BorsodChem Rt.

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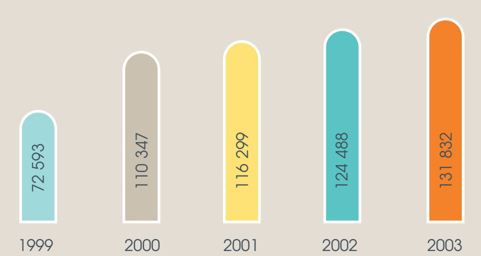
ANNUAL REPORT 2003

# ANNUAL REPORT
# BorsodChem
# 2003

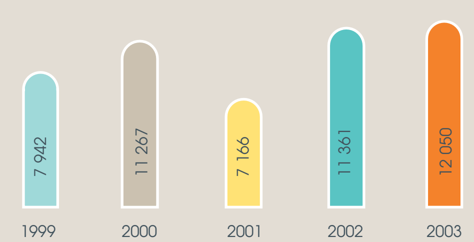
# FINANCIAL HIGHLIGHTS

| | 2003 | | 2002 | | |
|---|---|---|---|---|---|
| | HUF (million) | EUR (thousand) | HUF (million) | EUR (thousand) | Change in EUR (%) |
| Net sales income | 131,832 | 520,068 | 124,488 | 512,360 | 1.5 |
| Operating profit | 12,050 | 47,536 | 11,361 | 46,759 | 1.7 |
| Profit before taxes and minority interest | 6,602 | 26,044 | 12,474 | 51,340 | -49.3 |
| Net income | 6,361 | 25,094 | 12,293 | 50,595 | -50.4 |
| Return on equity (ROE) % | 5.7% | 5.7% | 13.5% | 13.5% | -57.8 |
| Earnings per share (HUF or EUR) | 517 | 2.0 | 1,009 | 4.2 | -52.4 |
| Dividends paid (HUF or EUR) | 260 | 1.03 | 220 | 0.91 | 13.2 |

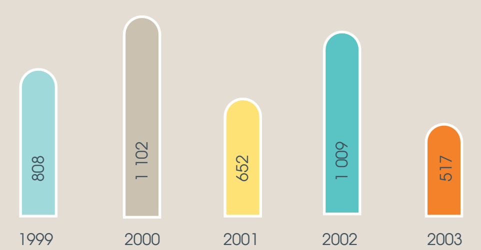
Net sales income
(HUF million)



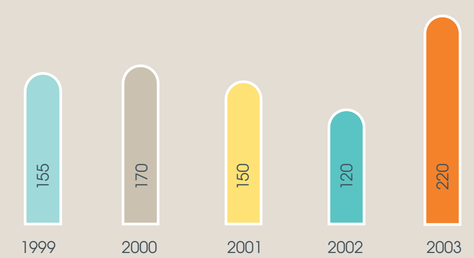

Operating profit
(HUF million)




Earnings per share
(HUF)




Dividend per share
(HUF)




## BorsodChem Group

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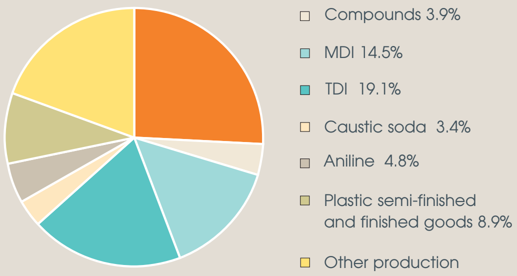
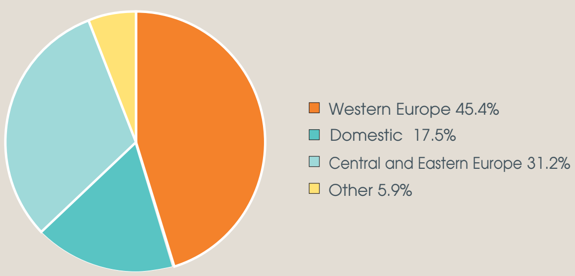
Breakdown of sales by product groups in 2003*




Breakdown of sales by relations in 2003*




* on a consolidated basis

# CONTENTS

# TO THE SHAREHOLDERS OF BORSODCHEM

Dr. Heinrich Georg Stahl
Chairman of the Board

To the Shareholders of BorsodChem,

In the year preceding the accession to the European Union, the competition for market shares in the chemical industries markets of Central Eastern Europe stepped up to a degree never experienced before. Just as the accession is approaching, Western European competitors wanted to enlarge their market shares within the markets of the accessing countries.

Despite the intensive contest, the BorsodChem Group has proven its potential as we were able to maintain the level of operational profits at 9.2% in proportion to sales revenues, and the EBITDA margin at 15.6% while the sales revenue growth reached nearly 6%. That helps to demonstrate our ability to maintain our leading position by improving our unrivalled cost position. Our strategic goal in growth of cash flow generated from operating activities has been successful, despite subdued market conditions, for the third consecutive year.

The weakening of Hungarian Forint by more than 10% compared to Euro has caused a significant unrealised exchange rate loss, which resulted mainly from currency loans, thus the net income per share was HUF 517. This impact is of a temporary nature, the fundaments are good and we are able to achieve outstanding results even at the trough of the cycle.

## Set for Innovative Growth

The fact that in certain areas we have left the group of technological followers has already contributed greatly and it will still contribute in the future to the Company's long term cost competitiveness. We are able to create new, up-to-date technical-technological solutions based on our own R&D base. In September 2003 based on BorsodChem's own technology, the construction of a new 80 kt/year capacity MDI Plant, which can later be expanded up to 120 kt/year, was started, the test run of which shall be reached in September 2005 in accordance with our plans.

Among the advantages of technological independence, we shall find improving product quality, implementation of BAT, environmental compliance with IPPC regulations and a safety philosophy of high standard.

A good example of knowledge-centred innovative company management is that BC-MCHZ, the Group's subsidiary in Ostrava licensed its own aniline process to TOSOH Corporation in Japan. All this is a proof of the international competitiveness of the aniline technology owned by BorsodChem.

The new value creating work of BorsodChem's engineers employed between 2000 and 2002 in the course of implementing TDI, a new base material for plastics in Hungary was rewarded the Innovation Prize by the Hungarian Innovation Association. For the past 5 years this has been the 4th Innovation Prize granted to our Company, which is unique in the history of the Hungarian Innovation Association.

By sensing annually increasing product uptake of the Central Eastern European markets, the Board of Directors decided on implementing capacity expansion investments at every technological facility. The commissioning date of the investments was influenced by the fact that the new additional ethylene cracking capacity of the ethylene supplier Tiszai Vegyi Kombinát Rt. is starting test runs in Q4 of 2004.

As a result of capital expenditure spent on capacity expansion implemented in the chlorine, vinyl-chloride, PVC, MDI, TDI and aniline technologies, BorsodChem's plants reach the magnitude of world scale capacity further increasing site integration and thus improving cost position.

The optimal financing of capital expenditure and the possibly opening acquisition opportunities ensuring the Company's balanced organic growth are advanced by the capital increase of more than HUF 17 billion which was carried out by the majority shareholder on the basis of the resolution accepted by BorsodChem's Board of Directors in December 2003.

This investment programme provides good grounds for the definitive disposal of issues concerning air pollution in an EU-conform manner already in the second half of 2004 which issues are under environmental moratorium until the middle of 2007 in the course of our EU-accession.

Through the Group's former and current investment programme, it has ensured a corporate tax holiday after the accession to the European Union until 2011.

Linde AG's Hungarian company joins BorsodChem's growth with its investment of EUR 56 million having implemented on BorsodChem's Kazincbarcika site thus ensuring utility type services for BorsodChem in the long run.

These steps not only improve the productivity of labour but also stabilize the staff number employed by BorsodChem in a region of a high unemployment rate and of former metallurgical and mining operations.

Our focus on key segments results in outsourcing steps beside development activities. Following this logic, we sold the carbamide-formaldehyde resin business unit with the trademark of Dukol to Kronospan CR, spol. s.r.o., a German company, focusing on this particular market segment and undertaking to operate the business unit with additional long term capacity expansion thus promoting employment in the Ostrava region.

### Transparency and Good Corporate Governance

The past years were characterized by conservative book keeping and risk minimizing operation, which represent a significant value at the beginning of 2004 when Hungary's accession to the European Union can be measured in weeks.

Operative activities of the Company Management complied with the expectations of good corporate governance required by companies listed on the stock exchange.

All these offer safety to and may trigger trust from BorsodChem's shareholders and employees.

The Company's transparent, stable operation and growth provide stability of employment in North Hungary where the unemployment rate has permanently exceeded 15% for the past years. Through training, supporting training and self-education expected from employees, we aspire for BorsodChem's organizations to be innovative and excelling. Thereby, we aim to make BorsodChem Group one of the leading chemical enterprises of Central Eastern Europe in the long run.

I would like to thank the management and all employees for their commitment and their outstanding performance during the last year.

Dr. Heinrich Georg Stahl
Chairman of the Board

# THE BOARD OF DIRECTORS

Dr. Heinrich Georg Stahl
Chairman of the Board

László F. Kovács
CEO, Member of the Board

Dr. Iván Nyíri
Member of the Board

Ferenc Márton
Member of the Board

Ferenc Bartha
Member of the Board

Dr. Christoph Herbst
Member of the Board

Béla S. Varga
Member of the Board

# REPORT OF THE BOARD OF DIRECTORS

## Activities of the Company

Business Units of BorsodChem Rt. operating on the bases of chlorine and carbon-monoxide chemistry:
• Chlorine - Vinyl Business Unit
• PVC Business Unit
• Compounds Business Unit
• PUR Business Unit
• TDI Business Unit

The Company has majority interest in two other enterprises producing chemical products, and operates a number of subsidiaries:
• BC-MCHZ s.r.o., the Czech Republic, BC ownership of 97.5%
• BC-KC Formalin Kft. Hungary, BC ownership of 66.67%
• 3 plastics processing limited liability companies owned by BC to 100%
• 4 service provider limited liability companies owned by BC to 100% and
• 4 foreign trade companies in charge of selling the Company's products in foreign markets, three of which are owned by BC to 100 %, while one has a BC interest of 50%.

