S.a.r.l.	20	0	0	0	0	0	20
TVK Polska Sp. z o.o.	6	0	0	0	0	0	6
TVK Ukraina tov.	1	0	(1)	0	0	0	0
Associates:							
TMM Tűzoltó és Műszaki Mentõ Kft.	1	0	0	0	0	0	1
TVK-Erőmű Kft.	684	0	0	0	0	0	684
Total	**2,856**	**0**	**(25)**	**53**	**0**	**(3)**	**2,781**

Changes of the non-current investments in associate companies in 2013:

Name	Gross book value of investments			Impairment			Investment closing book value
	Opening book value	Increase	Decrease	Opening book value	Increase	Reversal	
Subsidiaries:							
TVK Ingatlankezelõ Kft.	2,070	0	(450)	0	0	0	1,620
TVK UK Ltd.	50	0	(50)	50	0	(50)	0
TVK-France S.a.r.l.	20	0	0	0	0	0	20
TVK Polska Sp. z o.o.	6	0	(6)	0	0	0	0
Associates:							
TMM Tűzoltó és Műszaki Mentõ Kft.	1	0	(1)	0	0	0	0
TVK-Erőmű Kft.	684	0	(107)	0	0	0	577
Total	**2,831**	**0**	**(614)**	**50**	**0**	**(50)**	**2,217**

(All amounts in HUF million, unless otherwise indicated)

12. Impairment of non-current financial investments and its reversal

Impairment loss of non-current financial assets recognized in 2012 and 2013 by balance sheet item:

Description	Non-current investments	Other non-current loans	Non-current debt securities	Total
Opening balance as of 1 January 2012	**53**	**575**	**0**	**628**
Increase of impairment	0	0	0	0
Decrease of impairment	0	(515)	0	(515)
Reversal of impairment	(3)	(60)	0	(63)
Closing balance as of 31 December 2012	**50**	**0**	**0**	**50**
Increase of impairment	0	0	0	0
Decrease of impairment	(50)	0	0	(50)
Reversal of impairment	0	0	0	0
Closing balance as of 31 December 2013	**0**	**0**	**0**	**0**

(All amounts in HUF million, unless otherwise indicated)

13. Impairment of Inventories

Impairment of inventories recognized in 2012 and 2013 by balance sheet item:

Description	Raw materials and consumables	Unfinished production and semi-finished products	Finished products	Merchandises	Advances for inventories	Total inventories
Opening balance as of 1 January 2012	**1,652**	**0**	**583**	**1,540**	**0**	**3,775**
Increase of impairment	39	0	0	1,989	0	2,028
Decrease of impairment	(27)	0	0	(1,540)	0	(1,567)
Reversal of impairment	0	0	(583)	0	0	(583)
Closing balance as of 31 December 2012	**1,664**	**0**	**0**	**1,989**	**0**	**3,653**
Increase of impairment	228	0	0	0	0	228
Decrease of impairment	(6)	0	0	(1,989)	0	(1,995)
Reversal of impairment	0	0	0	0	0	0
Closing balance as of 31 December 2013	**1,886**	**0**	**0**	**0**	**0**	**1,886**

14. Receivables from related parties

As of 31 December 2012 and 2013 accounts receivables from related parties are the following:

Description	31 December 2012	31 December 2013
MOL Group	**7,768**	**10,847**
Receivables from the supply of goods and services	7,768	10,607
Other receivables	0	240
Accounts receivable from subsidiaries	**9**	**6**
Receivables from the supply of goods and services	9	6
Accounts receivable from associate companies	**404**	**545**
Receivables from the supply of goods and services	404	545
Total	**8,181**	**11,398**

Cash pool receivables has been presented and disclosed as receivables from related parties in 2013, and as bank deposits in 2012 (HUF 40 million).

(All amounts in HUF million, unless otherwise indicated)

15. Other receivables

The Company's other receivables as of 31 December 2012 and 2013 are summarized as follows:

Description	31 December 2012	31 December 2013
Reclaimable VAT	18,253	16,169
Corporate income tax receivable	0	169
Local tax receivable	99	30
Innovation contribution receivable	7	6
Receivables due to house-building loans	15	19
Impairment of receivables from house- building loan	(14)	(19)
Advances to service providers	28	13
Other	44	15
Total	**18,432**	**16,402**

(All amounts in HUF million, unless otherwise indicated)

16. Impairment of Receivables

In 2012 and 2013, the following impairments of receivables were accounted:

Historical cost

Description	Receivables from the supply of goods and services	Receivables from related parties	Other receivables	Total receivables
Closing balance as of 31 December 2012	**42,490**	**8,181**	**18,446**	**69,117**
Closing balance as of 31 December 2013	**42,674**	**11,398**	**16,421**	**70,493**

