Tisza Chemical Group Public Limited Company and Subsidiaries

Consolidated financial statements prepared in accordance with International Financial Reporting Standards together with the independent auditors' report

31 December 2013

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Tisza Chemical Group Public Limited Company

Report on financial statements

1.) We have audited the accompanying 2013 consolidated annual financial statements of Tisza Chemical Group Public Limited Company ("the Company"), which comprise the consolidated balance sheet as at 31 December 2013 - showing a balance sheet total of HUF 218,169 million and a profit for the year of HUF 5,661 million -, the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2.) Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3.) Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated annual financial statements give a true and fair view of the equity and financial position of Tisza Chemical Group Public Limited Company as at 31 December 2013 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Emphasis of matter

7.) We draw attention to Note 28 of the consolidated financial statements that describe 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 reporting requirement – Report on the consolidated business report

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

Budapest, 13 March 2014

Havas István
Ernst & Young Kft.
Registration No. 001165

Havas István
Registered auditor
Chamber membership No.: 003395

Tisza Chemical Group Public Limited Company and Subsidiaries

Consolidated financial statements
prepared in accordance with International Financial Reporting Standards

31 December 2013

Tiszaújváros, 13 March 2014

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

Consolidated balance sheet

31 December 2013

	Notes	2013	2012 Restated
ASSETS		HUF million	HUF million
Non-current assets			
Intangible assets	4	2,081	2,194
Property, plant and equipment, net	5	118,331	119,643
Investments in associated companies	6	-	132
Deferred tax assets	25	1,536	1,603
Other non-current assets	8	4,143	1
Total non-current assets		**126,091**	**123,573**
Current assets			
Inventories	9	13,341	17,461
Trade receivables, net	10	52,921	49,683
Securities	11	-	222
Other current assets	11	16,831	18,819
Prepaid taxes		285	135
Cash and cash equivalents	12	8,700	6,440
Total current assets		**92,078**	**92,760**
TOTAL ASSETS		**218,169**	**216,333**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	13	24,534	24,534
Reserves	14	90,852	98,432
Profit for the year attributable to equity holders of the parent		5,661	(7,579)
Equity attributable to equity holders of the parent		**121,047**	**115,387**
Non-controlling interests		-	-
Total equity		**121,047**	**115,387**
Non-current liabilities			
Long-term debt, net of current portion	15	31,508	29,265
Provisions	16	2,140	2,422
Deferred tax liabilities	25	-	-
Other non-current liabilities		32	37
Total non-current liabilities		**33,680**	**31,724**
Current liabilities			
Trade and other payables	17	53,472	58,667
Provisions	16	676	1,373
Short-term debt	18	5,668	8,030
Current portion of long-term debt	15	3,626	1,152
Total current liabilities		**63,442**	**69,222**
TOTAL EQUITY AND LIABILITIES		**218,169**	**216,333**

The notes are an integral part of these consolidated financial statements

Consolidated income statement

31 December 2013

	Notes	2013	2012 Restated
		HUF million	HUF million
Net revenue	3, 19	402,490	374,584
Other operating income	20	704	2,192
Total operating income		**403,194**	**376,776**
Raw materials and consumables used	21	362,866	363,984
Personnel expenses	22	8,167	9,482
Depreciation, depletion, amortisation and impairment		13,529	13,836
Other operating expenses	23	5,096	5,234
Change in inventories of finished goods and work in progress		4,199	(4,699)
Work performed by the enterprise and capitalized		(1,417)	(2,092)
Total operating expenses		**392,440**	**385,745**
Operating profit		**10,754**	**(8,969)**
Financial income	24	685	2,934
Financial expense	24	3,685	3,222
Financial expense, net	**24**	**(3,000)**	**(288)**
Income from associates		-	-
Profit before tax		**7,754**	**(9,257)**
Income tax expense	25	2,093	(1,678)
Profit for the year		**5,661**	**(7,579)**
Attributable to:			
Equity holders of the parent		5,661	(7,579)
Non-controlling interests		-	-
Basic earnings per share Attributable to ordinary equity holders of the parent (HUF)	26	**233**	**(312)**
Diluted earnings per share Attributable to ordinary equity holders of the parent (HUF)	26	**233**	**(312)**

The notes are an integral part of these consolidated financial statements

Consolidated Statement of comprehensive income

31 December 2013

	Notes	2013	2012 Restated
		HUF million	HUF million
Profit for the year		**5,661**	**(7,579)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		-	-
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation, net of tax		-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-**	**-**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(12)	(5)
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation, net of tax		11	19
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**(1)**	**14**
Other comprehensive income for the year, net of tax		**(1)**	**14**
Total comprehensive income for the year		**5,660**	**(7,565)**
Attributable to:			
Equity holders of the parent		5,660	(7,565)
Non-controlling interest		-	-

The notes are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

31 December 2013

	Share capital	Share premium	Translation reserve	Retained earnings	Total reserves	Profit for the year attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Closing balance									
31 December 2011	**24,534**	**15,022**	**22**	**94,600**	**109,644**	**(11,226)**	**122,952**	**-**	**122,952**
Restate effect	-	-	-	(18)	(18)	18	-	-	-
31 December 2011 - Restated	**24,534**	**15,022**	**22**	**94,582**	**109,626**	**(11,208)**	**122,952**	**-**	**122,952**
Retained profit for the year	**-**	-	-	-	**-**	(7,579)	**(7,579)**	-	**(7,579)**
Other comprehensive income for the year	**-**	-	(5)	19	**14**	-	**14**	-	**14**
Total comprehensive income for the year	**-**	-	(5)	19	**14**	(7,579)	**(7,565)**	-	**(7,565)**
Transfer to reserves of retained profit for the previous year	**-**	-		(11,208)	**(11,208)**	11,208	**-**	-	**-**
Dividends	**-**	-	-	-	**-**	-	**-**	-	**-**
Closing balance									
31 December 2012 Restated	**24,534**	**15,022**	**17**	**83,393**	**98,432**	**(7,579)**	**115,387**	**-**	**115,387**
Retained profit for the year	**-**	-	-	-	**-**	5,661	**5,661**	-	**5,661**
Other comprehensive income for the year	**-**	-	(12)	11	**(1)**	-	**(1)**	-	**(1)**
Total comprehensive income for the year	-	-	(12)	11	**(1)**	5,661	**5,660**	-	**5,660**
Transfer to reserves of retained profit for the previous year	**-**	-	-	(7,579)	**(7,579)**	7,579	**-**	-	**-**
Dividends	**-**	-	-	-	**-**	-	**-**	-	**-**
Closing balance									
31 December 2013	**24,534**	**15,022**	**5**	**75,825**	**90,852**	**5,661**	**121,047**	**-**	**121,047**

The notes are an integral part of these consolidated financial statements

Consolidated statement of cash-flows
31 December 2013

	Notes	2013 HUF million	2012 Restated HUF million
Profit before tax		*7,754*	*(9,257)*
Depreciation, depletion, amortisation and impairment		13,529	13,836
Write-off of inventories, net		139	(546)
Increase / (decrease) in provisions		(967)	1,045
Net (gain) / loss on sale of property, plant and equipment		(379)	(1,797)
Write-off / (reversal of write-off) of receivables		50	45
Net loss on sale of subsidiaries		-	(24)
Interest income		(81)	(138)
Interest on borrowings		2,439	1,785
Net foreign exchange (gain) / loss		368	(280)
Other financial (gain) / loss, net		167	(1,218)
Other non cash items		547	272
Operating cash flow before changes in working capital		*23,566*	*3,723*
Decrease / (increase) in inventories		3,980	(5,067)
Decrease / (increase) in trade receivables		(3,186)	(660)
Decrease / (increase) in other current assets		1,876	(3,622)
(Decrease) / increase in trade payables		(8,963)	6,332
(Decrease) / increase in other payables		1,650	(1,517)
Income taxes paid		(2,176)	(794)
Net cash provided by operating activities		**16,747**	**(1,605)**
Capital expenditures		(14,770)	(11,693)
Proceeds from disposals of property, plant and equipment		590	1,846
Proceeds from disposal of associated companies and other investments		241	63
Changes in loans given and long-term bank deposits		(184)	(2,222)
Interest received and other financial income		97	151
Net cash used in investing activities		**(14,026)**	**(11,855)**

The notes are an integral part of these consolidated financial statements

Consolidated statement of cash-flows

31 December 2013

	Notes	2013 HUF million	2012 Restated HUF million
Long-term debt drawn down		59,137	31,622
Repayments of long-term debt		(54,105)	(16,397)
Changes in other long-term liabilities		(5)	33
Changes in short-term debt		(3,205)	872
Interest paid and other financial costs		(2,274)	(1,881)
Net cash provided by / (used in) financing activities		**(452)**	**14,249**
(Decrease) / increase in cash and cash equivalents		**2,269**	**789**
Cash and cash equivalents at the beginning of the year		6,440	5,715
Exchange differences of cash and cash equivalents of consolidated foreign subsidiaries		3	1
Unrealised foreign exchange difference on cash and cash equivalents		(12)	(65)
Cash and cash equivalents at the end of the year		8,700	6,440

The notes are an integral part of these consolidated financial statements

1. Presentation of The Group Structure

Background to the consolidated companies

TVK Plc.