The Board of Directors of BorsodChem Rt. prepares its consolidated report as BorsodChem Group.

## Major Events During the Year

• In July 2003 – due to economic and environmental considerations - BorsodChem shut down its old and out-of-date small scale capacity Polimer I. Plant, and allocated the internal resources that had been freed this way to its new developments.

• BC-MCHZ, which is the biggest production subsidiary of the Company, has carried out significant re-organisation by selling its carbamide-formaldehyde resin business unit, which has had its positive effects on the profits already in 2003.

• The sale of the licence of aniline production to the Japanese TOSOH CORPORATION can be considered a milestone. It has been the first time that the market acknowledged the value creating innovation activities accumulated within the company group.

• In September 2003 – on the basis of its own technology - BorsodChem Rt. started the implementation of a 80 kt/year capacity MDI facility, which can be further expanded up to 120 kt/year.

• Capacity expansion of our non-cyclical products has attracted new developments to the region on BorsodChem site. Investing EUR 56 M Linde Gáz Magyarország Rt. is building a CO-air plant to supply BorsodChem's units with raw materials.

• In line with a decision by the owners, in December 2003 a capital increase of HUF 17 Bn was executed, which – besides BorsodChem's organic growth - creates an opportunity for the company group to have good chances for taking part in the chemical consolidation of the Central & Eastern European region.

• In 2003 our Company was awarded by an Innovation Prize for the implementation of the TDI product in Hungary.

## Revenues and Income

### Revenues

In 2003 the Company's sales revenues reached HUF 131.8 billion, which was 5.9% higher than last year.
This increment in sales revenues is primarily due to an increase in the sales volumes of TDI, MDI and aniline products. Sales revenues of PVC resin and caustic soda lagged behind the base due to a decrease in sales volumes and prices.

In the total sales revenues the share of PVC resin dropped from 28.8% of the base period to 25.9%. The 4.7% reduction in sales revenues took place with 2.1% decrease of volumes and decrease of unit prices.

Sales revenues of PVC compounds rose by 15.1% along with 21.9% increase of volumes.

Sales revenues of MDI products rose by 11.4% along with 6.5% increase in sales volumes.

Sales revenues of TDI products rose by HUF 4,493.7 million, i.e. by 21.7%, while the sold volume rose by 21.2% compared to the base.

Sales revenues of Caustic soda dropped by 15.5% along with a volume decrease of 7.1%. A significant part of the decrease in sales revenues is due to a drop in sales price.

Sales revenues realized from plastic semi-finished and finished products increased by 4.2% compared to the base. The 2.9% increase of the revenue is due to the rise in the sold volume.

Sales revenues of the aniline product increased by 41.3% along with a volume increase of 18%. The price of the product significantly increased compared to the previous period, due to the increase in the price of raw material benzene.

The sales revenue of other products – ammonia, hydrochloric acid solution, hypo-chlorite, polystyrene, pre-polymer, CO, formalin, artificial fertilizer, DUCOL, special amines, etc. – rose by 1.6%.

82.5% of sales revenues are realized by export. This ratio is 1.6% higher than that in 2002. The change in the ratio also signals that the growth of the Company is based on its exports.

Geographical breakdown of sales is as follows:

| | |
|---|---|
| Domestic and Central Eastern Europe together: | 48.7% |
| Western Europe: | 45.4% |
| Other: | 5.9% |

### Income

The operating profit totalled HUF 12,050 million, exceeding HUF 11,361 million of the previous year by 6.1 %. Profit before tax and minority interest was HUF 6,602 million, which is 47.1 % less than the same figure of last year. The parent company BorsodChem Rt. has retained its tax allowance by the means of increasing its sales revenues, consequently the net income amounted to HUF 6,361 million, which is 51.7% of the comparable figure HUF 12,293 million in 2002. The improvement of operating profit was primarily due to the increased production and sales of TDI and MDI products. On the other hand, the decrease in profit before tax and minority interest is due to a significant loss on exchange rate generated by the weakening of the Hungarian Forint, which exercised a considerably negative effect on the financial profit.

## Market Positions:

### Sales Market

Market assessment of our main products in 2003 was as follows:

• PVC resin was listed at an average price of EUR 684 /t in 2003, whereas raw material ethylene was listed at EUR 527/t. The average listing price of PVC resin was EUR 30 /t lower, while that of ethylene was EUR 10 /t higher than those in the base period. The price gap between the two products dropped down to EUR 157/t from EUR 197/t of 2002. Profitability of the pre-cyclic PVC product slightly eroded compared to the base.

• Parallel to the declining prices in the chlorine product line, compared to last year the market situation of its twin product caustic soda solution has slightly improved, which was clearly indicated by increased list prices. The average annual list price of the product had been USD 101 /t in 2002, whereas it reached USD 130 /t in 2003.

• Among the MDI products belonging to the group of non-commodity products, the average list price of crude MDI experienced a significant growth compared to the previous year, while that of pure MDI slightly decreased. Profitability of the product within the benzene-aniline-MDI product line was negatively affected by the average list price of benzene having increased from EUR 359 /t of 2002 up to EUR 418 /t in 2003.
Crude MDI was listed at an average of EUR 1,414 /t in 2003, which indicates an increment of 7.1% compared to EUR 1,320 /t of the base period.
Pure MDI was listed at an average of EUR 1,977 /t in 2003, which is 1.5% lower than EUR 2,008 /t of the base period.

• The European listing price of TDI was EUR 1,948 /t in 2003, which has hardly changed compared to EUR 1,955 /t in 2002.

• The sales price of aniline significantly increased compared to the base owing to the price increase of the raw material benzene.

• Domestic demand for PVC compounds decreased compared to the base. However, the volume of sales was successfully increased in export markets.

• Due to the recession of the construction industry in Western Europe, and especially that in Germany, competition in the markets of PVC window profiles, flexible and rigid sheets has gained more significance in Central-Eastern Europe, which is mainly manifested in "price competition", therefore profitability of these products has experienced a setback.

## Purchasing Markets

To provide for the dynamic growth of the Company, in 2003 we created again a stable, high-standard background for material supply, as a result of which no obstacles setting back production emerged during the year in respect of material supply. We purchased materials required for production for a total sum of over HUF 43 billion, which were utilised as raw material as well as in the field of technical support material supply. In 2003, contrary to previous years, the plants of BorsodChem Rt. operated without overhauls, therefore the quantity of material purchased for maintenance works were below the usual figures of previous years.

In 2003, compared to previous years, a record level of material supply was realised by the main business units of BorsodChem Rt. For PVC production, we purchased nearly 100,000 tons of vinyl-chloride, for TDI production approx. 51,000 tons of concentrated nitric acid and 37,000 tons of toluene, while MDI production required over 40,000 tons of aniline. The above increase in volume provided a good basis for continuing to benefit from our large-scale purchaser position when negotiating commercial terms in purchases.

In order to retain our cost-competitive position, apart from forming cost-prices favourable for our Company, we devoted special attention to opportunities carried by inventory management. An optimal level of inventories, especially in the case of spare parts, was established with the utmost possible consideration to technical safety.

## Balance Sheet Analysis

Total assets of the Company amount to HUF 178.6 billion, which has increased by 18.8% during the year.
Among assets, the amount of current assets indicates an increment of HUF 20,218 million, which equals with 54%. Within this category liquid assets have risen by HUF 16,768 million as a result of capital increase of HUF 17,064 million implemented in December. The HUF 1,970 million, i.e. 16.5% increase in inventories was mainly generated by the increase of material stock, especially of investment materials and spare parts owing to the intensified investment activities. Other current assets increased by HUF 1,983 million, i.e. by 39.2% due to a growth in VAT receivable. Accounts receivable decreased by 2.7%.
The increment value of tangible and intangible assets totals HUF 8,074 million, which is the resultant of investments less accounted depreciation.
Total liabilities amount to HUF 65,679 million, which is HUF 6,775 million, i.e. 11.5% higher than the base figure. The total of short term loans increased by 19.3% due to their transfer from long term debts into short term ones. The amount of long term debts decreased by 6.7%. The 30.5% increment in suppliers' stock is explained by the increase of investment suppliers' stock generated by intensified investment activities.
The total shareholders' equity shows increment of HUF 21,457 million, reaching HUF 112,543 million as total, which exceeds the base by 23.6%. Implemented capital increase added HUF 17,064 million to the shareholders'equity. Retained earnings amount to HUF 65,790 million, surpassing the base by 5.9%.

## Cash Flow

Net cash income **from operating activities** amounted to **HUF 18,380 million** in 2003. Non-cash items increased the net profit of HUF 6,361 million by HUF 11,678 million. Among non-cash items depreciation reaching HUF 8,647 million is the most significant element, which was increased by HUF 3,031 million as a joint effect of profit generated by the sales of assets and that of the Dukol Business Unit, sharing the profit of non-consolidated businesses, non-realized losses on exchange rate as well as by other non-cash items. The change of current assets and short-term liabilities increased net cash income of operating activities by HUF 341 million.
A significant part of **cash flow totalling HUF –14,862 million** used in **investment activities** was induced by the purchase and sales of tangible assets.
HUF 13,250 million cash flow generated by financing activities is a result of HUF 17,064 million increase in capital, dividends paid up to HUF 2,682 million and a decrease of HUF 1,132 million in the total amount of loans. Net cash increased by HUF 16,768 million to reach HUF 18,479 million at the end of the period.