Impairment/ Reversal of impairment

Movements	Receivables from the supply of goods and services	Receivables from related parties	Other receivables	Total receivables
Opening balance as of 1 January 2012	**207**	**0**	**323**	**530**
Increase	38	0	14	52
Reversal of impairment	0	0	(323)	(323)
Closing balance as of 31 December 2012	**245**	**0**	**14**	**259**
Increase	41	0	5	46
Reversal of impairment	0	0	0	0
Closing balance as of 31 December 2013	**286**	**0**	**19**	**305**

Net book value

Description	Receivables from the supply of goods and services	Receivables from related parties	Other receivables	Total receivables
Closing balance as of 31 December 2012	**42,245**	**8,181**	**18,432**	**68,858**
Closing balance as of 31 December 2013	**42,388**	**11,398**	**16,402**	**70,188**

(All amounts in HUF million, unless otherwise indicated)

17. Prepayments and accruals

Prepayments as of 31 December 2012 and 2013 are summarized as follows:

Description	31 December 2012	31 December 2013
Dividend receivables*	154	0
Interest receivables	2	1
Other accrued income	760	38
Accrued income	**916**	**39**
Other prepaid expenses	43	45
Prepaid expenses	**43**	**45**
Total prepayments	**959**	**84**

* Includes the proportional part of dividend receivable approved by the general meeting of TVK-Erőmű Kft. in 2012. In 2013 the proportional part of dividend receivable approved by the general meeting of TVK-Erőmű Kft, are presented and disclosed as receivables from related parties.

Accruals as of 31 December 2012 and 31 December 2013 are as follows:

Description	31 December 2012	31 December 2013
Deferred income	22	1
Deferred income	**22**	**1**
Accrued energy costs	127	1,641
Accrued performance incentives	384	463
Interest payable	262	338
Expected carriage	150	257
Accrued share-based payment plans	19	0
Accrued commission	14	0
Maintenance costs	3	0
Other accrued costs and expenses	497	465
Accrued expenses	**1,456**	**3,164**
Book value of assets received free of charge, found as a surplus, or received as a gift or legacy	1	0
Deferred negative goodwill and extraordinary revenues	**1**	**0**
Total	**1,479**	**3,165**

(All amounts in HUF million, unless otherwise indicated)

18. Changes of Shareholders' Equity

Shareholders' equity consisted of the following during 2012 and 2013:

Description	Share capital	Capital reserve	Retained earnings	Allocated reserves	Net income for the period	Total
31 December 2011	**24,534**	**4,624**	**103,585**	**0**	**(9,319)**	**123,424**
Transfer of profit of prior year	0	0	(9,319)	0	9,319	**0**
Profit for the current year	0	0	0	0	(13,710)	**(13,710)**
31 December 2012	**24,534**	**4,624**	**94,266**	**0**	**(13,710)**	**109,714**
Transfer of profit of prior year	0	0	(13,710)	0	13,710	**0**
Profit for the current year	0	0	0	0	6,201	**6,201**
31 December 2013	**24,534**	**4,624**	**80,556**	**0**	**6,201**	**115,915**

19. Provisions

The Company's provisions as of 31 December 2012 and 2013 are summarized as follows:

Description	Environ-mental **	Redun-dancy payment	Early retire-ment	Retire-ment	Jubilee benefits	Emission quota	Litigation	Total
Opening balance as of 1 January 2012	**2,314**	**7**	**49**	**142**	**257**	**2,179**	**0**	**4,948**
Provisions made in 2011 and reassessment of previous year's estimate*	270	415	0	14	27	0	57	783
Provisions used during the year and reassessment of previous year's estimate*	(238)	(7)	(49)	(22)	(38)	(461)	0	(815)
Closing balance as of 31 December 2012	**2,346**	**415**	**0**	**134**	**246**	**1,718**	**57**	**4,916**
Provisions made in 2012 and reassessment of previous year's estimate *	212	0	0	13	26	250	13	514
Provisions used during the year and reassessment of previous year's estimate *	(584)	(409)	0	(13)	(40)	(1,718)	(57)	(2,821)
Closing balance as of 31 December 2013	**1,974**	**6**	**0**	**134**	**232**	**250**	**13**	**2,609**

* Provisions made are disclosed within other expenses (See Note 27), provisions used are disclosed within other incomes (See Note 27).
** The information on environmental provision is disclosed in Note 37.3

Environmental provision

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

Provision for long term employee retirement benefits

As of 31 December 2013 the Company has recognised a provision of HUF 134 million to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire from group entities. TVK Plc. operates benefit schemes that provide lump sum benefit to all employees at the time of their retirement. TVK Plc's employees are entitled for maximum of 2 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds. The value of provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the TVK Plc. Principal actuarial assumptions states an approximately 2% difference between the discount rate and the future salary increase.

Provision for jubilee benefits

On 31 December 2013, based on actuarial calculations, the Company made a HUF 232 million provision for the future jubilee benefits of current employees. Every five years, TVK Plc. pays a fix set amount to all employees who had worked at least 10 years for the Company.