Tiszavidéki Vegyi Kombinát, TVK'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"). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of TVK were revalued as at that date.

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

In 1996, the Company was privatised through an offering of 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. As of 31 December 2013, MOL Plc. holds the majority of the shares.

The Company, with its registered seat in Tiszaújváros (H-3581 Tiszaújváros, TVK-Ipartelep TVK Központi Irodaház 2119/3. hrsz. 136. épület), produces chemical raw materials including ethylene, propylene and polymers of these products for both domestic and foreign markets.

The Group had 975 and 1,038 employees as at 31 December 2013 and 2012, respectively.

Consolidated subsidiaries

Company name	Country	Range of activity	Ownership 2013	Ownership 2012	Consolidation method
TVK Ingatlankezelő Kft.	Hungary	Property leasing, management	100%	100%	Fully consolidated
TVK UK Ltd.*	United Kingdom	Wholesale and retail trade	-	-	-
TVK-France S.a.r.l.	France	Wholesale and retail trade	100%	100%	Fully consolidated
TVK-Erőmű Kft.**	Hungary	Electricity production and distribution	26%	26%	Fully consolidated
TVK Polska Sp.zo.o.***	Poland	Wholesale and retail trade	-	100%	-
Tisza-WTP Kft.****	Hungary	Feed water and raw water	0%	0%	Fully consolidated

* Dissolution finished on 9 November, 2012 and finally came into force as at 14 November, 2013.

** The ownership of TVK Plc. is 26%. Based on the syndicated agreement TVK Plc. fully consolidated it - as a special purpose entity (based on IFRS 10).

*** Dissolution ended on 28 February, 2013.

**** Tisza-WTP Kft. was formed in 2002 specifically for providing feed water and raw water to TVK Plc. and TVK Erőmű Kft. under a long-term co-operation agreement. Tisza-WTP Kft. has been consolidated by the Company since 1 January 2006 in accordance with SIC 12 (which was superseded by IFRS 10 from 2013). According to service agreement Tisza-WTP Kft. provides services that is consistent with the Group's ongoing major operations and TVK Group is the exclusive purchaser of services provided by Tisza-WTP.

2. Authorization, statement of compliance and basis of preparation

i) Authorization and Statement of Compliance

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 13 March 2014.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all applicable IFRSs that have been adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Effective 1 January 2005, the change in the Hungarian Accounting Act allows the Group to prepare its consolidated financial statements in accordance with IFRS that have been adopted by the EU. Currently, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

ii) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective on 31 December 2013.

TVK Plc. prepares its statutory unconsolidated financial statements in accordance with the requirements of the accounting regulations contained in Law C of 2000 on Accounting (HAS). Some of the accounting principles prescribed in this law differ from International Financial Reporting Standards (IFRS).

For the purposes of the application of the Historical Cost Convention, the consolidated financial statements treat the Company as having come into existence as of 1 October 1991, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

The financial year is the same as the calendar year.

iii) Principles of Consolidation

Subsidiaries

The consolidated financial statements include the accounts of TVK Plc. and the subsidiaries that it controls. Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the settlement date. Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of net assets. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses – unless the losses indicate impairment of the related assets – are eliminated. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests represent the profit or loss and net assets not held by the Group and are shown separately in the consolidated balance sheets and the consolidated income statement, respectively. For each business combination, non-controlling interest is stated either at fair value or at the non-controlling interests' proportionate share of the acquiree's fair values of net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequently the carrying amount of non-controlling interests is the initially recognised amount of those interests adjusted with the non-controlling interests' share of changes in equity after the acquisition. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a negative balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the company.

Joint arrangements

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements are divided into two types: joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement in the normal course of business.

If the Company has rights to the assets and obligations for the liabilities relating to the arrangement then the arrangement is qualified as a joint operation The Company's interest in a joint operation are accounted for by recognising its relative share of assets, liabilities, income and expenses of the arrangement, combining with similar items in the consolidated financial statements on a line-by-line basis.

When the Group contributes or sells assets to the joint operation, based on the substance of the transaction gain or loss from the transaction is recognized only to the extent of other parties' interest in the joint operation. When the Group purchases assets from the joint operation, the Group does not recognize its share of the profits of the joint operation from the transaction until it resells the assets to an independent party.

If the Company has rights to the net assets of the arrangement then the arrangement is qualified as a joint venture. The Group's investments in joint ventures are accounted for using the equity method of accounting. Investment in a joint venture is recognised initially at cost and it is subsequently adjusted for the post-acquisition changes in the share of the joint venture's net asset. The Group's share from the profit or loss of the joint venture's operation is included as a single line item in the income statement. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates are assessed to determine whether there is any objective evidence of impairment. If there is evidence of impairment the recoverable amount of the investment is determined to identify any impairment loss to be recognised. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

2.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those applied in the previous financial years, apart from some minor modifications in the classification of certain items in the balance sheet or the income statement, none of which has resulted in a significant impact on the financial statements. While the comparative period has been restated, an opening balance sheet has not been included as the reclassifications made were not considered material.

The Group elected to reclassify foreign exchange differences on trade debtors and creditors from operating results to financial results since the Group believes that with this amendment operating results more effectively demonstrate the core business performance. Comparative periods are restated, the impact of the amendment on operating results were HUF 588 million gain and HUF 1,240 million loss in 2013 and 2012, respectively.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Except as noted below, adoption of these standards and interpretations did not have any effect on the financial statements of the Group. They did, however, give rise to additional disclosures.

- *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
- *IAS 12 Income Taxes (amendment) effective 1 January 2012*
- *IAS 19 Employee Benefits (Amendment)*
- *IAS 27 Separate Financial Statements (as revised in 2011)*
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*
- *IFRS 7 Financial Instruments: Disclosures - Clarification on asset/liability offsetting*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Involvement with Other Entities*
- *IFRS 13 Fair Value Measurement*
- *IAS 34 Interim financial reporting*
- *Improvements to IFRSs*

The principal effects of these changes are as follows:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group’s financial position or performance. The amendment became effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment was effective for annual periods beginning on or after 1 January 2012 and has no impact on the Group.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as recognition of unvested past service cost and transferring the remeasurement component of the defined benefit cost to Other comprehensive income to simple clarifications and re-wording. The amendments have no significant effect on the financial statements of the Group. The amendment became effective for annual periods beginning on or after 1 January 2013. In the restated comparative period the total amount of unvested past service cost as of 1 January 2012 has been expensed (HUF 19 million). The past service cost occurred was HUF 11 million in 2013 which has been expensed immediately through the income statement according to the amendment.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements prepared in accordance with IFRS. The amendment became effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures - Clarification on asset/liability offsetting

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position, i.e. that the right of set-off must be available today and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. Consequent change to IFRS 7 intends to enhance current offsetting disclosures. The amendments became effective for annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities, which was superseded by IFRS 10. IFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 required the management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The amendment had no material impact on the Group. This standard became effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard can have an impact on the financial position of the Group. This is due to the cessation of proportionate consolidation of jointly controlled entities meeting the definition of joint ventures in IFRS 11 to equity accounting for these investments. Based on the preliminary evaluation of the Group there was no impact. This standard became effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard became effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard will not affect the financial position and performance of the Group but it may give rise to additional disclosures. This standard became effective for annual periods beginning on or after 1 January 2013.

IAS 34 Interim financial reporting

Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments. Effective for annual periods beginning on or after 1 January 2013.

Improvements to IFRSs

In May 2012, the IASB issued amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording. The amendments became effective for annual periods on or after 1 January 2013 and had no impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment

This improvement clarifies that the major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with *IAS 12 Income Taxes*.