## Capital Expenditure

The Company spent HUF 16.1 billion on purchasing tangible and intangible assets in 2003. The distribution by Business Units is as follows:

| Denomination | HUF million |
|---|---|
| Chlorine-Vinyl Business Unit | 7,756 |
| PVC Business Unit | 654 |
| Compounds Business Unit | 774 |
| PUR Business Unit | 1,160 |
| TDI Business Unit | 1,454 |
| Subsidiaries | 2,497 |
| Other | 1,373 |

## Human Resource Management

The beginning-of-term number of employees of 2,672 at BorsodChem Rt. as a parent company on 1st January 2003 increased up to 2,794 by 31st December. Primarily, the staff increase was a result of employing white and blue collar workers starting out on their careers in order to ensure recruitment as well as of work force demands having incurred due to the expansion of activities.
The consolidated number of employees was increased by 1 person compared to the end-of-term number of the previous year, thus it was 4,135 people at the end of the year.
The Company's wage costs increased by 5.9% compared to 2002.

## Changes in the Share Capital, Ownership Structure and Company Management

On its Board Meeting of 16th December 2003, the Board of Directors of the Company decided on implementing an increase in the share capital by private placement of 3,047,192 outstanding registered shares at the face value of HUF 1,010 per share. In accordance with letters of intent made earlier, the Board of Directors presented an opportunity for the Company's two largest financial investors to subscribe for these shares. CE Oil & Gas AG and VCP Industries AG were each given the opportunity to subscribe for 1,828,315 and 1,218,877 shares respectively at a price of HUF 5,600 / share. The private capital increase was registered by the Registry Court on 10th January 2004. Shares resulting from the capital increase bear dividend rights of different types; dividend on the new shares may be distributed for the financial year of 2004.

## Changes in the Structure of Shares and Ownership

| Type of shareholders | Total shareholders' equity | | | |
|---|---|---|---|---|
| | At the beginning of the period | | At the end of the period | |
| | % | Pcs | % | Pcs |
| Domestic institutions | 2.46 | 300,378 | 1.02 | 156,105 |
| Foreign institutions | 89.67 | 10,929,067 | 98.20 | 14,961,984 |
| Domestic private individuals | 2.54 | 309,945 | 0.72 | 110,345 |
| Foreign private individuals | 0.04 | 4,490 | 0.03 | 2,932 |
| Employees, managing officials | 0.23 | 27,709 | 0.00 | 8 |
| Treasury stock | 0.00 | 0 | 0.00 | 0 |
| Shareholder as part of the state budget | 4.04 | 492,424 | 0.00 | 0 |
| International Development Institutions | 0.00 | 0 | 0.00 | 0 |
| Other | 1.02 | 124,755 | 0.03 | 4,586 |
| Total: | 100.00 | 12,188,768 | 100.00 | 15,235,960 |

## List of Shareholders Holding Over 5% of Shares

| Denomination of shareholder | Shareholding | | | |
|---|---|---|---|---|
| | 31 December 2002 | | 31 December 2003 | |
| | Share (pcs) | % | Share (pcs) | % |
| CE Oil & Gas Beteiligung und Verwaltung AG | 7,219,211 | 59.23 | 9,047,526 | 59.38 |
| VCP Industrie Beteiligungen AG | 3,408,966 | 27.96 | 4,843,877 | 31.79 |

## Personal Changes

Ernst & Young has remained the Company's Auditor.

In accordance with the Resolution of the Regular General Meeting held on 30th April 2003, the following personal changes have occurred in the Company's Board of Directors and Supervisory Board:

### • Board of Directors

The General Meeting withdrew Mr. Boris Y. Titov from the Board of Directors.

The General Meeting elected Mr. Ferenc Bartha and Dr. Christoph Herbst as members of the Board of Directors. Dr. Heinrich Georg Stahl was re-elected as the Chairman of the Company's Board of Directors up to 30th April 2006.

## • Supervisory Board

The General Meeting withdrew Mr. Yury A. Golubev from the Supervisory Board. The commissions of Mrs. Imréné Blaha and Mr. Csaba Fáczán as Members of the Supervisory Board delegated by employees expired on 30th April 2003.

The General Meeting elected Dr. Christian Riener as a Member of the Supervisory Board. Dr. Zoltán Varga and Mr. Heinrich Pecina were re-elected as Members of the Company's Supervisory Board up to 30th April 2006. Mr. Attila Balázs and Mr. Bertalan Fejes were delegated by the employees to the Supervisory Board.

### Managing Officials and their Holding of Shares

| Name | Position | Pcs |
|---|---|---|
| Dr. Heinrich Georg Stahl | Chairman of the Board of Directors | 0 |
| László F. Kovács | Member of the Board of Directors | 0 |
| Béla S. Varga | Member of the Board of Directors | 0 |
| Dr. Iván Nyíri | Member of the Board of Directors | 0 |
| Ferenc Márton | Member of the Board of Directors | 0 |
| Dr. Christoph Herbst | Member of the Board of Directors | 0 |
| Ferenc Bartha | Member of the Board of Directors | 0 |
| Dr. Zoltán Varga | Chairman of the Supervisory Board | 0 |
| Dr. Christian Riener | Member of the Supervisory Board | 0 |
| Heinrich Pecina | Member of the Supervisory Board | 0 |
| Judit Bankó | Member of the Supervisory Board | 0 |
| Attila Balázs | Member of the Supervisory Board | 0 |
| Bertalan Fejes | Member of the Supervisory Board | 0 |
| László F. Kovács | Chief Executive Officer | 0 |
| Dr. Zoltán Gazdik | Financial Director, Deputy CEO | 0 |
| Tamás Purzsa | Technical Deputy CEO | 0 |
| Gyula Gaál | Director of Business Unit | 0 |
| Dr. István Szakállas | Director of Business Unit | 2 |
| András Seres | Director of Business Unit | 5 |
| László Szentmiklóssy | Director of Business Unit | 0 |
| Béla S. Varga | Purchase Director | 0 |
| János Szabó | Director of Utilities and Investment | 1 |
| Gergely N. Gyurácz | Personnel Director | 0 |
| László Kézdi | Isocyanates Commercial Director | 0 |

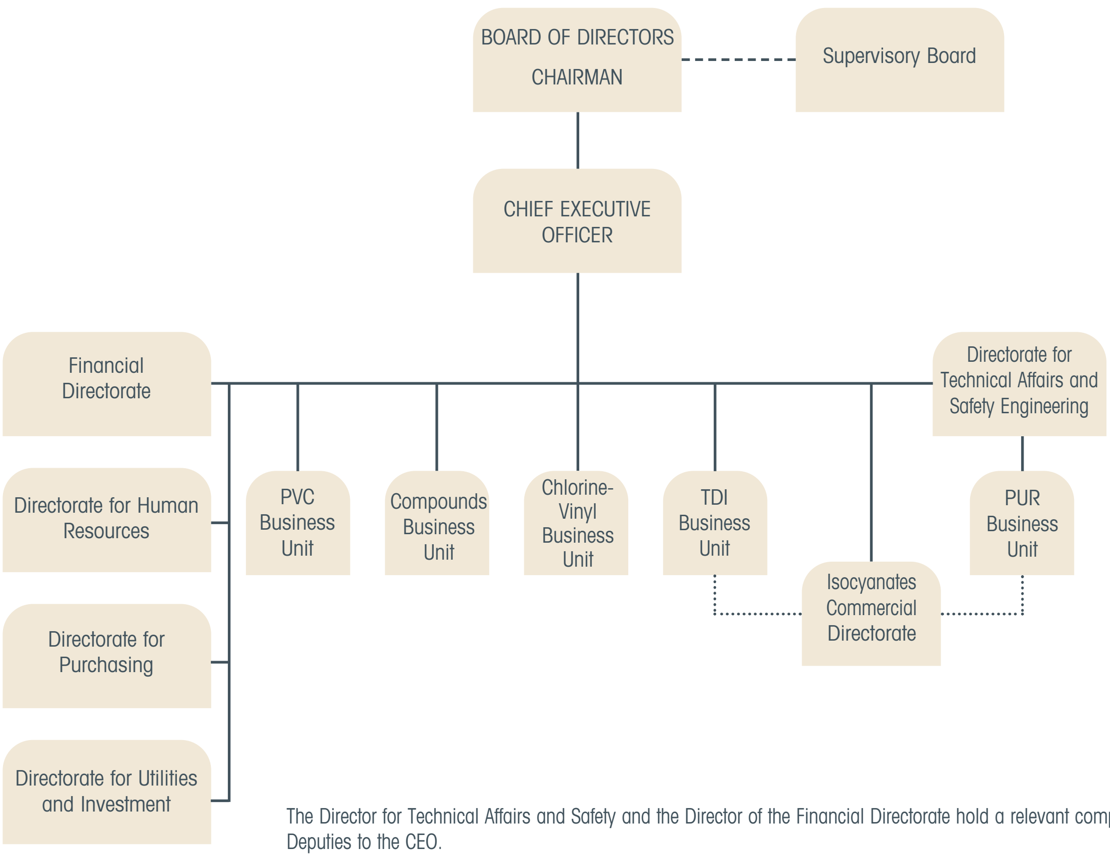
### Summary

The Board of Directors recommends to accept BorsodChem Rt.'s consolidated and unconsolidated Statements for the year 2003 compiled in accordance with Hungarian and International Accounting Standards.

