TVK Group Business Report on year of 2013

TVK Plc.
MEMBER OF THE MOL GROUP

TVK GROUP BUSINESS REPORT ON THE YEAR OF 2013

The figures presented in the Business Report of the business year 2013 of Tisza Chemical Group Public Limited Company (TVK Plc.) are audited and final. The term „TVK Group level data" is used in this report to refer to the figures of TVK Plc. and its affiliates consolidated in line with the International Financial Reporting Standards (IFRS). 2 subsidiaries, 1 affiliated business and 1 non-participating business were fully consolidated.

As required under law, the annual report presents true and fair figures and statements, and does not withhold any facts that the issuer – to its best knowledge – considers to be of material importance in terms of evaluating the issuer's position. The issuer is liable for the contents of this annual report. The issuer is also liable for damages arising from a failure to make regular and extraordinary disclosures and any misleading representation in its disclosures.

TABLE OF CONTENTS

Management Discussion and Analysis

Summary - major goals and results

Our major goals – competitiveness, efficiency, profitability

Enhancing our competitiveness we can highly lean on the MOL Downstream Division integration synergies: the secured feedstock supply, the robust financial background and strong position in the regional markets, together with the competitive products of the optimized production capacities.
In the global petrochemical competition, European producers are struggling with the poor economic growth, the weak demand and the lack of low cost energy and feedstock supply, as shown by the fact that beyond the reconstruction and efficiency improvement of the existing assets, no new olefin capacity has been built in Europe since 2005.

Although the integrated petrochemical margin rose by 48 EUR/tonnes or 19% in 2013, this is still a fragile improvement in the business environment. Owing to many general overhauls and technical failures in 2013, polymer supply was considerably limited by the relatively high lost production volume. Owing to the fluctuating margin, the potential import shipments have been sold in other markets outside Europe. Our customers, the plastic processing companies in Europe, were operating with reduced feedstock level, only expectations of forthcoming price hikes changed this attitude temporarily. Their overall consumption of raw materials was curtailed by the moderate demand, fuelled by the economic woes in the Euro zone economies.

Due to our stable position in the regional polyolefin markets and by paying particular attention to the continuous improvement of our product quality and customer portfolio, TVK can cope with these business challenges. This attention – along with the implementation of our energy strategy and cost cutting actions carried out in the scope our New Downstream Programme – and the good state of production facilities can guarantee the efficient operation for the forthcoming years.

In our sales and marketing activity we intend to strengthen our position in Central-Europe that is core region for refined products of MOL Group Downstream as well. Along the rapid growth potential anticipated in regional polymer demand, the attractiveness of proximate markets can be derived from the outstanding knowledge of specific economic and infrastructural characteristics in the region, from logistic advantages and the potential to build strategic customer relationships. Beyond the production of high quality products, our most relevant competitive advantages are sales and marketing services, customer care and support as well as production facilities that provide supply of competitive polyolefin products.

Due to maintenance shutdowns and the shift in demand for polyolefin in 2013, our polymer production increased by 4% and the polymer sales by 8% compared to volumes in the preceding year. Due to our stable position in the relatively well performing regional polyolefin markets of Central Europe we managed to cope with the unfavourable business periods during the year. We lay particular emphasis on better understanding of customer requirements and building stable business relations in order to improve a sustainable business model and to mitigate commercial risks in addition. Following the reparations in TVK LDPE-2, the unit successfully started up on 22 July 2013. A technological breakdown caused fire and damages in the plant on 31 October 2012 and it was permanently shut down.

Our Process Safety Management (PSM) system - based on Dupont methodology - is revealing and investigating operational risks, events and monitors the execution of preventive and corrective actions. PSM audits, conducted at production units are the other relevant processes, though we intend to increase operational safety in our petrochemical processes.

The performance of well prepared and committed professional staff can guarantee the sustainability of our business development. We continue development in the fields of environmental protection, social responsibility and attitude of business ethics, which can provide firm basis to our business operation. We take an active part in chemical industry associations and in professional preparatory works of regulations in the European Union.

Major results and developments in the year of 2013

In 2013, TVK reached considerably better results compared to the former years. The HUF 10.7 billion operating profit reached in 2013 improved by HUF 20 billion year-over-year. The main factors supporting the increase were as follows: the higher production and sales volumes, the more favourable integrated petrochemical margin and the better price ratio of olefin by-products and feedstock. Profitability was improved by the favourable, profit increasing effect of changes in the exchange rates and the better performance due to the efficiency-improving projects. The integrated petrochemical margin, representing the profit generation capacity of the industrial sector raised by 19% mainly due to the decreasing naphtha quoted prices and the 3% strengthening of Euro against US dollar.

HUF 402 billion net sales increased by 7%; while EBITDA reached more than HUF 24 billion, up by near 400%. Operating cash flow improved by HUF 18 billion. In case of the profit after tax we succeeded to turn the last year’s HUF 7.6 billion loss to HUF 5.7 billion profit.