2.2 Summary of significant accounting policies

i) Presentation Currency

Based on the economic substance of the underlying events and circumstances the functional currency of the parent company and the presentation currency of the Group has been determined to be the Hungarian Forint (HUF).

ii) Business Combinations

Business combinations are accounted for using the acquisition method. This involves assessing all assets and liabilities assumed for appropriate classification in accordance with the contractual terms and economic conditions and recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value as at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition, only if they qualify as period measurement adjustments and occur within 12 months from the acquisition date. All other subsequent changes in the fair value of contingent consideration are accounted for either in profit or loss or as changes to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the consideration transferred is lower than the fair value of the net assets of the acquiree, the fair valuation, as well as the cost of the business combination is re-assessed. Should the difference remain after such re-assessment, it is then recognised in profit or loss as other income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit (or group of cash generating units) and part of the operation within that unit (or group) is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and un-amortised goodwill is recognized in the income statement.

iii) Investments and Other Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

Purchases and sales of investments are recognized on settlement date which is the date when the asset is delivered to the counterparty.

The Group's financial assets are classified at the time of initial recognition depending on their nature and purpose. Financial assets include cash and short-term deposits, trade receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized as finance income or finance expense in the income statement.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months from the balance sheet date and are not held with the primary purpose of being traded. In this case all payments on such instruments are classified as non-current. As at 31 December 2013 and 2012, no financial assets have been designated as at fair value through profit and loss.

<u>Held-to-maturity investments</u>

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortisation process.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

<u>Available-for-sale financial investments</u>

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognized as other comprehensive income in the fair valuation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded as other comprehensive income is recognized in the income statement.

After initial recognition available-for-sale financial assets are evaluated on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Group may choose to reclassify these financial assets to loans and receivables or held-to-maturity when this is in accordance with the applicable IFRS.

Fair Value

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date without any deduction for transaction costs. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

iv) Classification and Derecognition of Financial Instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents marketable securities, trade and other receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the Group neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognises its retained interest in the asset and a liability for the amounts it may have to pay.

v) Derivative Financial Instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year as financial income or expense.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- a hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current year net profit.

vi) Hedging

For the purpose of hedge accounting, hedges are classified as

- fair value hedges
- cash flow hedges or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

<u>Fair value hedges</u>

Fair value hedges are hedges of the Group’s exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk that could affect the income statement.

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash-flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the income statement. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized in the income statement.

Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized as other comprehensive income is transferred to the income statement. The Company did not have hedge in 2013 and 2012.

vii) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Impairment losses on a financial asset or group of financial assets are recognised only if there is an objective evidence of impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets.

<u>Assets carried at amortised cost</u>

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

<u>Available-for-sale financial investments</u>

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from other comprehensive income to the income statement. Impairment losses recognized on equity instruments classified as available for sale are not reversed; increases in their fair value after impairment are recognised directly in other comprehensive income. Impairment losses recognized on debt instruments classified as available for sale are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

viii) Cash and Cash Equivalents

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

ix) Trade Receivables

Receivables are stated at face value less provision for doubtful amounts. Where the time value of money is material, receivables are carried at amortized cost. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If collection of trade receivables is expected within the normal business cycle which is one year or less, they are classified as current assets. If not, they are presented as non-current assets.

x) Inventories

Inventories, including work-in-progress are valued at the lower of cost and net realisable value, after provision for slow-moving and obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of making the sale. Cost of purchased goods, including naphtha and purchased gasoil inventory, is determined primarily on the basis of weighted average cost. The acquisition cost of own produced inventory consists of direct materials, direct wages and the appropriate portion of production overhead expenses including royalty. Unrealisable inventory is fully written off.

xi) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost (or the carrying value of the assets determined as of 31 December, 1991) less accumulated depreciation, depletion and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated decommissioning and site restoration costs are capitalized upon initial recognition or, if decision on decommissioning is made subsequently, at the time of the decision. Changes in estimates thereof adjust the carrying amount of assets. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead costs (except from periodic maintenance costs), are normally charged to income statement in the period in which the costs are incurred. Periodic maintenance costs are capitalized as a separate component of the related assets.

Construction in progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant asset is available for use.

xii) Intangible Assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method. The amortisation period and the amortisation method are reviewed annually at each financial year-end. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash generating unit level.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage can not be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

xiii) Depreciation, Amortization

Depreciation of each component of an intangible asset and property, plant and equipment is computed on a straight-line basis over their respective useful lives. Usual periods of useful lives for different types of property, plant and equipment 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%

Amortization of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less.

Periodic maintenance costs are depreciated until the next similar maintenance takes place.

The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment and, if necessary, changes are accounted for in the current period.

The base of the depreciation of security and strategic spare parts is the average depreciation rate of technical equipments and vehicles relating to the production.

xiv) Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated net future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit.

The Group assesses at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor is higher than its carrying amount net of depreciation, had no impairment loss been recognised in prior years.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

Intangible assets with indefinite useful lives are monitored for impairment indicators throughout the year and are tested for impairment at least annually as of 31 December either individually or at the cash generating unit level, as appropriate.

Cash generating units

The Company is considered as one cash generating unit, whose, recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 20-year period. The average pre-tax discount rate applied to cash flow projections is 9.97% (2012: 10.6%).

The calculation of value is most sensitive to the following assumptions:

- Raw materials price;
- Product price;
- Exchange rate;
- Material balance; and
- Discount rates.

With regard to the assessment of value of the Company as cash-generating unit, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

xv) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net in the income statement when the liabilities are derecognized as well as through the amortisation process, except to the extent they are capitalized as borrowing costs.

xvi) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provision to be reimbursed; the reimbursement is recognised as a separate asset but only when the reimbursement is actually certain.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of the provisions increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as interest expense.

Provision for Redundancy

The employees of the Group are eligible, immediately upon termination, for redundancy payment pursuant to the Hungarian law and the terms of the Collective Agreement between TVK and its employees. The amount of such a liability is recorded as a provision in the consolidated balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provision for Environmental Expenditures

Environmental expenditures that relate to current or future economic benefits are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Provision for litigations

TVK Group entities are parties to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses estimations when the most likely outcome of these actions is assessed and provision is recognised on a consistent basis.

Provision for Retirement Benefits

The Group operates three long term defined benefit employee programmes. None of these schemes requires contribution to be made to separately administered funds. The cost of providing benefits under those plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as other comprehensive income immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense immediately.

Provision for jubilee benefits

Based on the valid Collective Agreement , the Company pays jubilee benefits to its employees as follows:
Every five years, the Company pays a fix set amount to all employees who had worked at least 10 years for the Company. Based on actuarial calculations, the Company made provision for jubilee benefits of current employees that reflects the expected payments based on their past service levels.

xvii) Greenhouse gas emissions

The Group receives free emission rights in Hungary as a result of the European Emission Trading Schemes. The rights are received on an annual basis and in return the Group is required to remit rights equal to its actual emissions. The Group has adopted a net liability approach to the emission rights granted. A provision is only recognised when actual emissions exceed the emission rights granted and still held. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value.

xviii) Share-based payment transactions

Certain employees (including directors and managers) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by applying generally accepted option pricing models (usually by the binomial model). In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the parent company ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date to fair value with changes therein recognised in the income statement.

xix) Leases

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfilment of the arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and is recorded accordingly.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Initial direct costs incurred in negotiating a finance lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

xx) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

xxi) Reserves

Reserves shown in the consolidated financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the company-only statutory earnings of TVK Plc.

<u>Translation reserves</u>

The translation reserve represents translation differences arising on consolidation of financial statements of foreign entities. Exchange differences arising on a monetary item that, in substance, forms part of the company's net investment in a foreign entity are classified as other comprehensive income in the consolidated financial statements until the disposal of the net investment. Upon disposal of the corresponding assets, the cumulative revaluation or translation reserves are recognised as income or expenses in the same period in which the gain or loss on disposal is recognised.

Fair valuation reserves

The fair valuation reserve includes the cumulative net change in the fair value of effective cash flow hedges and available for sale financial instruments.

Equity component of debt and difference in buy-back prices

Equity component of compound debt instruments includes the residual amount of the proceeds from the issuance of the instrument above its liability component, which is determined as the present value of future cash payments associated with the instrument. The equity component of compound debt instruments is recognised when the Group becomes party to the instrument.

xxii) Treasury Shares

The nominal value of treasury shares held is deducted from registered share capital. Any difference between the nominal value and the acquisition price of treasury shares is recorded directly to share premium.

xxiii) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

xxiv) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of sales taxes and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed.

Interest is recognised on a time-proportionate basis that reflects the effective yield on the related asset. Dividends due are recognised when the shareholder's right to receive payment is established. Changes in the fair value of derivatives not qualifying for hedge accounting are reflected in income in the period the change occurs.

xxv) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

xxvi) Income Taxes

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are never taxable or deductible or are taxable or deductible in other years. The Group's current income tax is calculating using tax rates that have been enacted or substantively enacted by the end of the reporting year.