Provision for emission quota

The 2012 and 2013 years' emission of CO_2 of the Company exceeded the owned quota quantity; therefore a provision was recognised for the deficit in amount of HUF 1,718 million and HUF 250 million on 31 December 2012 and 2013, respectively.

Other provision

The Company made other provision in amount of HUF 13 million on 31 December 2013.

(All amounts in HUF million, unless otherwise indicated)

20. Non-current liabilities

Details of non-current liabilities by maturity in on 31 December 2012

Balance sheet item	Within a year	Long-term		
		Between one and five years	Over five years	Total
Liabilities from other non-current loans	0	0	0	0
Non-current liabilities to related parties*	0	20,390	0	20,390
Total	**0**	**20,390**	**0**	**20,390**

Details of long-term liabilities by maturity in on 31 December 2013

Balance sheet item	Within a year	Long-term		
		Between one and five years	Over five years	Total
Non-current liabilities to related parties*	1,781	21,675	0	21,675
Liabilities from other non-current loans**	594	2,375	0	2,375
Total	**2,375**	**24,050**	**0**	**24,050**

* A revolving loan contract was made between TVK Plc. and MOL Plc. on 21 December, 2009, in an amount of EUR 100 million. The company modified the contract to an EUR 70 million long term part and an EUR 30 million short term part in 2011. The long term part was modified to EUR 100 million from 2 April, 2013. The provider of the loan became MOL Group Finance S.A. instead of MOL Plc. from 10, April, 2013.

**TVK Nyrt. contracted a long term prefinancing loan facility for export activity in an amount of EUR 10 million with OTP Bank Nyrt. At the end of 2013 the part of the loan due in 12 months amounts to HUF 594 million (EUR 2 million) reported as short-term loan payable

21. Current loans

The closing balance of current loans amounts to HUF 6,091 million as at 31.12.2013 and HUF 3.938 million in the previous year.

(All amounts in HUF million, unless otherwise indicated)

22. Current liabilities to related parties

Current liabilities to related parties consisted of the following as of 31 December 2012 and 2013:

Description	31 December 2012	31 December 2013
Liabilities to MOL Group	**50,827**	**39,274**
Suppliers	46,597	37,156
Short-term loans*	4,093	1,952
Other liabilities	137	166
Liabilities to Subsidiaries	**587**	**53**
Suppliers	52	53
Short-term loans	465	0
Other liabilities	70	0
Liabilities to associates	**1,537**	**708**
Suppliers	1,537	708
Total	**52,951**	**40,035**

* A revolving loan contract was made between TVK Plc. and MOL Plc. on 21 December, 2009, in an amount of EUR 100 million. The company modified the contract to an EUR 70 million long term part and an EUR 30 million short term part in 2011. The long term part was modified to EUR 100 million from 2 April, 2013. The provider of the loan became MOL Group Finance S.A. instead of MOL Plc. from 10, April, 2013.

23. Other current liabilities

Other current liabilities as of 31 December 2012 and 2013 are summarized as follows:

Description	31 December 2012	31 December 2013
Quantity discounts	2,859	2,622
Payables to employees and related contributions	289	295
Taxes and similar charges	21	36
Liabilities from conversion of employees' shares	4	4
Dividends payable*	4	2
Personal income tax payable	24	0
Other	58	38
Total	**3,259**	**2,997**

* Dividend payable in 2013 is related to 2008's and 2010's dividend, which hasn't been paid yet.

(All amounts in HUF million, unless otherwise indicated)

24. Import purchase by market regions

Market region	2012			2013		
	Product	Service	Total	Product	Service	Total
European Union	**16,090**	**3,026**	**19,116**	**27,114**	**4,659**	**31,773**
Of which: - Bulgaria	0	10	10	7,604	0	7,604
- Slovakia	5,537	103	5,640	6,841	147	6,988
- Poland	9	703	712	2,260	2,615	4,875
- Germany	3,170	724	3,894	2,850	477	3,327
- Romania	1,728	178	1,906	2,667	177	2,844
- Italy	1,025	385	1,410	823	388	1,211
- United Kingdom	549	129	678	839	42	881
- Austria	144	470	614	197	542	739
Central and Estern Europe	**5,280**	**74**	**5,354**	**0**	**96**	**96**
Of which: Russia	4,574	0	4,574	0	0	0
Other Europe	**746**	**119**	**865**	**1,008**	**91**	**1,099**
Of which: Switzerland	746	119	865	1,008	90	1,098
Outside Europe	**1,042**	**144**	**1,186**	**1,274**	**224**	**1,498**
Total:	**23,158**	**3,363**	**26,521**	**29,396**	**5,070**	**34,466**

(All amounts in HUF million, unless otherwise indicated)