Capacity unitisation rate in all producing plants of the company increased by 5% to 83% year-on-year. Both periods were characterised by moderated production due to the external environment, the polymer market demand circumstances, and the feedstock supply optimisation. Polymer production volume increased by 4%, while our own produced polymer sales were higher by 8%, year-on-year. These results are more valuable regarding that the market demand is still feasible, and feedstock and polymer product prices change hectically.

Production and sales ratios improved as LDPE-2 unit started its production in the second half of the year, after a long time breakdown due to a fire accident in October 2012. TVK Group realized 49% of its sales revenues from export sales.

Number of employees at TVK Group was 975 full time employees at the end of 2013.

Key Profit and Loss and Balance Sheet figures - TVK Group consolidated audited figures according to IFRS

HUF million	Year 2012 *restated*	Year 2013
Net revenue	**374,584**	**402,490**
Operating profit	**(8,969)**	**10,754**
Financial expenses, net	**(288)**	**(3,000)**
Profit before tax	**(9,257)**	**7,754**
Profit for the year	**(7,579)**	**5,661**
HUF million	**31.12.2012. *restated***	**31.12.2013.**
Non-current assets	123,573	126,091
Intangible assets	2,194	2,081
Property, plant and equipment	119,643	118,331
Invested financial assets*	1,736	5,679
Current assets	92,760	92,078
Inventories	17,461	13,341
Total assets	**216,333**	**218,169**
Equity attributable to equity holders of the parent	115,387	121,047
Share capital	24,534	24,534
Non-current liabilities	31,724	33,680
Current liabilities	69,222	63,442
Total equity and liabilities	**216,333**	**218,169**

** Contains deferred tax receivables also.*

Our main strategic goals and results

TVK is a dynamically growing petrochemical player in Central Europe. Considering our present competitive position and our expectations for the business environment, our main strategic objective is as follows: Maintain our leadership in the regional petrochemical market by improving our operating efficiency and the competitiveness of our assets and product portfolio and through long term, value creating and profitable business operation.

In order to meet this objective, our business focuses are the following:

- In order to achieve our value generation targets, we build a 130 kt/year capacity butadiene extraction unit in Tiszaújváros. Through the development we can acquire considerable profit improvement potential. We plan to launch the commercial butadiene production from the second half of 2015.
  To expand MOL Downstream petrochemical value chain, MOL shall build a 60 kt/year capacity synthetic rubber plant in partnership with the Japanese synthetic rubber producer, JSR. According to our schedule, the joint venture called Vierium will launch the s-SBR synthetic rubber production from 2017. The feedstock for the unit will be provided by TVK's butadiene plant.
- TVK highly lean on the MOL Downstream integration benefits. We play a prominent role in the three year efficiency and competitiveness improvement program of MOL Group, named "New Downstream" program. We realized our EBITDA growth target from our "New Downstream" actions in 2013. According to our target in the program, we reduced the TVK headcount by 12%, compared to the year 2011 basis. In order to enhance the operational efficiency, we separate the global and local decision levels. So, some co-ordination and service functions will be integrated and performed in MOL Downstream Hungary level in the future.
- We are reviewing our sales and marketing strategy, where our focus is to strengthen our market position in Central-Europe:
    - through competitive product portfolio tailored to customer needs;
    - via the optimization of our customer portfolio – by focusing on attractive segments;
    - by improving the quality of our sales services.
- TVK is active player in the regional olefin market. Through the increase of olefin products sales we can enhance the capacity utilization in the olefin plants, which are strategic assets in our business. Although we increased our ethylene sales by 28%, owing to the unfavorable business environment in the tyre manufacturing industry, our crude C4 and pyrolysis oil sales have decreased by 65% and 4% respectively in 2013. BorsodChem Zrt., our strategic partner in ethylene sales in Hungary, increased its ethylene take off to the negotiated quantity, in line with our long term supply contract that we signed in May 2012 for ten years period.
- We are consequently implementing our energy saving and emission reduction strategy formulated in 2008. This will further improve the cost efficiency of the overall energy process to the benefit of environment.
- We give high priority for protecting our environment. In this regard, we wish to live up to our corporate social responsibility and keeping our plants at a high technical level through scheduled maintenance shutdowns.
- We continue to pay outstanding attention to operational safety in our industrial processes. Our Process Safety Management (PSM) system - introduced in 2010 - is revealing and investigating operational risks and events.
- Our mission is to supply our customers with petrochemical products of excellent quality and high level services. Our products are fundamental for a wide range of industrial applications and for the production of a huge number of consumer goods which are essential to everyday life and provide more comfort and plenitude in people's life.

TVK as member of the Petrochemicals business in MOL Downstream

According to our 'crude to plastic' philosophy we optimize our refining and petrochemical production through the whole hydrocarbon value chain, which not only maximizes our profitability, but also reduces the risk at group level. Integration between petrochemical plants and refineries improves the competitive position for both sides.

The stable and favourable feedstock supply, harmonized production and maintenance shutdowns and common investment in technology are the major synergic benefits deriving from the integration of petrochemical operation between TVK and MOL Downstream. The total polyolefin production capacity of MOL Group exceeds 1.2 million tons that provides leader position in polyolefin production in Central Europe and represents considerable market share in Europe. Sales, marketing and logistics operation that we perform under integrated management and develop according to a coherent strategic approach, are generating further important benefits for the MOL petrochemical portfolio. MOL Group membership provides a strong financial background to the cyclical petrochemical business as well.