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and tax losses when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including an adjustment to the opening balance of reserves resulting from a change in accounting policy that is applied retrospectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

xxvii) Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

– when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

– receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

xxviii) Foreign Currency Transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the consolidated income statement in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences both on trade receivables and payables and on borrowings are recorded as financial income or expense.

Foreign exchange differences on monetary items with a foreign operation are recognised in other comprehensive income if settlement of these items is neither planned nor likely to occur in the foreseeable future.

Financial statements of foreign entities are translated at year-end exchange rates with respect to the balance sheet and at the weighted average exchange rates for the year with respect to the income statement. All resulting translation differences are included in the translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation shall be recognized in the income statement. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In case of a partial disposal of a subsidiary without any loss of control in the foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other disposals such as associates or jointly controlled entities not involving a change of accounting basis, the proportionate share of accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

xxix) Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

- the net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxx) Segmental Disclosure

The Group has two major divisions (Petrochemicals – Corporate and other) that serve as the primary basis for the Company’s segment reporting purposes. The Group shows net sales by geographical area.

xxxi) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements unless they are acquired in a business combination. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.3 Significant accounting judgments and estimates

Critical judgments in applying the accounting policies

In the process of applying the accounting policies, which are described in note 2.2 above, management has made certain judgments that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however, the most significant judgments relate to:

- Outcome of certain litigations

- assessment of control (over operation) of TVK Erőmű Kft. and Tisza-WTP (Note 1)

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. These are detailed in the respective notes, however, the most significant estimates relate to the following:

- Scope of environmental provision and quantification and timing of environmental liabilities (Note 16, 28)

- The availability of taxable income against which deferred tax assets can be recognised (Note 25)

- Actuarial estimate applied in the calculation of retirement benefit obligations (Note 16)

- Determination of useful lives of property, plant and equipment and intangibles

- Impairment of tangible assets and intangibles (Notes 4, 5)

2.4 Issued but not yet effective International Financial Reporting Standards

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will also address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of " currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC 21 Interpretation on Levies

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Issued 20 May 2013 and effective for annual periods beginning on or after 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.

3. Segmental information

2013	Petrolchemia	Corporate and other	Inter-segment transfers	**Total**
	HUF million	HUF million	HUF million	**HUF million**
Net Revenue				
Sales to external customers	401,640	850	-	**402,490**
Inter-segment sales	349	1,874	(2,223)	**-**
Total revenue	**401,989**	**2,724**	**(2,223)**	**402,490**
Results				**-**
Profit/(loss) from operations	13,109	(2,355)	-	**10,754**
Net finance costs				**3,000**
Income from associates			-	**-**
Profit before tax				**7,754**
Income tax expense/(benefit)				**2,093**
Profit for the year				**5,661**

2012	Petrolchemia	Corporate and other	Inter-segment transfers	**Total**
	HUF million (restated)	HUF million (restated)	HUF million (restated)	**HUF million**
Net Revenue				
Sales to external customers	373,883	701	-	**374,584**
Inter-segment sales	273	1,879	(2,152)	**-**
Total revenue	**374,156**	**2,580**	**(2,152)**	**374,584**
Results				
Profit/(loss) from operations	(6,670)	(2,299)	-	**(8,969)**
Net finance expense			-	**288**
Income from associates	-	-	-	**-**
Profit before tax			-	**(9,257)**
Income tax expense/(benefit)			-	**(1,678)**
Profit for the year			-	**(7,579)**

2013 Assets and liabilities	Petrolchemia	Corporate and other	Inter-segment transfers	**Total**
	HUF million	HUF million	HUF million	**HUF million**
Property, plant and equipment, net	113,599	4,732	-	**118,331**
Intangible assets, net	1,809	272	-	**2,081**
Inventories	13,241	100	-	**13,341**
Trade receivables, net	52,705	216	-	**52,921**
Investments in associates	-	-	-	**-**
Not allocated assets				**31,495**
Total assets				**218,169**
Trade payables	46,304	248	-	**46,552**
Not allocated liabilities				**50,570**
Total liabilities				**97,122**
2013 Other segment information				
Capital expenditure:	11,807	322	-	**12,129**
Property, plant and equipment	11,303	216	-	**11,519**
Intangible assets	504	106	-	**610**
Depreciation and amortization	13,144	385	-	**13,529**
From this: impairment losses recognized in income statement	151	-	-	**151**
From this: reversal of impairment recognized in income statement	-	(29)	-	**(29)**

2012 Assets and liabilities	Petrolchemia HUF million (restated)	Corporate and other HUF million (restated)	Inter-segment transfers HUF million (restated)	**Total** **HUF million**
Property, plant and equipment, net	114,776	4,867	-	**119,643**
Intangible assets, net	1,958	236	-	**2,194**
Inventories	17,393	68	-	**17,461**
Trade receivables, net	49,615	68	-	**49,683**
Investments in associates	-	132	-	**132**
Not allocated assets	-	-	-	**27,220**
Total assets				**216,333**
Trade payables	52,764	248	-	**53,012**
Not allocated liabilities				**47,934**
Total liabilities				**100,946**
2012 Other segment information				
Capital expenditure:	14,493	192	-	**14,685**
Property, plant and equipment	10,779	131	-	**10,910**
Intangible assets	3,714	61	-	**3,775**
Depreciation and amortization	13,432	404	-	**13,836**
From this: impairment losses recognized in income statement	100	1	-	**101**
From this: reversal of impairment recognized in income statement	-	-	-	**-**

The operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. Petrochemicals transfers various by-products to the Corporate. The subsidiaries of the Corporate segment provide other services to the Petrochemicals. The internal transfer prices used are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

4. Intangible assets

The Group's intangible assets as of 31 December 2013 and 2012 were as follows:

	Rights* HUF million	Software HUF million	Goodwill HUF million	Total HUF million
At 1 January, 2012				
Gross book value	18	7,159	92	7,269
Accumulated amortization and impairment	-	(4,918)	-	(4,918)
Net book value	**18**	**2,241**	**92**	**2,351**
Year ended 31 December, 2012				
- additions	3,699	76	-	3,775
- amortization for the year	-	(422)	-	(422)
- impairment	-	-	(13)	(13)
- disposals	(3,223)	-	-	(3,223)
- transfers and other movements	(274)	-	-	(274)
Closing net book value	**220**	**1,895**	**79**	**2,194**
At 31 December, 2012				
Gross book value	220	7,235	92	7,547
Accumulated amortization and impairment	-	(5,340)	(13)	(5,353)
Net book value	**220**	**1,895**	**79**	**2,194**
Year ended 31 December, 2013				
- additions	675	610	-	1,285
- amortization for the year	-	(431)	-	(431)
- impairment	-	-	(65)	(65)
- disposals	(895)	-	-	(895)
- transfers and other movements	-	7	(14)	(7)
Closing net book value	**-**	**2,081**	**-**	**2,081**
At 31 December, 2013				
Gross book value	-	7,653	-	7,653
Accumulated amortization and impairment	-	(5,572)	-	(5,572)
Net book value	**-**	**2,081**	**-**	**2,081**

*The property rights includes the movements of emission quota.

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

			2013			**2012**
	Net book value before impairment HUF million	Impairment and other movements HUF million	**Net book value HUF million**	Net book value before impairment HUF million	Impairment HUF million	**Net book value HUF million**
- TVK Polska Sp.z.o.o.	79	79	**-**	92	13	**79**
Total goodwill	**79**	**79**	**-**	**92**	**13**	**79**

The dissolution of TVK Polska SP.z.o.o. finished at 28 February, 2013 and the allocated goodwill was derecognised.