**BorsodChem Rt.'s Board of Directors**

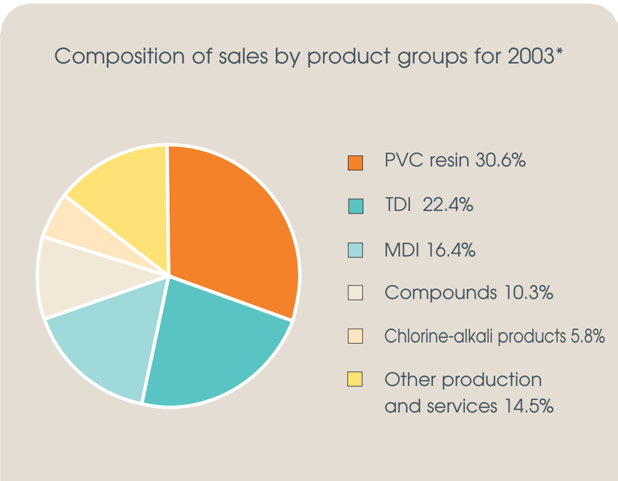
# OWNERSHIP STRUCTURE, ORGANISATIONAL STRUCTURE

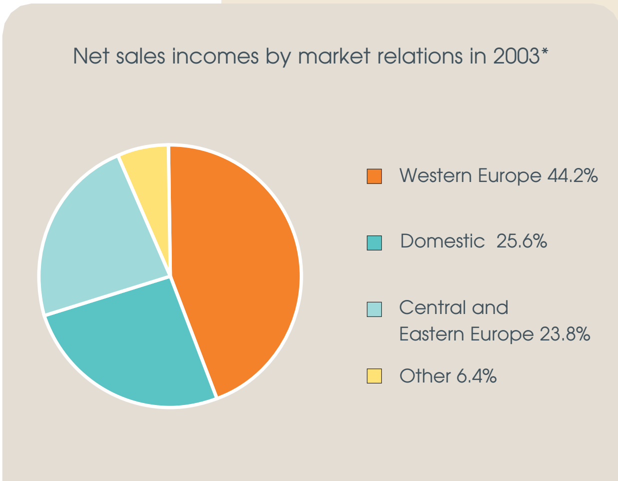
| Shareholder | Registered Capital Number of shares | Registered Capital Nominal value (HUF thousand) | Registered Capital % | Introduced Series Number of shares | Introduced Series Nominal value (HUF thousand) | Introduced Series % |
|---|---|---|---|---|---|---|
| **Institutional investors** | | | | | | |
| domestic | 156,105 | 157,666 | 1.02 | 156,105 | 157,666 | 1.28 |
| foreign | 14,961,984 | 15,111,604 | 98.20 | 11,914,792 | 12,033,940 | 97.75 |
| CE Oil & Gas Beteiligung und Verwaltung AG | 9,047,526 | 9,138,001 | 59.38 | 7,219,211 | 7,291,403 | 59.23 |
| VCPIndustrie Beteiligungen AG | 4,843,877 | 4,892,316 | 31.79 | 3,625,000 | 3,661,250 | 29.74 |
| other | 1,070,581 | 1,081,287 | 7.03 | 1,070,581 | 1,081,287 | 8.78 |
| **Private investors** | | | 0.00 | | | 0.00 |
| domestic | 110,345 | 111,448 | 0.72 | 110,345 | 111,448 | 0.91 |
| foreign | 2,932 | 2,961 | 0.02 | 2,932 | 2,961 | 0.02 |
| Employees and executives | 8 | 8 | 0.00 | 8 | 8 | 0.00 |
| Tresury stock | 0 | 0 | 0.00 | 0 | 0 | 0.00 |
| Shareholder as part of the state budget | 0 | 0 | 0.00 | 0 | 0 | 0.00 |
| International Development Institutions | 0 | 0 | 0.00 | 0 | 0 | 0.00 |
| Other | 4,586 | 4,632 | 0.03 | 4,586 | 4,632 | 0.04 |
| **Total:** | 15,235,960 | 15,388,320 | 100 | 12,188,768 | 12,310,656 | 100 |




The Director for Technical Affairs and Safety and the Director of the Financial Directorate hold a relevant competence of Deputies to the CEO.

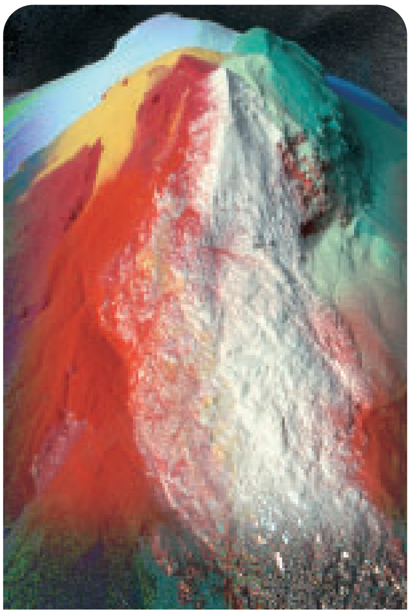
# PRODUCTION, EXPORT SALES, EMPLOYEES, COMPOSITION OF SALES

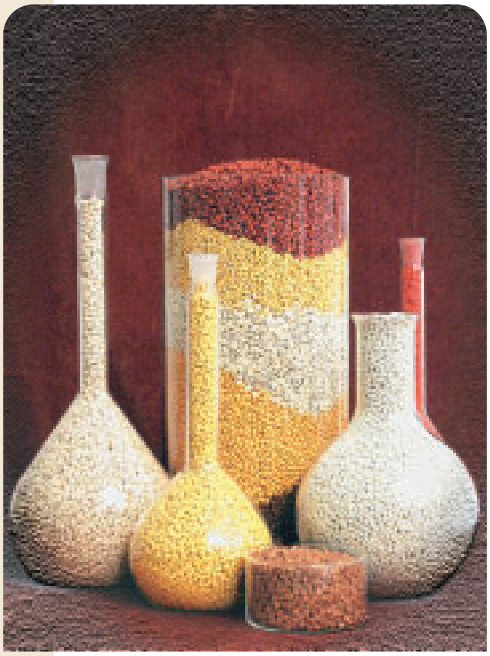




* on non-consolidated basis

# DISTRIBUTED PRODUCTS





**CHLORINE-VINYL BUSINESS UNIT**

Liquefied chlorine
Chlorine gas
Hydrochloric acid /technical, pharmaceutical, industrial "A"
Hypo-chlorite
Caustic soda
Vinyl-chloride monomer
EDC

**PVC BUSINESS UNIT**

ONGROVIL suspension PVC resins
- S- 5064
- S- 5067
- S- 5070
- S- 5167
- S- 5258

ONGROSTYR expandable polystyrene /EPS/
ONGROVIL S-0860 VAC copolymers
ONGROVIL SH-600 PVC resin based thermoplastic elastomers
ONGRONOX EHP 75D peroxide type initiator
ONGRONOX INP 75D peroxide type initiator
ONGROCLEAN anti-flowing additive

**COMPOUNDS BUSINESS UNIT**

ONGROLIT PVC granules:

Plasticized granules:
  for cable industry
  for shoe industry
  for food packaging
  for tubes, profiles

Rigid granules:
  for food packaging
  for tubes, profiles, fittings

ONGROLIT CPE granules:
  for cable industry
(cross-linked cable coverage)

ONGROMIX PVC dry blends:
  for food packaging
  for cosmetics packaging
  for engineering purposes (pipes, sheets, profiles, films)
  for window profiles

ONGRO CPE /Chlorinated polyethylene/

**PUR BUSINESS UNIT**

ONGRONAT MDI isocyanates:

CR – 30 crude MDI
HS – 44 pure MDI
CL – 27 modified MDI
PREPOLIMERS

Liquefied ammonia
Spirit of ammonia *
Ammonium-nitrate solution *
CO *

**Distributed only in domestic markets*

**TDI BUSINESS UNIT**

ONGRONAT TDI isocyanates:

TDI 80/20
TDI 65/35
TDI 100

# EXPORT MARKETS

Algeria
Australia
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Bulgaria
China
Croatia
the Czech Republic
Denmark
Egypt
Estonia
Ethiopia
Finland
France
Germany
Great Britain
Greece
India
Iran
Israel
Italy
Japan
Jordan
Kazakhstan
Kenya
Korea
Lebanon
Libya
Lichtenstein
Macedonia
Malt
Moldova
the Netherlands
Nigeria
Oman
Poland
Portugal
Romania
Russia
Saudi-Arabia
Serbia and Montenegro
Singapore
Slovakia
Slovenia
South Africa
South Korea
Spain
Sweden
Switzerland
Syria
Tunisia
Turkey
Uganda
the Ukraine
United Arab Emirates
the United States of America
Yemen


OKLEVÉL

A BorsodChem Rt.

a 2003. évi Industria Export Díj

pályázatán

a IV. kategória nagydíját kapta.

2003. május

On a plant visit with our Polish business partners

Chlorine required for PVC, MDI and TDI production, as well as caustic soda solution being generated as a twin product are produced in the Electrolysis Plant of the Business Unit. Hydrochloric acid solutions of various quality and sodium hypochlorite are also produced here. This latter one is the primary active ingredient of cleansing products and disinfectants. Vinyl chloride monomer, another base material of PVC production is produced in the VCM Plant of the Business Unit.