Continuation with the energy efficiency improvement and the emission reduction actions

We laid special emphasis on the energy efficiency improvement and the decrease of greenhouse gas emission in the development and operation of production units, energy supply systems and infrastructure in 2013. We paid particular attention to achieve energy saving and to keep energy consumption at the possible technical minimum in our production units.

Commitment to improve energy efficiency is deeply rooted in our strategic thinking. In response to the thriving importance of environmental protection and the high energy prices in Europe, we are consequently implementing our energy strategy formulated in 2008. Our target is to achieve 14% (169 kilotons) reduction of the annual CO_2 emission and to realize USD 32 million/year average energy costs saving by 2015, compared to the year 2008 basis. In order to meet the energy strategy objectives, we have to realize further 22 kilotons per year annual CO_2 emission reduction and USD 8 million cost savings through energy efficiency development actions to be implemented by 2015.
Considering the cost saving and the CO_2 emission reduction, we can cope with these objectives according to our plans. However we are committed to increase our energy efficiency even beyond the targets to the technically possible extent, in order to keep our competitive position and for the favour of the environment.

Facing future challenges

In the future petrochemical industry remains increasingly global and the more intense competition, emanating from polyolefin production of low-cost feedstock, will set further challenges in the business. To keep and further strengthen competitive advantages, we are committed to continue with the implementation of our strategic development targets and seeking for new business opportunities. The review of strategic development options is regular procedure at Petrochemicals.
Our primer objective for the forthcoming strategic period is to implement the strategic development projects within budget and put the new units on stream by the deadline set.

In our sales and marketing we will focus on Central Europe, where we gain explicit benefit from the advantageous geographical position, the favourable logistics costs and from the better understanding of customer needs.

We further develop our successful method of active product and customer portfolio management, which is supported by a system designed to optimize the whole supply chain (Supply Chain Management).

MOL Downstream integration benefits, the excellent location, the well balanced product and customer portfolios are the key elements that can determine our competitive power.

We give high priority for protecting our environment. In this regard, we wish to live up to our corporate social responsibility by keeping our plants at a high technical level and by doing so reducing security and environmental risks as well as by operating our environmental protection system that outperforms regulatory requirements.

As regards the long term future, we are confident that polymers and other petrochemical products can play an important role in making people's lives more perfect without increasing carbon dioxide emission that influence climate change significantly. Our mission is to make this opportunity real.

Our Production

Our major goals are to increase production volume and improve efficiency through the optimal operation of our petrochemicals business along with the maximum utilization of available capacities.

> *The economic pillar of sustainable development is extremely important for us. The most important challenges we must face are related to the life cycle of our products: reducing environmental impacts, improving product quality, ensuring safe products and production processes and expanding our long term portfolio for biologically degradable products. Our current production processes and each development must be based on scientific results and the best available technology.*

Competitive advantages

According to our 'crude oil to plastic' philosophy we optimize our petrochemical and refining production through the whole hydrocarbon value chain, which not only maximize our profitability but reduce risks on group level. We exploit synergies from integrated operation that ensures reaching operational excellence, through coordinated planning and feedstock supply with refining on the one hand, and though common group level services on the other hand. These elements provide us significant benefits and flexibility. Our geographical location also gives a competitive advantage, offering low-cost access to the fast growing polymer markets of Central Europe. We have a competitive asset base with a well-balanced product portfolio. Our highly talented staff has capabilities and experiences to manage most effectively our operation and to face the challenges as well.

Capacity unitisation:

Capacity unitisation rate in all producing plants of the company increased by 5% to 83%, year-on-year. Both periods were characterised by moderated production due to the external environment, the polymer market demand circumstances, and the feedstock supply optimisation. The main factors influencing this rate were: the maintenance shutdown in Q2 2012, and the production shortfall of the LDPE-2 unit in H1 2013 due to a fire accident. All plants operated during the whole year except the planned and other breakdowns.

Our production plants and their capacities

Plant	Capacity (kt/year)	Technology	Year commissioned
Olefin Plants			
Olefin-1*	370	Linde	1975
Olefin-2*	290	Linde	2004
Ethylene total	**660**		
Polymer Plants			
LDPE-2	65	BASF	1991
LDPE total	**65**		
HDPE-1	200	Chevron Phillips	1986
HDPE-2	220	Mitsui	2004
HDPE total	**420**		
PP-3	100	LyondellBasell	1989
PP-4	180	LyondellBasell	2000
PP total	**280**		
Polymers total	**765**		

** Production capacity calculated for ethylene*

Production processes

We utilise our vertically integrated structure of production to produce raw materials for plastics processing from a variety of hydrocarbons. The production process includes two major stages: making monomers and polymerisation.

The olefin plants convert naphtha, gasoil and liquefied gases purchased from the MOL Group into ethylene and propylene to be processed into polyethylene and polypropylene in our own polymer plants.