25. Net sales revenues

Sales in 2012 and 2013 are summarized as follows:

Market segment	2012		2013	
	Net sales	Ratio %	Net sales	Ratio %
Europe	172,230	44.84	185,064	45.49
America	3,519	0.91	7,473	1.84
Asia	756	0.20	687	0.17
Africa	27	0.01	392	0.09
Other areas	761	0.20	352	0.09
Total export sales	177,293	46.16	193,968	47.68
Total domestic sales	206,766	53.84	212,811	52.32
Total	**384,059**	**100.00**	**406,779**	**100.00**

Market segment	2012		2013	
	Product*	Other**	Product*	Other*
Domestic sales	188,900	17,866	199,528	13,283
Export sales	176,807	486	193,651	317
Total	**365,707**	**18,352**	**393,179**	**13,600**

*Sale of Products includes the revenue recognition of Olefin and Polymer products, as well as the net sale of tar and polymer goods
**Sale of other includes sale of energy materials and carbon dioxide emission quota, as well as revenue recognized from providing other services.

(All amounts in HUF million, unless otherwise indicated)

Foreign sales by geographical area in Europe in 2012 and 2013 are summarized as follows:

Market segment	2012		2013	
	Net sales	Ratio %	Net sales	Ratio %
European Union	**143,574**	**83.36**	**146,050**	**78.92**
Italy	26,764	15.54	29,098	15.72
Poland	22,478	13.05	29,062	15.70
Germany	25,169	14.61	27,327	14.77
Czech Republic	28,462	16.53	10,375	5.61
Romania	8,268	4.80	8,647	4.67
Austria	7,595	4.41	7,500	4.05
Slovakia	5,314	3.09	6,038	3.26
Lithuania	3,724	2.16	4,326	2.34
France	3,613	2.10	3,871	2.09
Greece	1,881	1.09	3,268	1.77
Netherlands	1,275	0.74	3,236	1.75
United Kingdom	2,192	1.27	2,868	1.55
Slovenia	2,622	1.52	2,579	1.39
Cyprus	2,320	1.35	1,808	0.98
Spain	545	0.32	1,148	0.62
Other	1,352	0.78	4,899	2.65
Outside the European Union	**28,656**	**16.64**	**39,014**	**21.08**
Ukraine	10,369	6.02	16,542	8.94
Switzerland	6,386	3.71	11,501	6.21
Turkey	4,349	2.53	4,827	2.61
Other	7,552	4.38	6,144	3.32
Total	**172,230**	**100.00**	**185,064**	**100.00**

(All amounts in HUF million, unless otherwise indicated)

Net sales by operational segments are as follows in 2012:

Operational segments	Domestic net sales	Export net sales	Total net sales
Petrochemical	206,195	177,120	383,315
Corporate and other	571	173	744
Total	**206,766**	**177,293**	**384,059**

Net sales by operational segments are as follows in 2013:

Operational segments	Domestic net sales	Export net sales	Total sales
Petrochemical	212,275	193,652	405,927
Corporate and other	536	316	852
Total	**212,811**	**193,968**	**406,779**

26. Capitalized self-produced assets

Description	2012	2013
Change in own-produced inventory	1,517	1,435

Capitalized own-produced inventory are mainly related to modernization of plant “Olefin-1” in 2013.

(All amounts in HUF million, unless otherwise indicated)

27. Other operating income and other operating expenses

Other income for 2012 and 2013 is summarized as follows:

Other operating income	2012	2013
Provisions used*	827	2,821
Received default interests, penalties, compensations	188	224
Received compensation from credit insurance of trade receivables	44	65
Revenues from the disposal of tangible and intangible assets, sold assigned receivables	1	3
Reversal of impairment of trade receivables, given loans and inventories	966	0
Other profit increasing items	140	71
Total	**2,166**	**3,184**

Other expenses for 2012 and 2013 are summarized as follows:

Other operating expenses	2012	2013
Retrospective discount	4,064	3,416
Surrender of GHG emission unit	2,756	1,279
Local taxes	551	1,120
Provisions*	783	514
Impairment and allowances	2,168	330
Paid compensation, fines, default interest	291	106
Book value of compensated trade receivables	44	65
Expenses related to damages and losses	45	32
Tax payables related to previous years	7	13
Write-off bad and doubtful receivables	4	1
Subsidies, benefits given	68	0
Shortage of tangible assets, inventories	0	0
Other profit decreasing items	169	285
Total	**10,950**	**7,161**

* The provision is disclosed in Note 19. The environmental provision might increase further based on the completion of an ongoing environmental survey. (See Note 37.3)

28. Remuneration of the Board of Directors and Supervisory Board

The remuneration of the members of the Board of Directors and Supervisory Board of the Company for 2012 and 2013 is summarized below:

Description	2012	2013
Board of Directors	118	118
Supervisory Board	31	30
Total	**149**	**148**