# Chlorine-Vinyl

## Business Unit

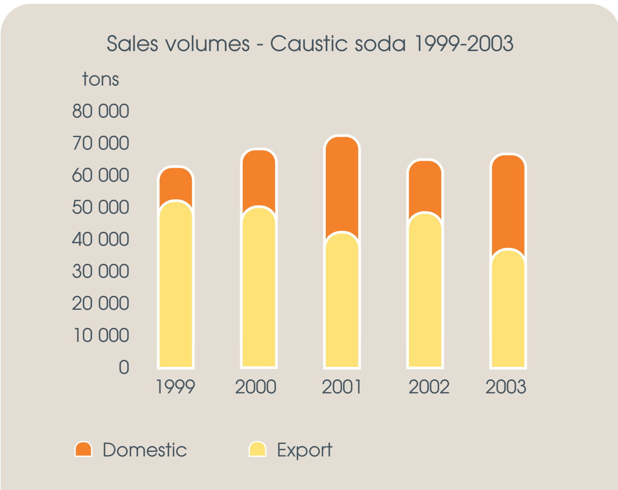
Despite the lack of a general maintenance shut, production volumes were similar to those of 2002; at the same time purchased chlorine and vinyl-chloride ensured the balanced operation of the PVC and the isocyanates lines.

### Stability characterized the production of the Business Unit in 2003;

however, as a consequence of other market ancillary conditions (caustic soda price, exchange rate), performance of the Business Unit slightly fell behind that of the planned level.

# CHLORINE-VINYL BUSINESS UNIT

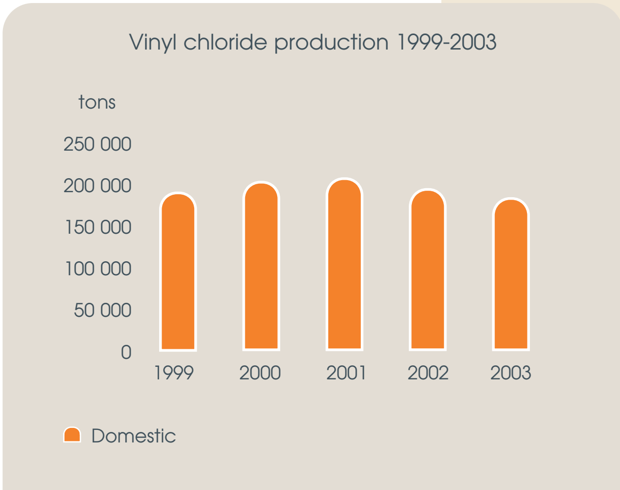
Beside continuous production, the most significant activity of the Business Unit in 2003 was the implementation works of Stage 3 in VM intensification. At the end of the year designing works of Stage 4 and those of chlorine capacity expansion have started. These investments, which are to enter into production in Q4 of 2005, are in line with the capacity expansion investments at BorsodChem's other plants (PVC, MDI, TDI).


Continuing the efforts of past years, the implementation of environment protection programmes were greatly emphasized among the activities of the Business Unit. The most prominent ones among them were the further development

of the system monitoring the inorganic canal network, with particular attention to mercury, as well as the installation and expansion of the treatment unit aiming at the decrease of salty waste water emission on the VCM Plant site.

In order to minimize air space pollution, the establishment of a closed system hydrochloric acid filling has started, which shall be concluded by 2004.




The set of instruments important from the aspects of enviroment protection and safety engneeing is continuously updated. Among others, a new mercury analyzer, two oxygen analyzers for the hydrogen pipe, a hydrogen analyzer for the chlorine pipe and a radar level metre for the VCM Plant cooling towers were obtained.

Beside safe production and various modernization tasks, it is a crucial goal to preserve good relations having been established with customers, to expand the scope of customers and to fulfil the changing demands of customers.

We recommend our suspension PVC resins of various types with the trademark Ongrovil for rigid and stretch processing, primarily for producing films, sheets, pipes and profiles, at the same time, several consumer goods are also produced from them, such as toys among others. Our expandable fire-retardant polystyrene product with the trademark Ongrostyr is suitable for, among others, producing industrial packaging materials, insulating plates and decorative sheets.

# PVC

## Business Unit

Production and sales of different types of suspension PVC resins and expandable polystyrenes as well as of polymerisation additives constitute the basic activity of the PVC Business Unit. During the year it produced over 267 thousand tons of PVC resin in its up-to-date 300 kt/year capacity Polimer II. Plant utilizing the capacity in line with market demands.
In July 2003, as per the decision of the Board of Directors, it shut down its out-of-date 30 kt/year capacity suspension PVC resin plant.
Owing to unfavourable market conditions the Business Unit decreased its production of expandable polystyrene and produced only 6 thousand tons, while it further increased the production and sales of polymerisation additives such as peroxide type initiators and anti-sticking additives compared to former years.

Through the Company's foreign-based trading subsidiaries the Business Unit sold approximately 80% of its products in export markets.

Customers meeting 2003

It further increased its market positions in the logistically advantageous Central and Eastern European markets, where approximately 40% of the PVC resin export sales were directed in 2003. Its most significant share is constituted by volumes sold to Poland, the Czech Republic, Slovakia, Serbia-Montenegro, the Ukraine, Croatia and Macedonia.

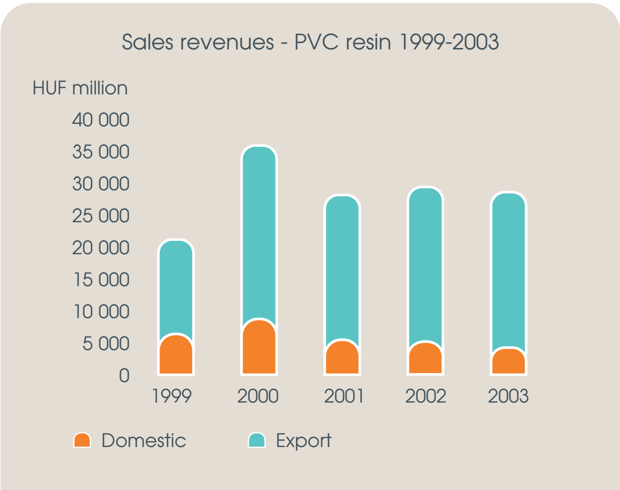
# PVC BUSINESS UNIT

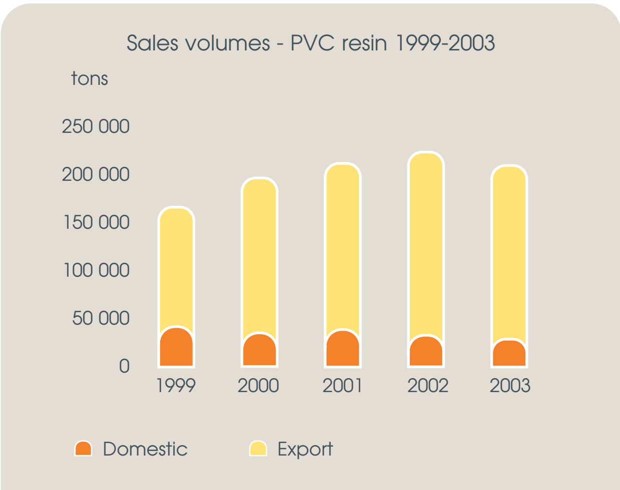
The Business Unit sold significant volumes of PVC resin in the Western European markets, the most important ones continuing to be the Italian, German, Austrian and Spanish markets. Similarly to former years, a portion of its export commodity stocks was sold in markets outside Europe, primarily in Turkey.

As in the years past the Business Unit assisted its customers with regular technical support. As a result of a well-managed quality assurance system in place, the high quality of after-sales services and well-organized customers meetings as well as calls on customers, the number of customer complaints and remarks concerning products has significantly decreased.

The expansion of the 300 kt/year capacity PVC resin plant has started in 2003; in the first stage of the project production capacity is being increased by 30 kt/year during the second half of 2004.

Through a multi-stage investment programme expected to be concluded in 2006, it is increasing the plant capacity up to 400 kt/year and at the same time implementing a closed reactor process system, as a result of which the plant is expected to fully comply with the strictest requirements of environment protection in 2004.



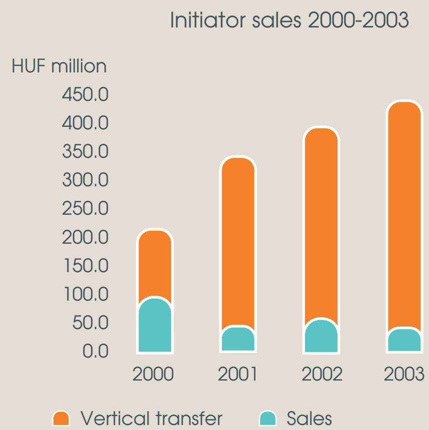



# PVC BUSINESS UNIT

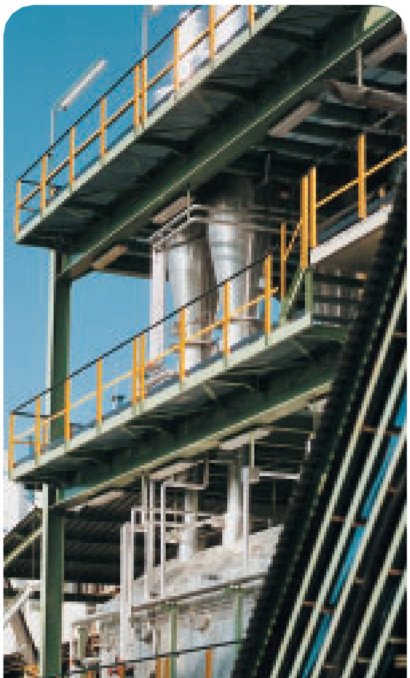
In the course of implementing the capacity expansion project, in order to further improve environmental and safety conditions, the possibility of applying several new environment-friendly additives is being investigated and tested.

In accordance with the expansion of the PVC resin capacity, the installation of the production line of two new initiators used in the production of PVC resin has been started in the VPI Plant.