A part of our ethylene, produced in the olefin plants, is sold to BorsodChem Zrt. in accordance with the long term agreement signed by the parties.

In 2013, we concluded a one year contract with Synthos Kralupy a.s., and a two years contract with INEOS Europe AG for the supply of raw C4 fraction.

MOL Group uses the cracking co-products of our Olefin Plants, such as isobutylene, benzene-toluene, C8 and C9 fractions to produce MTBE and benzene or as components in blended gasoline and heating oil. Quench oil is utilised as feedstock for making carbon black by Columbian Tiszai Koromgyártó Kft., located in the TVK industrial site.

Olefin Production

Olefin-1 Plant started up in 1975 and Olefin-2 came on line in 2004. Both utilise Linde technology. The annual capacity of the two plants, calculated for ethylene is 660 kilotons. The two main product of olefin production is ethylene and propylene.

In 2013, the Olefin plants' monomer production (ethylene and propylene together) was 10% over the year 2012 level. The optimalisation of the available feedstock volumes and the unfavourable polymer market circumstances did not create a possibility to utilize fully our olefin capacities during the year. In 2013, the sales income of olefin production increased with 7%, the ethylene output was 10% higher compared to 2012. The capacity utilisation of both plants calculated for ethylene was 82%.

We sold 130 kilotons of own produced ethylene to BorsodChem Zrt. and 17 kilotons to Kalush. 10 kilotons of raw C4 fraction was sold to INEOS Europe AG and 7 kilotons to Synthos Kralupy a.s. 0.4 kilotons purchased and 2.2 kilotons of own produced propylene was sold to Slovnaft a.s. in 2013. We also had 8 kilotons C8 fraction export. Pyrolysis feedstock supply was insured by exclusively MOL Group companies in 2013.

Polymer Production

The total polymer production amounted to 649 kilotons in 2013, 27 kilotons higher than in the previous year. Production was lower in case of LDPE product segment (due to the shutdown in H1 2013), but higher in HDPE and PP product segments than in 2012. Capacity utilization of polyethylene units was influenced by two factors: availability of ethylene and shutdown of LDPE-2 plant. Polymer sales revenue reached HUF 247 billion, which is HUF 19 billion higher than in 2012.

Low-Density Polyethylene (LDPE) Product Group

LDPE-2 Plant using BASF technology was built in 1991, with an annual capacity of 65 kilotons.

The sales income of LDPE Product Group was HUF 14 billion in 2013, down by 32% compared to 2012. The sales volume was 37 kilotons, this amount contains the LDPE product resale, purchased from Slovnaft a.s. The production volume of LDPE product was 26 kilotons, down by 18 kilotons compared to 2012. Capacity utilisation fell down to 40%. The lower volume of LDPE production is due to the fire accident happened on 31 October, 2012 in the LDPE-2 plant. Repairing the damage took more months due to the replacement of the special spare parts. The unit was restarted on July 22, 2013.

High-Density Polyethylene (HDPE) Product Group

Utilising Chevron Phillips process technology, HDPE-1 Plant was constructed in 1986. HDPE-2 plant utilising the Mitsui Chemicals so-called CX-process came on line in 2004. The joint annual capacity of the two plants is 420 kilotons.

HDPE Plants were affected most sensitively by the economic situation. The decreasing capacity utilization is due to the reduced ethylene production on one hand, and on the other hand the fact that the exposure of this product is the highest in the market. In 2013, the sales income of the HDPE product group increased by 15% to HUF 132 billion. Total production volume of both units was 351 kilotons, higher by 29 kilotons compared to 2012, while capacity utilization was up to 84%. Due to the shutdown of LDPE-2 unit the produced ethylene was consumed by HDPE plants.

Polypropylene (PP) Product Group

PP-3 Plant has operated since 1989 with Spheripol (Himont, currently LyondellBasell) technology, and has been complemented by the PP-4 Plant, which uses Spheripol (Montell, currently LyondellBasell) technology since 2000. The total annual capacity of the two plants is 280 kilotons.

The PP product sales income was HUF 101 billion, up with 9% year on year. The total production volume was 273 kilotons, while capacity utilization was 97%.

Butadiene-extraction unit

In 2012, agreement was signed with the general contractor of TVK's new Butadiene-extraction unit. The new plant with a 130,000 tons annual capacity will be built by a total capital expenditure of approximately HUF 35 billion. According to the plans, the production will start in 2015. The tender on building of the plant was gained by Lurgi/OTF consortium, with a technology based on BASF license. Implementation of the new plant started in 2013. The foundation stone-laying ceremony of TVK's Butadiene-extraction unit was held on October 15, 2013. This symbolic act proves that the MOL Group is committed to implement its investment program in Hungary. During the one and half year construction, hundreds of people will be employed at the site by contractors and subcontractors. In 2013, all construction phase went on as scheduled. By the start up of commercial production from the second quarter in 2015, the TVK – and as well the MOL Downstream Division –profitability will improve by billions of HUF annually. The plant will create 32 new positions and it creates the possibility to start producing brand new products in the MOL Group by the extension of the petrochemical value chain.