5. Property, plant and equipment

The Group's tangible assets as of 31 December 2013 and 2012 were as follows:

	Land and buildings	Machinery and equipment	Other machinery and equipment	Construction in progress	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January, 2012					
Gross book value	46,367	180,146	22,578	2,367	251,458
Accumulated depreciation and impairment	(15,746)	(97,617)	(15,630)	-	(128,993)
Net book value	**30,621**	**82,529**	**6,948**	**2,367**	**122,465**
Year ended 31 December, 2012					
- additions and capitalizations	986	9,889	699	(664)	10,910
- depreciation for the year	(1,471)	(10,906)	(936)	-	(13,313)
- impairment	(9)	(76)	(3)	-	(88)
- disposals	-	-	(4)	-	(4)
- transfer and capitalizations	-	(46)	(281)	-	(327)
Closing net book value	**30,127**	**81,390**	**6,423**	**1,703**	**119,643**
At 31 December, 2012					
Gross book value	47,338	187,996	22,886	1,703	259,923
Accumulated depreciation and impairment	(17,211)	(106,606)	(16,463)	-	(140,280)
Net book value	**30,127**	**81,390**	**6,423**	**1,703**	**119,643**
Year ended 31 December, 2013					
- additions and capitalizations	619	3,240	771	6,914	11,544
- depreciation for the year	(1,508)	(10,508)	(960)	-	(12,976)
- impairment	(7)	(29)	(1)	(20)	(57)
- disposals	(3)	-	-	-	(3)
- transfer and capitalizations	(1)	52	136	(7)	180
Closing net book value	**29,227**	**74,145**	**6,369**	**8,590**	**118,331**
At 31 December, 2013					
Gross book value	47,937	190,553	23,202	8,590	270,282
Accumulated depreciation and impairment	(18,710)	(116,408)	(16,833)	-	(151,951)
Net book value	**29,227**	**74,145**	**6,369**	**8,590**	**118,331**

Impairment

	2013 HUF million	2012 HUF million
Scraps	57	88
Total	**57**	**88**

Leased assets

Property, plant and equipment includes machinery under finance leases:

	2013 HUF million	2012 HUF million
Cost	478	478
Accumulated depreciation	(477)	(465)
Net book value	**1**	**13**

Pledged assets

None of the assets of the Company were pledged as of 31 December 2013 and 2012. Assets of TVK Erőmű Kft. (HUF 8,471 million) and assets of Tisza-WTP Kft. (HUF 941 million) are pledged as collateral for long-term investment loans.

Borrowing Costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of certain assets. There were no capitalised borrowing costs in 2013 and 2012, that are directly attributable to the acquisition, construction or production of a qualifying asset.

6. Investment in associated companies

The Group's financial investments as of 31 December 2013 and 2012 were as follows:

Company name	Country	Range of activity	Ownership 2013	Ownership 2012	Net book value of investment 2013 HUF million	Net book value of investment 2012 HUF million
TMM Tűzoltó és Műszaki Mentő Kft.	Hungary	Fire prevention, technical rescue, technical supervision	-	30%	-	132
Total					**-**	**132**

Financial information on associates

Main financial data of the Group associates at 31 December 2012 (These amounts represent 100% of the values of the companies reported by those companies in accordance with IFRS):

	2012 TMM Tűzoltó és Műszaki Mentő Kft. HUF million
Total Assets	530
Liabilities	83
Net assets	**447**
Total operating revenues	585
Net profit / (loss)	8

TMM Tűzoltó és Műszaki Mentő Kft. was sold to MOL Plc. in 2013 for HUF 10.6 million. The recorded loss on sale was HUF 121 million.

7. Sale of subsidiaries

Carrying amount of disposed assets and liabilities of TVK Ukraina tov. (on 26 March 2012) analysis of net cash inflow on sales of the subsidiary was the following:

	TVK Ukraina tov HUF million
Property plant & equipment	3
Trade receivables	7
Other current assets	35
Total assets sold	**45**
Other long-term liabilities	6
Total liabilities sold	**6**
Net assets sold	**39**
Net result of the sale	**24**
Net cash intflow	**63**

There was no sale of subsidiaries in 2013.

8. Other non-current assets

The Group's other non-current assets as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Advance payments for assets under construction	4,143	-
Other *	-	1
Total	**4,143**	**1**

* It contains loans given which are interest free in the amount of HUF 1 million in 2012.

9. Inventories

Inventories as of 31 December 2013 and 2012 were as follows:

	2013 At cost HUF million	2013 Lower of cost or net realisable value HUF million	2012 At cost HUF million	2012 Lower of cost or net realisable value HUF million
Work in progress and finished goods	9,126	9,126	13,325	13,325
Raw materials	3,260	3,260	3,167	3,167
Other materials	1,308	918	1,038	764
Goods	37	37	205	205
Total	**13,731**	**13,341**	**17,735**	**17,461**

The Group believes that the level of impairment as of 31 December 2013 is sufficient to cover potential future losses on sale of inventories. As of 31 December 2013 and 2012, no inventory owned by TVK Plc. was pledged as collateral.

The total amount of impairment was HUF 390 million and HUF 274 million as of 31 December 2013 and 2012, respectively.

Inventories are regularly reviewed for impairment.

10. Trade receivables, net

Receivables as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Trade receivables	53,210	49,929
Provision for doubtful receivables	(289)	(246)
Total	**52,921**	**49,683**

Movements in the provision for doubtful receivables were as follows:

	2013 HUF million	2012 HUF million
At 1 January	246	211
Additions	43	38
Reversal	-	(3)
Amounts written off	-	-
Currency differences	-	-
At 31 December	**289**	**246**

As at 31 December 2013 and 2012 the analysis of trade receivables that were past due is as follows:

	2013	2012
	HUF million	HUF million
Neither past due nor impaired	51,374	48,430
Past due but not impaired	1,547	1,253
Within 90 days	1,260	1,208
91 - 180 days	172	2
Over 180 days	115	43
Total	**52,921**	**49,683**

The Group recorded a write-off on doubtful debts of HUF 2 million and HUF 8 million in 2013 and 2012, respectively.

To assess provision for doubtful debts, the Company estimated incurred losses that arise due to the liquidity problems of certain major debtors. The provision has been determined by reference to past default experience.

Export receivables are denominated primarily in EUR, USD and PLN and are recorded at the exchange rate as of 31 December 2013 and 2012. The resulting gain or loss is classified in a net amount either as financial income or financial expense, respectively (see notes 24) in the accompanying income statements.

11. Securities and Other current assets

Securities

The Group had HUF 222 million Securities in 2012 but there was no such item in 2013.

Other current assets

Other current assets as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Reclaimable VAT	16,246	18,239
Prepayments	206	120
Loan given to MOL Plc.	185	-
Advances to suppliers and service providers	81	92
Deferred revenues	38	4
Loans given and other receivables from employers	9	13
Extra tax for energy sector	9	9
Interest receivable	2	3
Deposit receivable from related party	-	291
Other	55	48
Total	**16,831**	**18,819**

	2013 HUF million	2012 HUF million
Current portion of loans given to MOL Plc.	185	-
Provision for doubtful loans receivable	-	-
Total	**185**	**-**

Movements in the provision for doubtful loans receivable were as follows:

	2013 HUF million	2012 HUF million
At 1 January	-	323
Additions	-	-
Reversal	-	(323)
Currency differences	-	-
At 31 December	**-**	**-**

12. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2013 and 2012 were as follows:

	2013	2012
	HUF million	HUF million
Cash at bank – EUR	6,575	4,438
Cash at bank – HUF	1,613	1,818
Cash at bank – PLN	244	144
Cash at bank – USD	268	37
Cash on hand – other currencies	-	2
Cash on hand – HUF	-	1
Total	**8,700**	**6,440**

13. Share capital

Share capital as of 31 December 2013 and 2012 was as follows:

Registered capital	Number of shares issued *	Face value of shares HUF	**Total** million HUF	Ownership portion %
31 December 2011	**24,290,843**			
Domestic entities	23,301,477	1,010	23,534	95.93
Foreign entities	275,353	1,010	278	1.13
Domestic private investors	294,718	1,010	298	1.21
Foreign private investors	4,571	1,010	5	0.02
Not registered investors	414,724	1,010	419	1.71
31 December 2012	**24,290,843**		**24,534**	**100.00**
Domestic entities	23,663,086	1,010	23,900	97.42
Foreign entities	271,670	1,010	274	1.12
Domestic private investors	299,364	1,010	302	1.23
Foreign private investors	5,735	1,010	6	0.02
Not registered investors	50,988	1,010	52	0.21
31 December 2013	**24,290,843**		**24,534**	**100.00**

* Ordinary shares representing equal and equivalent rights of members

Shareholders with a shareholding above 5% registered in the Share Register	**31 December 2013**	**31 December 2012**
Mol Hungarian Oil and Gas Plc.	94.86%	94.86%

14. Reserves

The total amount of reserves legally available for distribution based on the statutory separate financial statements of TVK Plc. is HUF 86,757 million and HUF 80,556 million as of 31 December 2013 and 2012, respectively.