On a plant visit with our Polish customers in Polimer II Plant




The Business Unit still considers its important commercial task to increase its positions gained in the logistically advantageous Central and Eastern European markets. Therefore, it expects to pay special attention to developing sales and customer service activities.



We offer our rigid PVC dry blends and granules with the trademarks Ongromix and Ongrolit for technical purposes in a large selection of standard and impact-resistant types for producing internal, external and wall-covering profiles as well as for injection moulding of certain complementary elements in the construction industry and other products such as tooth-brush handles. Our plasticized granules are suitable for producing profiles, tubes and shoe industry products as well as for utilization in the cable industry. We recommend our product called Ongrolit CPE for cable and rubber industrial applications.

# Compounds

## Business Unit

In 2003 the Compounds Business Unit achieved traditionally favourable results considering both sold volumes and sales revenues.

The most important element of the 13.7% increase in volume was the sales of dry blends for window profiles, which exceeded that of the base year by 21%. Additional dynamic development is predictable in this area. Given this knowledge, in line with preliminary plans, the complete change of the mixer on the production line, which mostly served as a spare

one, was carried out, by which the base material supply of BC-Ablakprofil Kft. is ensured in the long run.

Approximately 90% of the products of the Blending Plant is processed by BorsodChem Rt.'s subsidiaries, therefore, their performance is of critical importance to the Business Unit.

The Granulating Plant is interested in producing both rigid and plasticized granules; however, market opportunities have significantly changed as compared to former years.

Despite restructuring in ownership and disadvantageous purchasing policies, as a consequence, sales activities of granules to the cable industry were successfully stabilised.

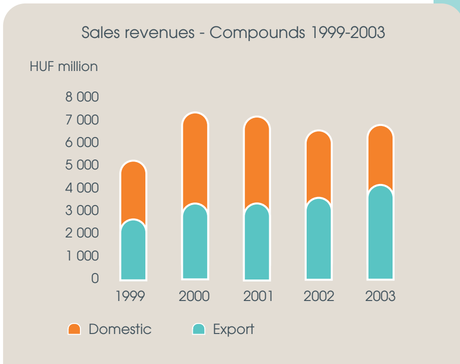
The Business Unit is a continuous supplier to the most significant cable producers in the Central European region, which ensures the high utilisation level of the plasticized granules production capacity.

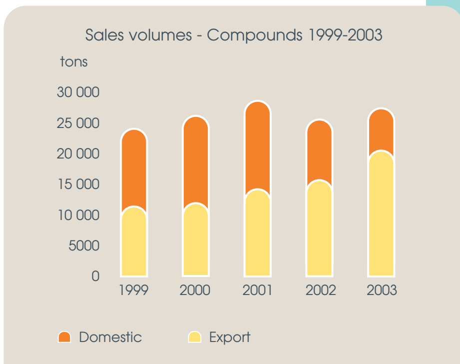
As a result of the perseverant and efficient marketing activities, their positions are ever better in the market of rigid granules, above all in the Ukraine. Expanding market opportunities are accompanied by keen competition of players where price and quality are crucial. In order to stabilize the latter one, modernization of extruders on two production lines was carried out and the installation of a new rigid granule production line is under way, which is expected to commence production in February 2004.

Chlorinated polyethylene (CPE) is still a strategic product of the Business Unit. Despite the stabilization in Europe of the presence of CPE from the Far East, which is of increasingly good quality and remarkably inexpensive, we managed to find and keep new customers and significantly surpass production and sales volumes of last year.

Beside the product having properties of intensifying shock resistance, the product of independent elastomer type has become accepted, which is gaining grounds in other areas of application as well.

Continuous development of the formula ensures an increasingly stable quality and better output, which shall be even more assisted by the reconstruction of the electrical and control technique in progress at the CPE Plant.



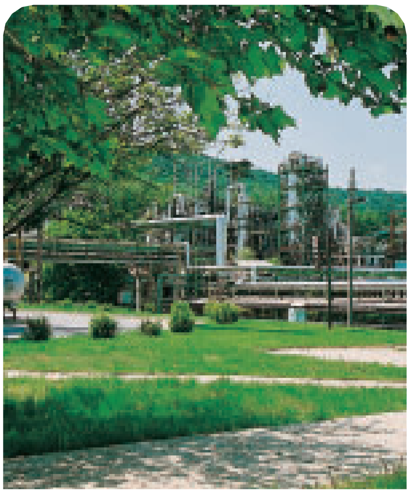
We distribute MDI isocyanates in the form of crude MDI as one of the base materials of polyurethane products, which are suitable for producing rigid foams primarily for the construction and refrigerator industries whereas pure and modified MDI is mainly sold to the shoe industry with the trademark Ongronat MDI.

# Polyurethane

## Business Unit

In 2003 aims of the Polyurethane Business Unit were maximum exploitation of its production capacity, widening its production flexibility and stabilising the quality level.

In the course of 2003 the production volume of MDI was nearly 58 thousand tons, which was the highest ever volume in the history of the Business Unit. 20,300 tons of ammonia was produced, the volume of which was determined by the actually available amount of hydrogen.



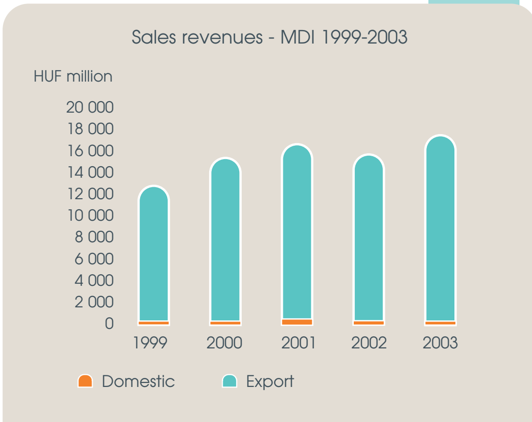
In the Salt Evaporator Unit, which operates at high standards, more than 30 thousand tons of vacuum salt was produced, which was utilized by the Chlorine Unit.

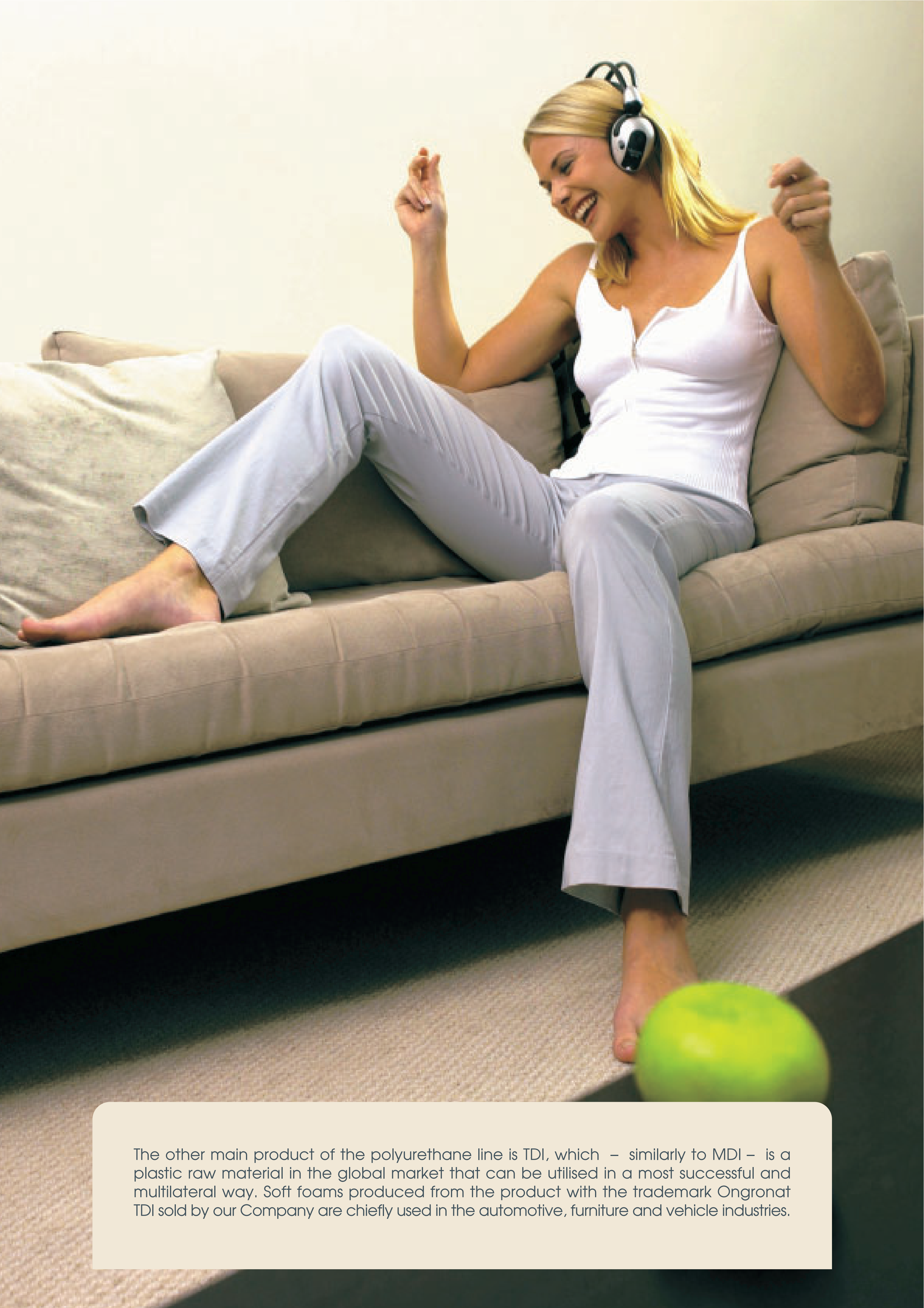
In the course of the year there were no major investment projects realized; however, in line with the long term objectives, preparations for the implementation of a new salt water evaporator plant were started. Technological designs are finished while the preparation of the definite project plan is underway. The new plant will process the high salt content technological waste waters of the TDI, VCM and the new MDI Plants.