Outlook

In 2014, there will be a maintenance turnaround shutdown of HDPE-2 and PP-4 plants and a cleaning shutdown of Olefin-1 and PP-3 units. During the next year we prepare to the overhauls to be done in 2015. The capacity utilizations of the technologies will highly depend on the economic environment.

The external economic environment compels us to maintain austerity in cost management while focusing first of all on the continuous improvement of operating efficiency, maintaining and ensuring secure operations, enhancing the energy efficiency of our systems of process technology in view of the substantial rise of energy prices and on identifying and immediately implementing any remaining opportunities presented by our technological systems besides considering the environmental aspects in full.

Our Sales

Strongly fluctuating market demand was highly affecting the activity of plastic-processing companies. In 2013, we increased our sales in parallel with the higher but still low-key production. We succeeded in maintaining our regional role in Central-Europe in 2013, as according to our sales and marketing strategic target.

We develop our products by continuously examining the requirements of our customers. We are out for delivering high quality services and product information related to our products in order to satisfy customer needs. We permanently monitor and regularly communicate the health, safety and environmental (HSE) effects during the life cycle of our products and production processes. Tailor made products were launched and we are working on further product developments with higher added value. It is our aspiration to integrate product liability into each section of the life cycle.

In 2013 we increased our HDPE and PP sales even amid continuously changing market environment. However, the damage occurred in the LDPE-2 unit had a negative influence on our sales possibilities. In 2013, quoted polyolefin prices, which have a particularly high impact on the petrochemical business, diminished slightly, except the HDPE price, where prices fell significantly by over 100 EUR/tons. Following the downward trend of the lower quoted prices, were realized lower price levels on TVK sales, compared to the previous year. However, the favourable change in currency rates has a positive impact on our profit generation in 2013.

Besides exploiting our favourable geographic location in Central Europe in the field of logistics services, sales support, product development and costumer relations, we could improve our competitiveness due to our knowledge the market specifics of the Central-European polyolefin market.

In 2013, the total polymer production rose by 4% and amounted to 649 kt. Overall polymer sales volume reached 656 kt, which is 46 kt higher than in the previous year. Export destinations represented 76% (498 kt) of total polymer sales, whilst the share of the domestic market was 24% (158 kt). In line with our sales focuses, we concentrated our sales to the Central European markets. Regarding the composition of our sales, the share of LDPE and PP sales decreased by 4% and 1% respectively, while the weight of HDPE sales increased by 4%. Owing to the higher sales volume the net income from polymer sales amounted to HUF 247 billion in 2013.

Domestic sales volume was 158 kt, that is by 12 kt less compared to 2012. Sold quantity decreased in case of LDPE products, due to the long-lasting standstill of the LDPE unit. At the same time, our export sales expanded by 58 kt. In 2013, polymer export sales continued to focus on the European markets.

Our proprietary distribution network, which we have been operating successfully for several years covering several European countries, was instrumental in achieving these results. MOL Group’s subsidiaries are in Austria, France, Poland, Germany, Italy, Ukraine and, Romania. Our foreign trading subsidiaries are engaged in selling the products of both TVK and the MOL Group member Slovnaft a.s. We operate two cash&carry sites in Hungary in order to maintain the direct supplies of middle- and smaller size enterprises.

We continued to implement the tactical elements of our sales and marketing strategy successfully in 2013; we improved our market intelligence and analyses, we continued to develop our product portfolio in response to the outcome of permanent analyses, for strengthening customer loyalty and acquiring new potential partners we elaborated a new customer relationship management conception, moreover for improvement of our sales channels efficiency we strengthened our sales staff.

Outlook

In the present environment, TVK can benefit from its competitive advantage deriving from the central position in the landlocked markets of Central Europe.

On the basis of our integrated operation and actively managed product and customer portfolio we are out for building our position in the regional markets. In the forthcoming years our prime objective is to further improve customer reputation both in Hungary and in the countries of Central-Europe.

Subdued European market demand is coupling with increasing competition in consequence of inflow of the Middle East cargoes to the continent and owing to the intense price competition generated by the regional competitors to maintain their market positions. In the frame of MOL Downstream efficiency improving programme we made numerous efforts and intend to continue further on, in order to offset the unfavourable market and regulation changes (example for the latest the introduction of the e-toll for the Hungarian roads). In addition to efficiency improvement and strict cost-control, we focus on firm our competitive position in our markets. Furthermore, we continue to develop our business and managing proactively our product and customer portfolio. Significant element of our efficiency improvement efforts is the restructuring of our sales channels on the French, Former-Yugoslavian and South-East European markets.

For developing quality of our services related to customer supply and support a new customer relationship management conception and new service packages were elaborated, which will be implemented and start functioning in 2014. As the polymer markets of Central Europe have greater growth potential than the European average, our sales strategy continues to focus on exploiting our favourable geographic location. Besides, we intend to strengthen our presence on some key – especially on the German – Western European markets, whilst concerning product groups in LDPE first of all. One of our strategic goals is to diversify our HDPE product portfolio to contribute a more balanced operation.