15. Long-term debt, net of current portion

Long-term debt, net of current portion as of 31 December 2013 and 2012 were as follows:

	Weighted average interest rate	Weighted average interest rate	Maturity		
	2013	2012		2013	2012
	%	%		HUF million	HUF million
Secured bank loans in EUR - TVK-Erőmű Kft. *	1.06	1.60	2018	4,986	5,862
Secured bank loans in EUR - Tisza-WTP Kft. **	1.06	1.61	2017	813	971
Unsecured revolving loans in EUR from MOL Nyrt. ***				-	20,390
Unsecured revolving loans in EUR from Mol Group Finance S.A. ***	4.62	-	2017	23,456	-
Unsecured loans in EUR - TVK Nyrt. ***	1.60	-	2018	2,969	-
Other ****				2,910	3,194
Total				**35,134**	**30,417**
Current portion of long-term debt				3,626	1,152
Total long-term debt net of current portion				**31,508**	**29,265**

*On 26 July 2002, TVK Erőmű Kft. signed a project financing agreement with OTP Bank Nyrt., and the facility, that amounted to HUF 9,810 million (EUR 40 million), had been fully drawn by 31 December 2004. The loan is secured by a pledge on TVK Erőmű Kft's assets. At the end of 2013 the short-term part of the loan amounts to HUF 1,064 million (EUR 3.6 million) reported as short-term loan payable.

** In order to implement a water treatment plant to be operated by Tisza-WTP Kft., on 17 December 2002, the Kft. signed a long-term project and development loan agreement for HUF 1,883 million (EUR 8 million) with OTP Bank Nyrt. By the end of the availability period (29 December 2003), the Kft. had drawn down a total of EUR 7,340,000 from the facility. The project loan is secured by the Company's assets. At the end of 2013, Tisza WTP Kft. reclassified an instalment of HUF 187 million (EUR 0.6 million) due in 12 months to short-term loan payable.

*** 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

**** According to service agreement the shareholding of the majority owners of the capital of TVK Erőmű Kft. and Tisza WTP Kft. is to be reimbursed during the lifetime of the project, and is recorded as other long-term debt in accordance with IAS 32, as it qualifies as a financial liability.

Secured loans were obtained for specific capital expenditure projects and are secured by the assets financed from the loan.

According to maturity the long-term debts were as follows:

	2013	2012
	HUF million	HUF million
Maturity two to five years	31,508	25,767
Maturity over five years	-	3,498
Total	**31,508**	**29,265**

16. Provision for liabilities and charges

Provisions for expected liabilities and charges as of 31 December 2013 and 2012 were as follows:

	Environ-mental HUF million	Severance HUF million	Long term retirement benefits HUF million	Jubilee benefits HUF million	Early retirement HUF million	Legal claims HUF million	Emission quota HUF million	Total HUF million
Balance as of 31 December 2011	**2,314**	**7**	**143**	**257**	**49**	**-**	**-**	**2,770**
Additions and revision of previous estimates	151	415	7	14	-	57	597	1,241
Unwinding of the discount	119	-	7	13	-	-	-	139
Provision used during the year	(238)	(7)	(23)	(38)	(49)	-	-	(355)
Balance as of 31 December 2012	**2,346**	**415**	**134**	**246**	**-**	**57**	**597**	**3,795**
Additions and revision of previous estimates	119	-	(4)	4	-	13	457	589
Unwinding of the discount	93	-	4	9	-	-	-	106
Provision used during the year	(584)	(409)	-	(27)	-	(57)	(597)	(1,674)
Balance as of 31 December 2013	**1,974**	**6**	**134**	**232**	**-**	**13**	**457**	**2,816**
Current portion 2012	274	415	-	30	-	57	597	1,373
Non-current portion 2012	2,072	-	134	216	-	-	-	2,422
Current portion 2013	174	6	-	26	-	13	457	676
Non-current portion 2013	1,800	-	134	206	-	-	-	2,140

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 (See Note 28). 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 severance

The provision for severance equals to the amount of severance payments due but not yet paid as at 31 December 2013.

Provision for long-term employee retirement benefits

TVK operates benefit schemes that provide lump sum benefit to all employees at the time of their retirement. TVK employees are entitled for maximum of 2 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds. The value of provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of TVK. Principal actuarial assumptions state an approximately 2% difference between the discount rate and the future salary increase. 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.

Provision for jubilee benefits

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

The following table summarises the main financial and actuarial variables and assumptions based on which the amounts of retirement benefits were determined:

	2013	2012
Discount rate in %	2.0-3.5	2.5-5.2
Average wage increase in %	0-1.5	0.5-3.2
Mortality index (male)	0.02-0.62	0.02-0.84
Mortality index (female)	0.01-0.22	0.01-0.35

Provision for emission quota

The 2013 year's emission of CO_2 of the Group exceeded the owned quota quantity therefore a provision was recognised in amount of HUF 457 million on 31 December, 2013 for the deficit.

17. Trade and other payables

The Group's payables and other current liabilities as of December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Trade Payables	41,126	50,444
- from: payable to MOL Group	*35,136*	*44,567*
Investment suppliers	5,426	2,568
- from: payable to MOL Group	*2,000*	*1,035*
Discount payable to customers	2,788	2,996
Accrued expenses	1,692	543
Amounts due to employees	1,104	1,109
Dividends payable to the majority owner of TVK-Erőmű Kft.	706	440
Bank interest payable	341	242
Dividends payable to owner of Tisza-WTP Kft.	84	89
Taxes, contributions payable (excluding corporate tax)	64	59
Other	141	177
Total	**53,472**	**58,667**

18. Short-term debt

	2013 HUF million	2012 HUF million
Revolving credit in EUR from MOL Plc (parent company) *	-	4,092
Unsecured loans	5,497	3,343
Short term loan from parent company participating in cash - pool	171	595
Total	**5,668**	**8,030**

* In 2013, a short term revolving loan contract was made between TVK Plc. and MOL Plc. in an amount of EUR 30 million. The balance of the outstanding loan was zero as at 31 December, 2013.

19. Net sales by geographical area

Net sales by geographical area as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Hungary	205,359	194,869
Italy	29,907	27,436
Poland	29,112	22,531
Germany	27,992	25,748
Ukraine	16,484	10,316
Switzerland	11,603	6,457
Czech Republic	10,472	28,547
Romania	8,734	8,354
Austria	7,602	7,667
Slovakia	6,037	5,317
France	4,031	3,780
United Kingdom	3,018	2,349
Rest of Europe	17,281	12,081
Rest of Central-Eastern Europe	15,676	13,966
Rest of the World	9,182	5,166
Total	**402,490**	**374,584**

20. Other operating income

Other operating income as of 31 December 2013 and 2012 were as follows:

	2013	2012
	HUF million	HUF million
Penalties, late payment interest, compensation received	294	209
Gain on sales of intangibles, property, plant and equipment	279	158
Gain on sale of CO_2 emission quota	100	1,639
Allowances and subsidies received	3	14
Net gain (loss) on sale of subsidiaries	-	24
Other	28	148
Total	**704**	**2,192**

21. Raw materials and consumables used

Raw materials and consumables as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Material costs	*331,834*	*328,544*
Naphtha, AGO and other raw materials	287,569	286,638
Energy	37,236	34,614
Other indirect and auxillary materials	4,556	5,087
Other materials	2,351	2,176
Impairment of materials	122	29
Material type services	*14,717*	*13,595*
Transportation, loading, storage	6,085	4,945
Maintenance costs	3,753	3,650
Other costs	3,143	3,090
Sundry sales cost	968	1,035
Other administration cost	366	275
Other postal service cost	200	380
Technical development cost	197	215
Information technology service	5	5
Cost of goods sold	*16,216*	*21,678*
Cost of services sold	*99*	*167*
Total	**362,866**	**363,984**

22. Personnel expenses

Personnel expenses as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Wages and salaries	5,958	6,130
Social security	1,773	2,068
Other personnel expenses	436	1,284
Total	**8,167**	**9,482**

23. Other operating expenses

Other operating expenses as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Insurance	1,073	968
Other services	1,042	871
Subsidies given	779	68
Taxes and contributions	674	619
Rental costs	370	354
Outsourced bookkeeping services	298	194
Advertising expenses	192	173
Site security costs	179	173
Cleaning costs	131	139
Environmental provision made during the year	119	151
Bank charges	115	68
Environmental levy	53	56
Provision for doubtful receivables	50	45
Penalties, late payment interest, compensation (net of provision utilized)	49	291
Consultancy fees	35	13
Damages	14	37
Provision for legal and other claims	13	57
Crisis tax for Hungarian energy suppliers and retail activities	-	158
Provision for greenhouse gas emission over quota allocated free of charge	(140)	597
Environmental protection expenses, net	(495)	(89)
Other	545	291
Total	**5,096**	**5,234**

24. Financial income / (expense)

The financial income / (expense) as of 31 December 2013 and 2012 was as follows:

	2013 HUF million	2012 HUF million
Foreign exchange gain on receivables and payables, net	588	-
Interest received	81	138
Reversal of impairment and revaluation of securities	-	13
Foreign exchange gain on borrowings, net	-	1,704
Realized gain of non hedge other derivative transactions	-	687
Received amount from given loans	-	383
Other	16	9
Total financial income	**685**	**2,934**
Interest expense *	2,439	1,785
Other foreign exchange loss, net	496	184
Foreign exchange loss on borrowings, net	460	-
Loss on sale of investments	121	-
Interest on provision	106	139
Foreign exchange loss on receivables and payables, net	-	1,047
Other	63	67
Total financial expenses	**3,685**	**3,222**
Total financial income / (expense), net	**(3,000)**	**(288)**

* Interest expense of the Group for 2013 includes HUF 790 million (2012: HUF 481 million), being the share from the net income of TVK Erőmű Kft. of its majority shareholder (ÉMÁSZ Nyrt.), and Tisza WTP Kft. of shareholder (Sinergy Kft.).