In 2003, too, the realization of different environment protection projects and waste minimising programmes as well as the further improvement of occupational health conditions were considered as major accomplishments.

BorsodChem Rt. decided, in this strategically important segment, on the further expansion of its MDI production capacity by 80 kt/year. Technological design works of the new MDI Plant were concluded; the definite project plan is in process and selection of equipment has started.

A visit by Mr. Péter Kiss former Minister of Labour



The other main product of the polyurethane line is TDI, which – similarly to MDI – is a plastic raw material in the global market that can be utilised in a most successful and multilateral way. Soft foams produced from the product with the trademark Ongronat TDI sold by our Company are chiefly used in the automotive, furniture and vehicle industries.

# TDI

## Business Unit

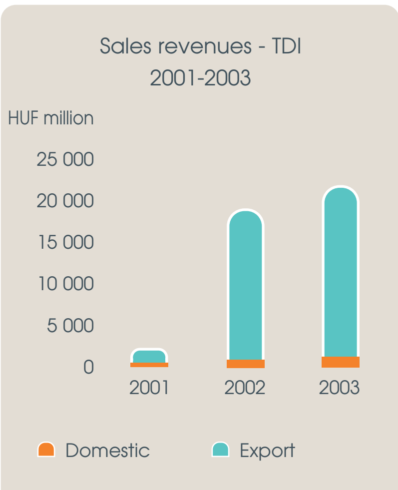
In 2003 the Business Unit successfully realised its primary aim of reaching 61,000 tons of production.

Product of the facility commissioned on 12th December 2001 is TDI, which is the basic raw material for soft-foams in applications for the automotive and furniture industry.
This new product is of exceptional importance for the future of BorsodChem, since it has a significant sales revenue generating ability and is not exposed to the cyclic nature of the chemical industry.
The marketing environment proved to be favourable for TDI sales almost throughout the whole of 2003, inducing nearly 20 % increase in sales, primarily in markets of strategic importance and geographical proximity.
As opposed to the previous year, this year shut downs were necessitated only by the completion of outage-related tasks, otherwise capacity utilisation was continuous and implemented on a high level.

Position of the Business Unit has been improved by continuous operation of the crystallisation equipment producing TDI isomers, which had been put into operation in 2002 in order to meet the special demands of customers, thereby realising a considerable expansion of the T65 and T100 product group.

In order to implement their environmental tasks, a second TDI-recovering unit had been constructed and commissioned parallel with continuous production, and a CO-emission source was extinguished with an adequate technical solution.

A group of university students in the TDI Plant




# Utilities

## Investment

The Directorate for Utilities and Investment performed its activities in 2003 by increasing the safety of services and considering long term development plans.

The Steam-Water-Gas Division and its plants ensured the undisturbed supply of 17 various services to meet the terms of production and social demands of the Company's production units and functional organizations as well as those of on-site external companies. Investments upgrading the condensation system resulted in optimized material and electricity management, process control served the improvement of safe system supervision, while water softening sludge treatment, enhanced the environment.

As a result of conservation, renovation and maintenance works implemented on the utilities systems, in 2003 the long term objective was being met; engineering, technical and industrial safety standards of services should reach and even surpass the standard of production technologies.

For increasing the safety of services, the Directorate concluded a contract with Linde Gáz Magyarország Rt. on the implementation of a plant that shall double the present carbon monoxide and hydrogen production capacity as well as that of an air separating plant.

Signing an agreement on establishing a carbon monoxide plant with Linde Gáz Magyarország Rt.

In 2003 the primary objective of the Electricity Plant of the Automation and Electricity Division was to secure uninterrupted electricity supply to BC Rt.'s technological plants. The target objective was met in full measure, contributing to the operational profit of BC Rt. in 2003.

In the first months of the year, BC Rt. was among the first to enter the deregulated electricity market.

In reference to it, all of the Company's electricity supply, based on an agreement with AES Borsod Energetics Ltd., is realized at 120 kV.

Modernization and investment projects of prominent maintenance and re-construction of BC Rt.'s electricity network related to production expansion were commenced this year in order to secure maximum capacity utilization of the currently operating network as well as to provide the opportunity for expanding and further developing technological plants.

Beside supplying technologies at a high level in 2003, we have to highlight modification of the central electricity network serving the preparation and construction of new capacity expansion investments (such as VCM, CPE, MDI), which provides an additional possibility for secure supply of the facilities.

In 2003 the reconstruction of the 6 kV network was continued together with establishing a plant monitoring system which provides better conditions, more detailed information and increased security of electricity supply for operation.

Installing the last element of the oxyhydrochlorination reactor

# UTILITIES, INVESTMENT

Beside inspecting automation systems, the Engineering Office prepared electrical and automation designs connected to investments.

In 2003 BC Rt. modified the annual general overhaul cycles to a longer cycle period. In spite of the cancellation of the regular overhaul, the Maintenance Coordination Office ensured the expected running ability of production equipment by high standard maintenance and modernizing activities involving certified subcontractors.

Improvement of the Company's image and conservation of the buildings were realized by professional implementation of subcontractor's work and corrosion protection works.

With programmed demolition works of shut down plant sections and buildings, technical safety of the Company's plants has increased and new sites were discharged for later developments.

With the cooperation of the Investment Department, a 3-year development programme at a value of more than HUF 75 billion was defined on the basis of development ideas prospective until 2010 as conceived in 2002.

The first year of implementing what is defined in the programme was 2003 when the Company spent HUF 13.2 billion on capex utilised in the areas of capacity expansion, environmental protection and safety engineering.

Significant capital expenditure on capacity expansion are as follows:

- Implementation works of VCM III. started after preparation and design and are well underway;
- Implementation works of Stage 1 of the PVC-9 Project commenced;
- Designing of MDI expansion continued and the area was prepared;
- Implementation of TDI capacity expansion started, the new LIST equipment was set into operation as its first step;
- Preparations of establishing a new membrane cell chlorine plant commenced.

The Directorate has started designing and implementation works of the development and expansion of central utility systems required for major projects, with particular attention to works to be carried out in the course of the main stoppage for maintenance in 2004.

# Purchasing

The Company's purchasing, storage, railway and road transporting, customs as well as forwarding activities are managed by the Directorate for Purchasing.
This range of activities was expanded by the purchase, management and accounting tasks of energy as from 6th January 2003 the Energy department was transferred to the Directorate. This modification was required by the opportunity of purchasing energy on the free market due to the liberalization of the electricity market.

During the year, there were no problems that would have limited the continuous production of high level or the Company's dynamic growth.
The value of purchased raw materials, additives, packing materials, technical and other materials exceeded HUF 43 billion.

In 2003 BorsodChem Rt.'s plants operated, contrary to earlier years, without general maintenance shut; therefore, the volume of materials purchased for maintenance works lagged behind the typical value of former years.

In respect to raw materials, however, purchases of record levels were realized. Nearly 100 thousand tons of vinyl chloride for PVC production, 51 thousand tons of concentrated nitric acid and 37 thousand tons of toluene for TDI production and more than 40 thousand tons of aniline for MDI production were supplied.
The quantitative growth provided a good basis for achieving further economy of scale effects.
In order to sustain the cost competitive position, besides attaining the most favourable purchase prices for the Company, a prominent goal was to utilize opportunities inherent in inventory management and establish the optimal level of inventories.

Concluding a contract on electricity supply with Entrade Hungary Kft.

Concluding a contract with AES Borsodi Energetikai Kft.

# PURCHASING

Signing an agreement on industrial salt supply with SALROM (Romania)

The Road Transportation and Storage Division, besides its traditional activities of storing purchased materials and assets, manages the storage of finished products both for the Company's business units and for its subsidiaries operating on site.

The quantity of materials transported on road by vehicles operated by the Road Transport Section exceeded 98 thousand tons and the quantity of materials handled with lifting machines amounted to nearly 29 thousand tons.

The division prepared a development concept regarding future material flows, as due to the expansion program there will be a sizable increase in storage and road transport facilities necessary.
Railway transport of materials and products of BorsodChem and of the companies operating on its site and contributing to its traffic turnover, forwarding of these products, as well as customs clearance of imported materials and export products are also managed by the Transportation Division.

42.8 thousand loaded and empty railway wagons were received and forwarded by the division in 2003. Keeping in proper condition the approximately 29 km-long railway network situated on the site of the Company together with adherent construction works and safety equipment also belongs to its manifold tasks.

In cooperation with the Customs Office of Miskolc, they operate a "Regular Customs Supervision" on-site, which arranged more than 24 thousand customs clearance procedures during the year.

The application of "Simplified Customs Procedure" was carried on in 2003. In its frame 64% of exported products was cleared off customs by the organisation on its own right without the involvement of the Customs Office.

Energy sources and pipe-line services required for the operation of BorsodChem Rt.'s plants and companies operating on its site were purchased by the Energy department.

2003 was highlighted by the fact that BorsodChem Rt., embracing the legal opportunity, was the first company to enter the electricity free market in Hungary.