Our future goals

- Maintain regional leadership position.
- Retain and build the reliable and stable customer base, by laying more emphasis on customer support and further improving customer loyalty.
- Manage customer portfolio actively.
- Develop product portfolio according to market requirements.

Consolidated Companies

TVK consolidated companies include one trading subsidiary, besides consolidated companies that are indispensable for supporting operations.

On February 28, 2013, the liquidation process of TVK Polska Sp. z o. o., 100% consolidated foreign trade subsidiary, was finished.

TMM Tűzoltó és Műszaki Mentő Kft. was sold on June 18, 2013.

In the fourth quarter of 2013, some consolidated companies' registered capital had been changed. Capital of TVK Ingatlankezelő Kft. decreased to HUF 1,620 million, that of TVK Erőmű Termelő és Szolgáltató Kft. decreased to HUF 2,218.4 million, while the capital of Tisza-WTP Vízelőkészítő és Szolgáltató Kft. was decreased to HUF 405 million.

Main figures of consolidated companies

	TVK France S.a.r.l.	**TVK Ingatlankezelő Kft.**	**TVK Erőmű Kft.**	**Tisza-WTP Kft.**
Line of Business	Sell TVK products in France	Lease and operate real estate	Power and steam production and distribution	Supply of raw and feed water
Year of Foundation	1997	1998	2001	2002
Premises	Paris	Tiszaújváros	Tiszaújváros	Tiszaújváros
Share capital	EUR 76,225	HUF 1,620 million	HUF 2,218.4 million	HUF 405 million
TVK stake	100%	100%	26%	0%, non acquired affiliate, fully consolidated
Co-owner	-	-	ÉMÁSZ Nyrt.	Sinergy Kft.
2013 financial figures (IFRS unconsolidated, HUF million)				
Owner's equity	60	1,860	6,900	467
Sales income	166	519	17,952	1,354
Net profit	35	118	1,727	99

Financial Highlights

Sales Income, Operating Costs, Operating Profit

Consolidated net sales amounted to HUF 402,490 million that is 7% higher than in the last year, mainly due to the higher sales volume.

Other operating income of HUF 704 million was down by HUF 1,488 million (68%), mainly as a result of that the income from CO_2 quota sale decreased by HUF 1,262 million compared to 2012, and in the last year income was recorded from the sale of trading subsidiaries that did not occur in 2013.

TVK Group realized 49% of its sales revenues from **export sales**. Italy (15%), Poland (15%), Germany (14%), Ukraine (8%), Czech Republic (5%), Romania (4%), Austria (4%) and Slovakia (3%) represented the majority of export sales.

Raw material costs amounted to HUF 362,866 million did not change significantly year-on-year. The higher volume of used olefin feedstock increased the costs, while the lower purchase price decreased it. At the same time the value of used, purchased propylene also decreased significantly. Energy costs increased due to the higher feedstock processed and as a consequence of the fact that while in 2012 we used a part of our own produced tar for heat production, in 2013 we sold it and used purchased natural gas for this sake.

Personnel expenses were HUF 8,167 million, down by 14%, in accordance with the lower headcount and due to the difference of provisions created and released.

Other operating costs and expenses were HUF 5,096 million, down by HUF 138 million (3%) compared to 2012. The balance of created and released environmental provisions and environmental costs went down by HUF 438 million year on year. At the same time we spent HUF 711 million more to sponsorship. However, other factors also decreased our costs as termination of sector surplus tax or the more moderate penalties and default interest.

Change in inventory of finished goods and work in progress showed a decrease of HUF 4,199 million, compared to the increase of HUF 4,699 million in 2012. Olefin and polymer stock levels significantly decreased as a result of the optimisation of the production and sales structure.

Profit/Loss on Financial Operations

The group realized a **loss on financial operations** of HUF 3,000 million, compared to the loss of HUF 288 million in 2012. HUF 2,476 million realized and non-realized exchange rate loss was generated during the revaluation of the loans and other assets and liabilities in foreign currency. AR/AP exchange rate difference resulted in a HUF 1,828 million profit increase. Balance of interests paid and received was more unfavourable by HUF 678 million in 2013 than in 2012. In the last year, HUF 687 million gain was recorded on non hedging transaction, and HUF 383 million incurred on a successful collection of a loan, recorded as bad debt in the previous years, and these items did not occur in the actual period. Besides these, exchange rate gain of the revaluation of CO_2 quota was HUF 193 million in 2012, while in 2013 we did not booked this kind of effect. Exchange rate loss on the sales of the interest in TMM Tűzoltó és Műszaki Mentő Kft. amounted to HUF 121 million.

Taxation

TVK Group **profit before tax** amounted to HUF 7,754 million in 2013, showing a year-on-year increase of HUF 17,011 million. The **income tax** was HUF 2,093 million, deferred tax amounted to HUF 65 million.

Net Profit

Consolidated net gain were HUF 5,661 million. **Earnings per share (EPS)** rose to HUF 233, compared to HUF (312) last year value.

Net Asset Position

The HUF 126,091 million value of **non-current assets** increased by 2% compared to December 31, 2012, due to the advanced payment for investments, included in other non-current assets.