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

29. Employees

Staff categories	2012			2013		
	Average statistical staff (persons)	Wages and salaries (HUF million)	Personnel-type expenses (HUF million)	Average statistical staff (persons)	Wages and salaries (HUF million)	Personnel-type expenses (HUF million)
Blue-collar	549	2,028	346	494	1,984	317
White-collar	548	3,994	677	493	3,779	605
Total	**1,097**	**6,022**	**1,023**	**987**	**5,763**	**922**

30. Dividend received (due)

In 2012 and 2013 the dividend received (due) were the following:

Description	2012	2013
Dividend received (due) from subsidiaries	433	283
Dividend received (due) from associated companies	154	248
Total	**587**	**531**

(All amounts in HUF million, unless otherwise indicated)

31. Gain from the sale of investments from related parties

The information relating to sold companies in 2012 are detailed below:

Name of the company	Date of disposal	Book value	Revenue recognized	Gain on disposal
TVK Ukraina tov.	26.03.2012	1	69	68
Total		**1**	**69**	**68**

The information relating to sold companies in 2013 are detailed below:

Name of the company	Date of disposal	Book value	Revenue recognized	Gain on disposal
TMM Tűzoltó és Műszaki Mentő Kft.	18.06.2013	1	11	10
Total		**1**	**11**	**10**

(All amounts in HUF million, unless otherwise indicated)

32. Other financial income and other financial expenditures

Other financial income for 2012 and 2013 are summarized as follows:

Other financial income	2012	2013
FX gain on monetary assets and liabilities denominated in foreign exchange	9,488	6,876
Of which: Realised FX gain of trade receivables denominated in foreign exchange	3,283	3,577
Realised FX gain of trade payables denominated in foreign exchange	3,415	2,358
Realised FX gain of loans and borrowings denominated in foreign exchange	1,895	523
Realised FX gain on cash and cash equivalents	892	418
Realised FX gain on given loans denominated in foreign exchange	3	0
Gain on non-hedge-type derivative transactions	687	0
Other	10	15
Total	**10,185**	**6,891**

Other financial expenses for 2012 and 2013 are summarized as follows:

Other financial expenditures	2012	2013
FX loss on monetary assets and liabilities denominated in foreign exchange	9,872	6,997
Of which: Realised FX loss on trade payables denominated in foreign currency	2,844	2,459
Realised FX loss on trade receivables denominated in foreign currency	5,093	2,297
Realised FX loss on cash and cash equivalents	1,088	877
Realised FX loss of loans and borrowings denominated in foreign exchange	561	969
Unrealised FX loss at year-end valuation	259	395
Realised FX loss on given loans denominated in foreign exchange	27	0
Other	15	2
Total	**9,887**	**6,999**

(All amounts in HUF million, unless otherwise indicated)

33. Extraordinary revenues and expenditures

Extraordinary revenues for 2012 and 2013 are summarized as follows:

Extraordinary revenues	2012	2013
Market value of assets received free of charge	3,543	1
Revenue recognized by capital decrease in related parties	0	565
Other extraordinary revenues	0	10
Total	**3,543**	**576**

Extraordinary expenditures for 2012 and 2013 are summarized as follows:

Extraordinary expenditures	2012	2013
Expenditure of capital decrease in related parties	0	563
Non-refundable subsidies given for non-development purposes	0	702
Total	**0**	**1,265**

(All amounts in HUF million, unless otherwise indicated)

34. Hazardous waste (non-audited)

The following table shows the movement of hazardous waste at the Company in 2012 and 2013 (data in tons):

EWC code	Description	2012	2013
050108*	other tars	8.276	20.428
060405*	wastes containing other heavy metals	0.224	0.422
070108*	other kettle remains	0.000	0.976
070204*	other organic solvents, washing liquids and mother liquors	1.018	3.108
070214*	wastes from additives containing dangerous substances	0.064	0.114
070703*	organic halogenated solvents, washing liquids and mother liquors	0.035	0.000
070704*	other organic solvents, washing liquids and mother liquors	0.683	1.225
070709*	halogenated filter cakes and spent absorbents	0.010	0.000
070710*	other filter cakes and spent absorbents	0.227	0.075
130205*	mineral-based non-chlorinated engine, gear and lubricating oils	34.604	44.361
150110*	packaging containing residues of or contaminated by dangerous substances	5.480	7.956
150202*	absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by dangerous substances	1.657	7.33
160114*	antifreeze fluids containing dangerous substances	8.765	0.000
160305*	organic refuse containing dangerous substances	0.000	0.098
160506*	laboratory chemicals, consisting of or containing dangerous substances, including mixtures of laboratory chemicals	0.034	0.084
160708*	wastes containing oil	0.518	2.286
160903*	peroxides, for example hydrogen peroxide	0.015	0.000
161001*	aqueous liquid wastes containing dangerous substances	0.547	31.179
170409*	metalrefuse dirty by dangerous substances	0.000	33.000
170503*	soil and stones containing dangerous substances	1.624	21.328
191307*	aqueous liquid wastes and aqueous concentrates from groundwater remediation containing dangerous substances	2.095	2.268
200135*	discarded electrical and electronic equipment other than those mentioned in 200121 and 200123 containing hazardous components	0.435	0.005
	Total	**66.311**	**176.243**