25. Income taxes

Corporate income tax:

In 2013, TVK Plc. had a positive profit before taxation, which was further decreased by the tax base corrections. The current corporate income taxes contain the consolidated companies' corporate income taxes.

Income taxes:

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2013 and 2012 include the following components:

	2013	2012
	HUF million	HUF million
Local trade tax	1,076	470
Current corporate income taxes	790	222
Innovation fee	162	70
Surplus tax	-	25
Deferred taxes	65	(2,465)
Total income tax expense/(benefit)	**2,093**	**(1,678)**

Deferred tax:

The deferred tax income/expense consisted of the following items as of 31 December 2013 and 2012:

	Balance sheet		Recognized in income statement	
	2013	2012	2013	2012
	HUF million	HUF million	HUF million	HUF million
Breakdown of net deferred tax assets				
Provisions	535	934	(397)	5
Statutory tax losses and tax relief carried forward	13,595	14,395	(800)	3,021
Impairment and other	39	42	(3)	6
Deferred tax assets	**14,169**	**15,371**		
Breakdown of net deferred tax liabilities				
Depreciation, depletion and amortization	(12,379)	(13,352)	973	(310)
Capitalized periodic maintenance costs	(254)	(416)	162	(257)
				-
Deferred tax liabilities	**(12,633)**	**(13,768)**		
Net deferred tax asset / (liability)	**1,536**	**1,603**		
Deferred tax (expense) / income			**(65)**	**2,465**

TVK Plc. had a positive profit before taxation in 2013, which was slightly decreased by the tax base corrections, thus tax losses carried forward and tax relief were used to decrease the corporate tax income, to which the consolidated companies also contributed.

The Group recognised HUF 57 million deferred tax assets for unused tax relief and HUF 13,538 million deferred tax assets from tax losses of HUF 71,922 million (of which TVK Plc. HUF 70,507 million, TVK-Erőmű Kft. HUF 374 million, TVK Ingatlankezelő Kft. HUF 1,041 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The amount of such tax losses was HUF 76,345 million as of 31 December 2012. Deferred tax assets arising from negative profit before tax at group companies shall be recognised if it is probable that future taxable income will be available to offset these deferred tax assets. The Group has recognised deferred tax effects in respect of losses at Group companies in 2013.

The temporary difference relating to foreign subsidiaries has not been recognised because of the xxvi.) section of the accounting policy. Deferred tax of the foreign subsidiaries was not significant.

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates is as the follows:

	2013 HUF million	2012 HUF million
Profit before tax per consolidated income statement	7,754	(9,257)
Tax at the applicable tax rate (19%)	1,461	(1,755)
Robin Hood tax	-	25
Differences not expected to reverse	(8)	(222)
Effect of different tax rates	(83)	7
Local tax and innovation contribution	1,238	380
Tax relief	(515)	-
Other	-	(113)
Total income tax expense / (benefit)	**2,093**	**(1,678)**

26. Earnings per share (EPS)

The Group’s earnings per share based on consolidated information for 31 December 2013 and 2012 are as follows:

		2013	2012
Net income/(loss) according to IFRS	million HUF	5,661	(7,579)
Weighted average of shares outstanding in the period	pieces	24,290,843	24,290,843
EPS (HUF 1,010 face value)	HUF	233	(312)

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

Diluted EPS is the same as basic EPS as the Company has no diluting instruments or purchase options.

27. Financial instruments

Financial instruments in the balance sheet include associated investments, other non-current assets, trade receivables, other current assets, cash and cash equivalents, short-term and long-term debt, other non-current liabilities, trade and other payables. The financial assets and liabilities are carried at amortised cost.

The following tables set out the carrying amount, by maturity of the Group's financial instruments that bear interest as of 31 December 2013:

31 December 2013	1 to 12 months HUF million	1 to 2 years HUF million	2 to 3 years HUF million	3 to 4 years HUF million	4 to 5 years HUF million	Over 5 years HUF million
Floating rate						
Cash and cash equivalents *	8,700	-	-	-	-	-
Government bonds ** (2013/C)	-	-	-	-	-	-
Loan to MOL Plc.	185	-	-	-	-	-
Revolving credit form MOL Group Finance S.A.	(1,783)	-	-	(25,048)	-	-
Capital project loan	(1,325)	(1,400)	(1,462)	(1,524)	(312)	-
Unsecured loans	(6,275)	(628)	(618)	(609)	(596)	-
Short-term loan from parent company participating in cash-pool	(171)	-	-	-	-	-
CO_2 emission quota	-	-	-	-	-	-

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Capital project plan							
Net book value	(1,251)	(1,329)	(1,411)	(1,498)	(310)	-	**(5,799)**
Interest	(74)	(71)	(51)	(26)	(2)	-	**(224)**
Undiscounted contractual amounts	(1,325)	(1,400)	(1,462)	(1,524)	(312)	-	**(6,023)**

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Revolving credit form MOL Group Finance S.A.							
Net book value	(1,781)	-	-	(21,675)	-	-	**(23,456)**
Interest	(2)			(3,373)	-		**(3,375)**
Undiscounted contractual amounts	(1,783)	-	-	(25,048)	-	-	**(26,831)**

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Unsecured loans							
Net book value	(6,091)	(594)	(594)	(594)	(593)	-	**(8,466)**
Interest	(184)	(34)	(24)	(15)	(3)	-	**(260)**
Undiscounted contractual amounts	(6,275)	(628)	(618)	(609)	(596)	-	**(8,726)**

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Other long-term debt	**(759)**	**(71)**	**(1,006)**	**(672)**	**(402)**	**-**	**(2,910)**
Capital reimbursement of TVK Erőmű Kft.	(697)	-	(925)	(580)	(303)	-	**(2,505)**
Capital reimbursement of Tisza WTP Kft.	(62)	(71)	(81)	(92)	(99)	-	**(405)**

The following tables set out the carrying amount, by maturity of the Group’s financial instruments that bear interest as of 31 December 2012:

31 December 2012	1 to 12 months HUF million	1 to 2 years HUF million	2 to 3 years HUF million	3 to 4 years HUF million	4 to 5 years HUF million	Over 5 years HUF million
Floating rate						
Cash and cash equivalents *	6,440	-	-	-	-	-
Government bonds ** (2013/C)	222	-	-	-	-	-
Loan to MOL Plc.	-	-	-	-	-	-
Borrowing from MOL Plc.	(4,129)	-	-	(23,158)	-	-
Capital project loan	(1,281)	(1,350)	(1,396)	(1,448)	(1,499)	(306)
Unsecured loans	(3,562)	-	-	-	-	-
Short-term loan from parent company participating in cash-pool	(595)	-	-	-	-	-
CO2 emission quota	-	-	-	-	-	-

* Carrying amount of cash and cash equivalents equals to the contracted amounts.