The value of **current assets** went down by 1% and reached HUF 92,078 million, compared to the beginning of the year. It includes 24% decrease in inventories (HUF 13,341 million) due to the lower inventory level of own produces olefin and polymer products compared to the beginning of the year, as well as the lower prime cost of Olefin Plant representing the lower naphtha price purchased. Accounts receivables amounted to HUF 52,921 million, up by almost 7% compared to the value at the beginning of the year, caused mainly by the 20% higher olefin volumes sold in the actual period and by the weakening of HUF against EUR and US dollar. The value of other current assets of HUF 16,831 million decreased by 11%, which is attributable mainly to the lower amount of VAT receivables, while cash and cash equivalents totalled at HUF 8,700 million, 35% higher than in 2012.

Financial Position

Long term debt, net of current portion was HUF 33,680 million, grew by 6% compared to December 31, 2012. Long term loans grew by 8%.

In April 2013, TVK Plc. concluded a long term revolving credit contract of EUR 100 million with MOL Group Finance SA, at the same time former loan contract concluded with MOL Plc. has been withdrawn. The short term revolving credit facility of EUR 30 million has been renewed with MOL Plc. The debt from these loans amounted to HUF 23,456 million as of December 31, 2013.
The Company borrowed an export pre-financing loan with EUR 10 million credit limit, with favourable interest rates.

The HUF 63,442 million value of **current liabilities** decreased by 8% compared to the beginning of the year. The main reason of the change is the lower account payables, due to the rescheduled payment of the December end invoice of the feedstock supplier in 2012.

Owner's Equity

Shareholder's equity grew by 5% to HUF 121,047 million, due to the profit of 2013.

Cash Flow

Operating cash inflow amounted to HUF 16,747 million, within this the EBITDA was HUF 24,283 million. The changes of trade receivables, inventories and suppliers altogether decreased the cash flow by HUF 8,169 million. The lower account payables is caused by the above mentioned rescheduled feedstock invoice. Olefin sales volume was higher compared to the end of the last year, and at the same time Hungarian forint also weakened against euro and US dollar. The lower inventory is due to the lower own produced olefin and polymer inventories compared to last December, and the lower prime cost of the Olefin Plants due to the naphtha price decrease.

Net cash provided by investing activities decreased the cash flow by HUF 14,026 million. Within this, investments decreased the cash flow by HUF 14,770 million, while it was improved by HUF 377 million due to the sale of CO_2 quota.

Net cash from financial operations decreased cash flow by HUF 452 million in the period under review, mainly due to the fact that paid interests and other financial expenses were higher than loans borrowed.

Capital Expenditure

The **total capital expenditure** of TVK Group amounted to HUF 12,129 million in the year 2013, including HUF 11,705 million expenditure incurred at TVK Plc. HUF 5,535 million was spent on the Butadiene-extraction unit. HUF 3,277 million was spent on activities aiming the continuous, smooth operation, and other costs occur on special corporate projects.

Organizational and Personnel Changes, Employees

Organization

As from February 1, 2013 TVK's organisation structure changed, became simplified, more units ceased, or became merged, induced by the management concept change accomplished in MOL Group (GLOCAL). The organisation changes resulted in further internal efficiency improvements in the challenging downstream environment.

Since October 1, 2013, the operative activities of TVK's Information and Document Service department were outsourced to Top Shared Corporate Services Kft.

Senior management

Annual General Meeting of TVK elected Mr. László Madarász as a new member of the Board commencing with the date of the AGM of 2013 for a period of five years till the day of the annual ordinary general meeting in 2018.

As from February 1, 2013 TVK's organisation structure changed. In accordance with the organisation change a new department was formed, the Tiszaújváros Site Production unit, Mr. Tivadar Vályi Nagy former production director became Tiszaújváros-site Production Manager. Since March 1, 2014 Mr. Zsolt Huff is the production director.

As from January 1, 2013 TVK Plc's Petrochemical Technology and Project Development Manager is Mr. Péter Suba, after February 1, 2013 this department became TVK Development Unit.

Between February 1, 2013 and August 31, 2013, TVK Plc's Polymer Marketing and Sales Manager was Mr. Zoltán Szántó. Since September 1, 2013, Mr. Dragan Szimics deals with the tasks of this position.

Employment

The **total consolidated TVK headcount** was 975 full time employees as of December 31, 2013. The headcount decreased by 63 compared to the closing headcount on December 31, 2012, in accordance with the headcount rationalisation target of the announced efficiency improvement program. At the subsidiaries the number of employees was unchanged (6).