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

(All amounts in HUF million, unless otherwise indicated)

The following table shows the movement of hazardous waste at the Company in 2012 and in 2013 (data in tons):

	Opening value	Increases	Decreases	Closing value
2012	40	3,461	3,435	66
2013	66	1,991	1,881	176

In connection with the management of hazardous waste HUF 58 million and HUF 27 million expenses incurred for 2012 and 2013, respectively.

35. Related party transactions

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

MOL Group has been TVK Plc's main raw material supplier and buyer of TVK products ever since the Company was established. The contract, which was signed by the Company with MOLTRADE-Mineralimpex Zrt. in 2001 and related to the long-term raw material supply and by-product repurchase between 2004 and 2013, was modified in 2011. It granted supply both the division of raw material supply between MOL Plc. and MOLTRADE-Mineralimpex Zrt. and the continuous supply of the Company. The Company signed a contract with MOL Plc. in 2011 about the naphtha and light pyrolysis raw material supply and by-product repurchase. The atmospheric gasoline is supplied only by MOLTRADE-Mineralimpex Zrt.

The Company concluded a contract with MOL Commodity Trading Kft (MCT) as of 2010 about the purchase of electricity, which is a long-term (indefinite) frame agreement about the purchase of annual products. The agreement was transferred to MOL Plc. by MCT on 1 March, 2011. According to this agreement in 2014, 324 GWh annual electricity will be sold to the buyer who is obliged to take and pay the annual contracted quantity. The company concluded a new agreement with MOL Plc. about the purchase of the necessary short-term products and about balance group services for 2013 and 2014.

The Company concluded an agreement with MOL Plc. for purchasing full electricity supply for 2014 which will be provided to users other than the TVK industry area. The buyer engage itself to receive and pay the annual minimum quantity, which is the 75 % of the contractual annual quantity. The contract relates to the purchase of 0.204 GWh of electricity in 2014. Company also concluded a long-term frame agreement with MOL Plc. Consumption of next year is determined and concluded annually as a take-or-pay obligation.

The Company concluded an agreement with MOL Plc. about the purchase of gas with high inert gas content, undertaking obligations from 2012 to 2016. The buyers engage themselves to receive and pay the annual minimum quantity, which is the 85% of the contractual annual quantity. As of 31 December 2013, 3,294 TJ high inert content gas will be purchased during the period ending 2016 based on this contract.

TVK Plc. signed a long-term natural gas purchase contract with MOL Plc. and MOL Energiakereskedő Zrt. (MET Magyarország Zrt.). The buyers (TVK Plc. and MOL Plc.) engage themselves to receive and pay the annual minimum quantity, which is the 85% of the contractual annual quantity. As of 31 December 2013, 101 million cubic meters of natural gas will be purchased during the period ending 2015 based on this contract.

The Company (as a service provider) and the MOL Plc. concluded more individual short term service contracts in 2013 for the thermal heat supply of Tisza Refinery (TIFO). Based on these contracts the thermal heat need of TIFO's due to its different operating status were secured both for winter period (heating) and other than the heating period.

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

The Company and Tisza-WTP Kft. have concluded a contract with expiry on December 31st, 2018 with regard to the supply and receipt of raw water and feed water supply.
Tisza-WTP Kft. supplies the water quantity and the flow rate/hour as agreed, in the quality specified in the agreement to the Company, furthermore it receives the condensate water resulting from the processes of the Company.

Related party transactions

	2012	**2013**
	HUF million	**HUF million**
Sales		
-to MOL Group companies	67,644	79,170
of which : MOL Plc.	58,357	71,533
to related parties	4,353	4,216
of which: to subsidiaries	64	60
to associates	4,289	4,156

36. Share Option Incentive Schemes for management

General Incentive Schemes for management

The incentive scheme involves company and organizational level financial and operational targets, evaluation of the contribution to the strategic goals of the company and determined individual tasks in the System of Performance Management (TMR), and competencies.

The share-based payments are described below.

The share-based payments serve as the management's long term incentives as an important part of their total remuneration package. They ensure the interest of the top and senior management of MOL Group in the long-term increase of MOL share price and so they serve the strategic interest of the shareholders.
The Long-term managerial incentive system employs two incentive systems in parallel: the Share Option Plan (an option based incentive) and the Performance Share Plan (based on a so called Comparative Share Price methodology).