** Contracted amount of the government bonds (2013/C) is HUF 231 million.

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Capital project plan							
Net book value	(1,152)	(1,224)	(1,302)	(1,382)	(1,469)	(304)	**(6,833)**
Interest	(129)	(126)	(94)	(66)	(30)	(2)	**(447)**
Undiscounted contractual amounts	(1,281)	(1,350)	(1,396)	(1,448)	(1,499)	(306)	**(7,280)**

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Revolving credit form MOL Plc.							
Net book value	(4,092)	-	-	(20,390)	-	-	**(24,482)**
Interest	(37)	-	-	(2,768)	-	-	**(2,805)**
Undiscounted contractual amounts	(4,129)	-	-	(23,158)	-	-	**(27,287)**

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Unsecured loans							
Net book value	(3,343)	-	-	-	-	-	**(3,343)**
Interest	(219)	-	-	-	-	-	**(219)**
Undiscounted contractual amounts	(3,562)	-	-	-	-	-	**(3,562)**

	Within 1 year HUF million	1-2 years HUF million	2-3 years HUF million	3-4 years HUF million	4-5 years HUF million	Over 5 years HUF million	**TOTAL HUF million**
Other long-term debt	**(355)**	**(796)**	**(75)**	**(1,055)**	**(706)**	**(207)**	**(3,194)**
Capital reimbursement of TVK Erőmű Kft.	(305)	(731)	-	(970)	(608)	(125)	**(2,739)**
Capital reimbursement of Tisza WTP Kft.	(50)	(65)	(75)	(85)	(98)	(82)	**(455)**

The net book value and fair value of financial instruments as the follows:

	Carrying amount		Fair value	
	2013	2012	2013	2012
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Loans given (see Note 8 and Note 11)	185	2	185	2
Trade receivables (see Note 10)	52,921	49,683	52,921	49,683
Securities	-	222	-	222
Cash and cash equivalents (see Note 12)	8,700	6,440	8,700	6,440
Other current assets (excluding loans given and prepaid and recoverable taxes (see Note 11)	310	478	310	478
Financial liabilities				
Interest-bearing loan and borrowings:				
Floating rate long-term bank loans (see Note 15)	5,799	6,833	5,799	6,833
Floating rate other long-term loans (see Note 15)	26,425	20,390	26,425	20,390
Floating rate other short-term loans (see Note 18)	-	4,092	-	4,092
Other (see Note 15)	2,910	3,194	2,910	3,194
Unsecured loans (see Note 18)	5,497	3,343	5,497	3,343
Short-term loan from parent company participating in cash-pool (see Note 18)	171	595	171	595
Trade and other payables (excluding taxes see Note 17)	53,408	58,608	53,408	58,608

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Three different strategies are followed based on the level of Net Gearing. In the three various scenarios, risk management focuses on the followings:

- High Gearing situation is declared when the Net Gearing ratio will exceed 40% for any of the next consecutive four business quarters according to actual 12 month rolling forecast. In a high gearing situation, the prime objective of risk management is to reduce the probability of breaching debt covenants, where a breach would seriously impair the company's ability to fund its operations.

- Moderate Gearing situation is triggered when the Net Gearing ratio is between 20% and 40%. In Moderate Gearing situation, risk management aims to enhance the commitment in maintenance of investment grade credit rating. Having public investment grade credit rating ensures significant financial flexibility as capital market sources are also available at reasonable cost level.

- Low Gearing status occurs if the Net Gearing ratio is below 20%. In this status, the focus of risk management shall be directed more toward guarding of shareholder value by maintaining discipline in CAPEX spending, ensuring risk-aware project selection.

	2013 HUF million	2012 HUF million
Long-term debt, net of current portion	31,508	29,265
Current portion of long-term debt	3,626	1,152
Short-term debt	5,668	8,030
Less: Cash and cash equivalents and securities	8,700	6,440
Net debt	**32,102**	**32,007**
Equity attributable to equity holders of the parent	121,047	115,387
Non-controlling interest	-	-
Total equity	**121,047**	**115,387**
Capital and net debt	**153,149**	**147,394**
Gearing ratio (%)	*20.96%*	*21.72%*

Financial risk management

Foreign exchange and commodity price risks

The prices of the most important raw materials and those of olefin and polymer products produced by TVK Plc. fluctuate according to international market rates. Sales are significantly affected by the EUR/HUF exchange rate, while purchases are primarily USD based. In 2013 TVK Plc. did not have any forward or option contract nor had other derivatives to hedge FX risks. The loan granted to the Company is denominated in EUR in order to reduce exchange rate risks.

Effect on profit from financial activity	2013 HUF billion	2012 HUF billion
Exchange (change +/- 10 HUF/EUR)	- / + 0.9	- / + 0.8

Sensitivity analysis for key exposures

In line with the international benchmark, Group Risk Management prepares sensitivity analysis. According to the Financial Risk Management Model, the key sensitivities are the following:

Effect on profit from operations	2013 HUF billion	2012 HUF billion
Petrochemical		
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin)	- / + 2.0	- / + 1.7
Integrated petrochemical margin (change by +/- 10 EUR/t)	+ / -1.9	+ / -1.8
Exchange rates (change by +/- 10 HUF/USD; with fixed crack spreads)	- / + 9.6	- / + 9.4
Exchange rates (change by +/- 10 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)	+ / - 10.2	- / + 9.5

Credit risk

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

Interest rate risk management

As a chemical company, TVK has limited interest rate exposure.
As of 31 December 2013 and 2012, 100% of the Company's debt was at variable rates respectively.

Effect on profit from financial activity	2013 HUF billion	2012 HUF billion
Interest rate (change +/- 1 percentage point)	- / + 0.3	- / + 0.2

As of 31 December 2013 and 2012, there was no open interest rate swap transaction.

Liquidity risk

The Company is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to cover the liquidity risk in accordance with its financing strategy. The amount of undrawn facilities as of 31 December 2013 and 2012 consists the followings:

	2013 HUF million	2012 HUF million
Short-term credit facilities		
from: bank	503	2,657
parent company / MOL Group Finance S.A.	8,907	4,646
Long-term credit facilities		
parent company / MOL Group Finance S.A.	6,235	-
Total credit facilities available	**15,645**	**7,303**

28. Commitments and contingency liabilities

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.

Capital and contractual commitments

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.

Take or Pay Contract

The TVK Erőmű Kft. has concluded long-term gas purchase contract with MOL Energiakereskedő Zrt. (at the time of the annual report preparation: MET Hungary Ltd.) in order for continuous operation of equipments in the power plant. As of 31 December 2013, approx. 333 million cubic meters of natural gas will be purchased during the period ending 2018 based on this contract.

TVK Plc. signed a long-term natural gas purchase contract with MOL Plc. and MOL Energiakereskedő 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 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.

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. Please refer to Notes 29.

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.

29. Related party transactions

Transactions with associated companies in the normal course of business

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. (Please refer to Notes 28)

The Company (as a service provider) and the MOL Plc. conculded 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.

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.

	2013 HUF million	2012 HUF million
Sales		
To MOL Group	*79,241*	*68,185*
of which:		
MOL Plc.	71,503	58,362
Slovnaft a.s.	6,041	310
MOL Commodity Trading Kft.	724	3,928
Petrolszolg Kft.	199	212
Slovnaft Petrochemicals s.r.o.	-	5,014
to other related parties	*-*	*3*
TMM Tűzoltó és Műszaki Mentő Kft.	-	3
Supply		
From MOL Group	*329,466*	*339,254*
of which:		
MOL Plc.	286,534	296,635
MET Hungary Ltd.	18,865	19,087
Moltrade-Mineralimpex Zrt.	8,625	5,721
Slovnaft a.s.	6,728	591
Petrolszolg Kft.	6,379	7,337
MOL Commodity Trading Kft.	619	3,699
Slovnaft Petrochemicals s.r.o.	-	4,924
from other related parties	*307*	*264*
TMM Tűzoltó és Műszaki Mentő Kft.	307	264

30. General Incentive Schemes for management and share-based payment plans

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. Expenses incurred by this scheme were HUF 188 million, and HUF 175 million in 2013 and 2012, respectively.

The liabilities related to incentive scheme as of 31 December 2013 and 2012 were as follows:

	2013 HUF million	2012 HUF million
Short-term incentive	174	239
Total	**174**	**239**

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.

Details of the share option rights granted during the year are as follows:

	Number of shares
Outstanding at the end of 2011	**27,615**
Granted during the year	11,600
Forfeited/Excercised during the year	(26,004)
Outstanding at the end of 2012	**13,211**
Granted during the year	5,600
Forfeited/Excercised during the year	(1,000)
Outstanding at the end of 2013	**17,811**

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. In 2013 expenses recorded in preceding years has been reversed in a value of HUF 22 million (HUF 42 million reversal in 2012).

Liabilities (without payroll related contributions) in respect of the share-based payment plans amounted to HUF 25 million as at 31 December 2013 (31 December 2012: HUF 42 million), recorded in Trade and other payables.

Fair value as of the balance sheet date was calculated using the binomial option pricing model. The inputs to the model were as follows:

	2013	2012
Weighted average price at grant date (HUF / share)	18,583	18,258
Share price as at 31 December (HUF / share) *	14,426	17,755
Expected volatility based on historical data	31.80%	44.18%
Expected dividend yield	2.82%	2.61%
Estimated maturity (years)	2.86	3.16
Risk free interest rate	4.44%	0.15%
Weighted average fair value of the options	1,812	4,267

* *Average share price on the last trading day of 2013.*

Key management compensation

	2013 HUF million	2012 HUF million
Salaries and other short term employee benefits	146	161
Severance payment	-	16
Share-based payment	-	61
Honoraria	148	149
Total	**294**	**387**

Loans to the members of the Board of Directors and Supervisory Board

No loans have been granted to Directors or members of the Supervisory Board.

31. Events after the reporting period

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.