Headcount

Full Time Employees	**December 31, 2012**	**December 31, 2013**
Corporate level	1,032	969
Group level	1,038	975

Elected Officers and Top Management and treasury shares held

Name	Position	Beginning of assignment	End /termination/ term of assignment	TVK shares held (qty)
Board of Directors				
György Mosonyi	Chairman of the Board	26.04.2002	17.04.2017	0
Ferenc Horváth	Board member	01.05.2011	30.04.2016	0
Gyula Gansperger	Board member	20.04.2006	20.04.2016	0
Miklós Kamarás	Board member	01.05.2011	30.04.2016	0
László Madarász	Board member	01.05.2013	30.04.2018	0
dr. Péter Medgyessy	Board member	20.04.2006	20.04.2016	0
dr. Zoltán Nagy	Board member	01.05.2011	30.04.2016	0
Zsolt Pethő	Board member	17.04.2012	17.04.2017	0
Supervisory Board				
László Gyurovszky	SB chairperson SB member	22.06.2007 19.04.2007	17.04.2017 17.04.2017	0
dr. Gyula Bakacsi	SB member	19.04.2007	17.04.2017	0
dr. György Bíró	SB member	19.04.2007	17.04.2017	0
László Réti	SB member, employee representative	29.04.2010	29.04.2015	0
Judit Turóczy	SB member, employee representative	21.04.2011	20.04.2016	0
Top management				
Zsolt Pethő	Chief Executive Officer	01.06.2011	Indefinite term	0
Adrienn Ráczné Bodnár	Human Resources Manager	03.01.2012	Indefinite term	0
Balázs Sándor	Chief Financial Officer, Deputy CEO	15.07.2012	Indefinite term	0
Péter Suba	TVK Development Manager	01.01.2013	Indefinite term	0
Dragan Szimics	Polymer Marketing and Sales Manager	01.09.2013	Indefinite term	0
Zsolt Huff	Production Director	01.03.2014	Indefinite term	0

Ownership Structure

In 2013, there was no significant change in the ownership structure and the person and share of those shareholders having more than 5% of shares. At the end of the year stake of the domestic institutional investors grew to 97.42% (included the 94.86% stake of MOL Plc.), while the stake of the foreign institutional investors was 1.12%. The ownership share of private investors did not change significantly, reaching 1.25% at the end of the year. The company had no treasury shares in 2013 either.

Ownership Structure as per the Share Register

Description of owner	December 31, 2012		December 31, 2013	
	Ownership and voting ratio (%)	Holdings (of shares)	Ownership and voting ratio (%)	Holdings (of shares)
MOL Hungarian Oil and Gas Public Limited Company	94.86	23,042,385	94.86	23,042,385
Other domestic institution/company	1.07	259,092	2.56	620,701
Foreign institution/company	1.13	275,353	1.12	271,670
Domestic individual	1.21	294,718	1.23	299,364
Foreign individual	0.02	4,571	0.02	5,735
Treasury shares	-	-	-	-
Shares held by unidentified parties	1.71	414,724	0.21	50,988
TOTAL	**100.00**	**24,290,843**	**100.00**	**24,290,843**

Shareholders with more than 5% interest On December 31, 2013, as per Share Register

Shareholder	Quantity (of shares)	Interest (%)	Voting ratio (%)
MOL Hungarian Oil and Gas Public Limited Company	23,042,385	94.86	94.86

Notes:

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

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

Integrated Risk Management

The goal for risk management in TVK calls for making corporate operations as secure as possible. The priorities of the risk management policy of the company involve all the risks associated with its business. The risk policy covers for instance the management of currency rate and world market price risk, as well as property, business interruption, business, liability, customer, technical, safety and environmental risks.

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by Enterprise Risk Management (ERM). ERM integrates financial and operational risks along with a wide range of strategic risks, also taking into consideration compliance issues and potential reputation effects. The ERM process identifies the most significant risks to the performance of the company. Risks are assessed based on a unified methodology and collected into risk maps at different levels. Risk responses and controls are reviewed and mitigation actions set and reviewed for completion regularly by top management.

As a result, senior management can get a firmer grip on the risks that influence corporate profits the most and can determine the elements of risk to retain and the ones that require a variety of risk mitigation methods.

The prices of the most important feedstock used by the company and the olefin and polymer products produced by TVK are fixed to the global market prices of the same products. From economic point of view TVK has a net long position in EUR, while it has net short USD and HUF cash flow positions.

The company had no open foreign exchange futures positions as of December 31, 2013.

The company covers most of its trade receivables with credit insurance to mitigate liquidity risk. Also, it carefully examines the credit worthiness of the prospective customers and assesses whether or not the conditions for continuous payment are attainable before signing a new contract.

In order to exploit opportunities of the portfolio effects, TVK's financial risk exposures (e.g. commodity, FX rates, interests rates) are managed on MOL Group level.

Statement of responsibility

to be attached to the 2013 Business Report
of Tisza Chemical Group Public Limited Company

We the undersigned representatives of Tisza Chemical Group Public Limited Company (TVK Plc., Company), the issuer of TVK ordinary shares (ISIN code: HU0000073119) hereby declare that TVK Plc. takes full responsibility for the announced Business Report of the Company for the year ended on 31 December 2013, which has been prepared to the best of our knowledge in accordance with International Financial Reporting Standards as endorsed by the European Union, and give a true and fair view of the assets, liabilities, financial position, and profit of TVK Plc. and its subsidiaries and presents a fair review of the position, development and performance of TVK Plc. and its subsidiaries together with a description of principal risks and uncertainties.

Tiszaújváros, March 13, 2014

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

Tisza Chemical Group Public Limited Company