Share Option Incentive Schemes for management

The Share Option Plan was launched in 2006 and renewed in 2013. New version is valid from the next financial year.

The Share Option Plan is a call option to sell hypothetical MOL shares granted on a past strike price, at a spot price and so realize profit with the difference between these prices. The incentive has following characteristics:

- Covers a five-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a three-year exercising period. If un-exercised, the Share Option lapses after 31th December of the exercising period.
- The grants are defined centrally in line with MOL job category.
- The payout is linked to individual short-term performance.

Share Option is calculated in Hungarian Forints and paid out in cash in local currency.

The incentive is paid in the exercising period according to the declaration of exercising. The payout/earning is the difference between the exercise price and Strike Price for one Share Option, multiplied by the number of Share Options the manager is entitled for.

As a new part of the managerial remuneration package, from 2013 the managers who are entitled for long-term incentive, are eligible for a one-time payout annually, in case the Annual General Meeting of MOL Plc. decides on dividend payment in the given year. Payment of one manager is the value equal to the dividend payment per share multiplied by the Share Option unit numbers the manager is entitled to.

37. Off-balance sheet items

37.1. NTCA revision

TVK Plc. appealed against some resolutions of the tax authority regarding the years 2006-2008. The National Tax and Customs Administration (NTCA) requested by a second-degree resolution the completion of a new procedure. The date of the declaration received was 27 January 2014.
In the new procedure based on the opinion of the experts issued by the National Authority of Intellectual Property, the tax authority has specified tax penalty with regard to innovation contribution in the amount of HUF 1.35 million, with regard to the special tax of corporate enterprises in the amount of HUF 3.35 million and the financial settlement took place after the receipt of the resolution.
The comprehensive tax audit of the years 2009-2010 is in progress. The NTCA has suspended the audit for the time of the expert audit of the own and external R+D topics of the Company to be carried out by the National Authority of Intellectual Property.

37.2. Capital and contractual commitments related to capitalization projects

The total value of capital commitments as of 31 December 2013 is HUF 30,361 million, which majority is attributable to Butadien project at TVK Plc.

37.3. Environmental protection

The company management measured and measures continuously, what kind of actions and investments are needed for the compliance of the company with the environmental requirements stipulated in the new Hungarian regulations issued on the basis of the EU directives.

In 1996, before the privatisation of TVK Plc., an environmental audit of the Company had been carried out. Based on the findings of the audit, the restoration of the contaminated soil in the area of the Olefin plant began. The restoration on the area of the Paint Factory continued.

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 cleanup work performed and on management estimate.

In connection with this, an assessment of the underground pollution of the areas under decontamination began in the second half of 2002. Further to the findings of an environmental review carried out by an external consultant, HUF 2,101 million additional environmental provisions were created for expected extra restoration costs in 2002.

In 2003 the Company continued the survey of the underground pollution in order to get sufficient information about extension of environmental pollution and determine the most applicable technology for environmental restoration. The surveys found extensive underground pollution caused in the past.

In 2005 the Technical Intervention Action Plan due to the request of the Authority has been prepared in accordance with relevant legislation in force and contains, in a scheduled manner, all the strategic measures and actions to be taken in the short and middle-term to achieve standard management of environmental responsibilities and to ensure compliance with environmental regulations with respect to the entire area of the TVK-TIFO industrial site. The Company manages liabilities and commitments related to past operations as part of an integrated project in co-operation with MOL Plc. The joint liability was agreed to by both TVK Plc. and MOL Plc. in their Co-operation Agreement signed in July 2006.

The TVK-TIFO site's exploration and establishment of facts and its complementary information were prepared and submitted to ÉMIKÖTEVIFE in 2009. On the basis of these documents, the Authority prescribed the continuation of the exploration and the actual technical tasks of restoration with joint responsibility. The exploration's closing documents, relating to the TVK-TIFO industrial site were submitted in December, 2012. The EMI-KTVF accepted the exploration's closing documentation, but ordered the continuation of the exploration due to joint liability based on its 1638-24/2013 decision and to carry out the remediation at the TVK-TIFO industrial site. The deadline for submission of the exploration and establishment of facts closing documents is 30 June, 2017.

To prevent any pollution from escaping from the area, the Company spent HUF 70 million in 2013 and HUF 119 million in 2012 on actions associated with monitoring and the exploration of the facts performed as part of the additional tests.

TVK Plc. and MOL Plc., involving outsider specialists, set up a research project, called MOLTVKBA, and as a consortium successfully applied for the tender „For a Liveable Environment" invited by the National Research Technological Agency. The main objective of the research programme was to prevent the transport of contaminants in the 16-32 m deep water-bearing zone and to study the methods of the reduction of their concentration. The application tests of innovative technologies within the project have been completed: the investigation of the possibility to remove hydrocarbons with an individual phase that is heavier than water, the testing of microbiological technologies aimed at the reduction of concentration in areas polluted by in-depth

dissolved hydrocarbons. On the basis of the landscape rehabilitation program the Company plans to involve the environmentally remediated areas into the production. The project was closed at the end of 2012.
The preparation of the final technical and financial report of the project has been finished and sent to MAG Zrt. MAG Zrt. issued a correction to clarify the final phase of the financial report, which was finalized as at 3 June, 2013. HUF 42.3 million has been used from the HUF 76.6 million planned total implementation subsidy. Waiver has been issued to the remaining HUF 34.3 million, which was transferred back to MAG Zrt.

ÉMI-KTVF ordered a partial assessment of pollution in the surrounding area of well T-15 at AKZO's premises. The area was decontaminated in 2002 and the situation has been regularly followed-up ever since. An increased concentration of contaminants led us to conclude that AKZO has re-contaminated the area.

The Company prepared a closing report on the follow-up process and sent it to both the authority and AKZO. In response to the report, the authority issued decision N° 10431-14/2011 and required both TVK Plc. and AKZO NOBEL Co., under several and joint liability, to make a factual assessment of the situation. TVK created HUF 10 million provision for the exploration work and the preparation of documents in 2013.

TVK and AKZO companies performed field works involving external experts in the first half of 2013. The preparation of the documents began jointly by the parties, however the decision on the final wording did not happened after repeated and prolonged negotiations. Due to that AKZO made a reservation of statement on the documentation expected to be submitted, the joint submission is impossible. As a result, TVK independently submitted the closing documentation of exploration as at 10 July, 2013.

The Company recognised - in consideration of the above-mentioned risks - environmental provision based on the currently available quantifiable future expenses in the amount of HUF 1,974 million as of 31 December 2013 (HUF 2,346 million as of 31 December 2012).

Beyond the provision recognised in the Balance Sheet, there are further contingent environmental liabilities whose amount may exceed HUF 4 billion. However, the probability of having these tasks completed is less than 50% due to the fact that there is no legal obligation to carry them out and that their exact technical content is uncertain.

(All amounts in HUF million, unless otherwise indicated)

38. Derivatives

Closed derivatives

Description	Subject of transaction	Current year's		Total effect on profit	Effect on cash flow
		Result settled financially	Result nonsettled financially		
Liability from swap agreement	Purchase of emission quota	(2)	0	(2)	(2)

Open derivatives on the balance sheet date

Description	Subject of transaction	Maturity date	Transaction volume	Contract value	Fair value	Expected effect on profit	Expected effect on cash flow
			t	EUR	EUR	EUR	EUR
Liability from swap agreement	Purchase of emission quota	December 2014	200,000	91,000	70,000	-	(91,000)
Liability from swap agreement	Sales of emission quota	December 2014	200,000	891,000	968,000	(77,000)	891,000

In 2013, TVK Plc. and MOL Commodity Trading Kft. (MCT Kft.) entered into an emission quota delivery agreement, which is non-hedge and over the counter markets. On the basis of this agreement, TVK Plc. will buy CER units from MCT Kft. and will sell EUA units to MCT Kft. in December, 2014.

(All amounts in HUF million, unless otherwise indicated)

39. Corporate tax

The differences between the profit before tax and the tax base for 2012 and 2013 are presented below:

Description	2012	2013
Profit before taxation	**(13,710)**	**6,421**
Inventory and fixed asset write-offs and depreciation	(2,171)	4,465
Provisions	(44)	(2,306)
Non-business related expenditure	6	163
Dividend received	(587)	(462)
Research and development costs according to the Act on accounting	(143)	(124)
Use from tax losses carried forward	0	(4,106)
Other	(26)	55
Tax base	**(16,675)**	**4,106**
Corporate tax (19%)	0	735
Tax allowance	**0**	**(515)**
Taxation	**0**	**220**
Profit after taxation	**(13,710)**	**6,201**

In 2012 no corporate tax liability was arisen. The Company carried forward the loss in 2012.
As of 31 December 2013, the Company has tax losses carried forward of HUF 70,529 million that are available for offset future taxable profits. The tax losses carried forward amounted to HUF 74,751 million in 2012.

Variance of the corporate tax

Description	2012	2013	Change %
Profit before taxation	**(13,710)**	**6,421**	**-**
Tax base increasing items	12,911	12,352	(4.33)
Tax base decreasing items	(15,876)	(14,667)	(7.62)
Impacts effected tax base	**(2,965)**	**(2,315)**	**(21.92)**

40. Events after the reporting period

40.1. Compensation for LDPE-2 accident

There was a fire due to a technical failure in the Company's LDPE-2 plant in 31 October, 2012. After restoring the plant it is in operation since 22 July 2013 again. The compensation awarded by the insurance company was accepted at 31 January 2014 so the financial settlement is expected in the first half of 2014.

The Board of Directors approved the Financial Statements on 13 March 2014.