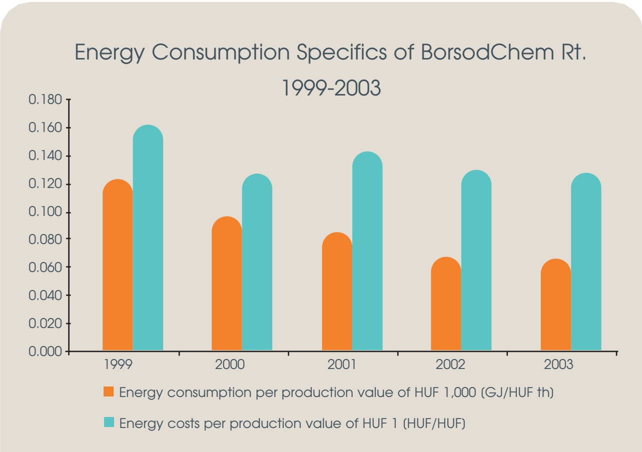
Beyond the electricity generated by BC Power Plant, electricity was purchased from Entrade Kft. and AES Borsodi Energetikai Kft. within market conditions to supply the Company's demands.

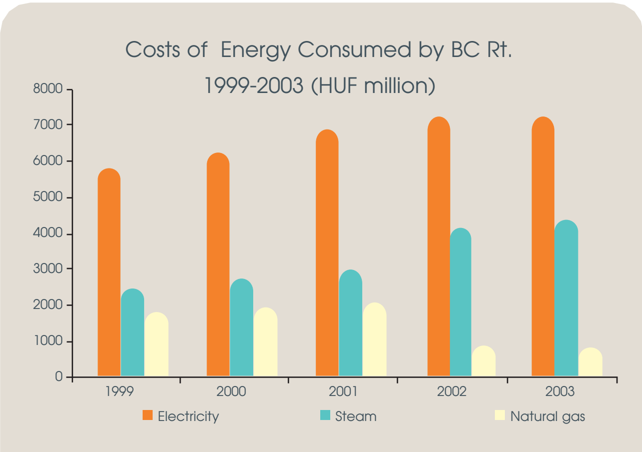
# PURCHASING

Preparations were made to enter the free market of natural gas thus creating an opportunity for further reduction in energy costs.

Energy management is of great importance as energy costs are of significant proportion within the Company's operating expenses.

BorsodChem Rt.'s energy management is characterized by improving figures of specific energy consumption (Figure 1).




The Budapest Office reporting to the Directorate is engaged in purchasing imported technical materials and in foreign trade activities related to investments.

# Subsidiaries

## AND PARTICIPATIONS

After its reorganization in 1991, BorsodChem continuously developed to its present operation system and organisational structure by closing down or outsourcing certain activities, by acquiring and founding companies, all aimed at specialisation.

Today BorsodChem is a modern company focusing on the production and processing of plastics base materials. At the end of 2003 it had interests of different size in sixteen companies. It has majority stake in twelve companies and a 50% interest in one. Among these, eleven companies are included in the scope of consolidation.

### Subsidiaries

As for the twelve majority stake companies, five of them pursue production activities. Among them, three companies, BC-Ongropack, Panorama and BC-Ablakprofil Kft. are engaged in plastics processing, while BC-KC Formalin Kft.'s profile is formaldehyde production. In 2000 the group of producing companies was widened with BC-MCHZ s.r.o., a chemical company in the Czech Republic. Its main activity is the production of aniline, cyclo-hexylamine and other special amines.

Four companies, BC-Ongromechanika, BC-Ongrobau, BC-Ongroelektro and Polimer Kft. are service providing subsidiaries. BC Ongro Benelux B.V., BC Handeksg. m.b.H. and BC Polska are 100% owned foreign trade companies having their seats abroad. Their foundation contributes to the dynamic growth of the parent company, as direct customer relations ensure the sales of increasing product volumes in their region. In Italy, which is one of BorsodChem's main export markets, there is a commercial subsidiary, B.C.-M.C. s.r.l., jointly founded and operated with MOL Rt.

Data of balance sheets and income statements of majority stake subsidiaries are presented in a comprehensive table.

### Investment in Associates

In 1998 BC Power Plant Kft. was established and having realised a significant project, it has been in operation since June 2001 covering BorsodChem Rt.'s steam supply and a part of its electric power supply.

Since 2000 BorsodChem Rt. has had a 15.4% permanent stake in TVK Rt., which produces organic and inorganic base materials for the chemical industry as well as plastic products.

The International Economic Development Non-Profit Company was founded at the end of 2002 with the primary goal of developing economic and commercial relations between Hungary and Russia as well as supporting joint action of Hungarian and Russian companies in the third market; BorsodChem's stake in the company is 2.3% as of 2003.

Ongropur Kft. was liquidated in 2002; the B.-A.-Z. County Registry Court cancelled the company in January 2003.

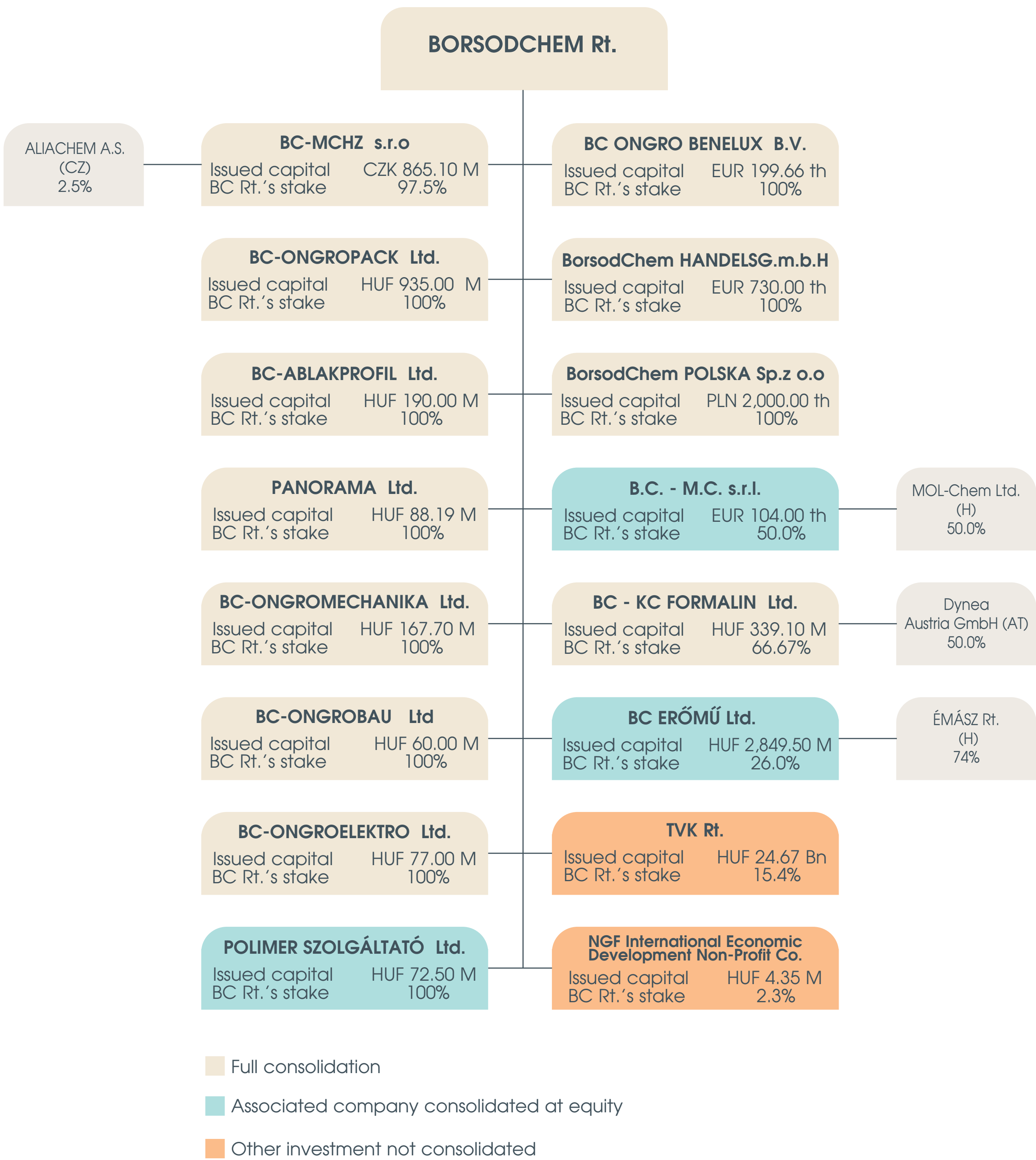
As a consequence of rationalisation carried out in previous years, minority shareholdings of the Company were reduced to three.

**BorsodChem Rt.'s investment in associates**

| Company | Primary capital HUF million | BC Rt.'s interest % | Sales revenues in 2003 HUF million | Profit after taxation in 2003 HUF million | Dividend of BC Rt. in 2003 HUF million |
|---|---|---|---|---|---|
| Polimer Kft | 72.5 | 100.0 | 442 | 7.9 | |
| BC - MC s.r.l. | 104.0 EUR th | 50.0 | 16,246 | 26.0 | |
| BC Power Plant Kft | 2,849.5 | 26.0 | 6,298 | 682.2 | 177 |
| TVK Rt. | 24,666.2 | 15.4 | 133,162 | 5,851.0 | |
| NGF Nemzetközi Gazdaságfejl. Kht | 4.4 | 2.3 | | | |

# MAJORITY AND MINORITY INTERESTS

BorsodChem Rt.'s ownership and interests in operating companies as of December 31st, 2003, with the indication of stakes and minority interests



# BC-MCHZ s.r.o.

Owner: BorsodChem Rt. 97.5%, ALIACHEM A.S. 2.5%
Issued capital: 865.1 CZK M
Net assets: 10,276 HUF M
Sales revenues: 23,730 HUF M
Staff: 657 employees
Activities: Production and sales of aniline, cyclohexylamine, dycyclohexyl-amine, nitrobenzene, formaldehyde, oxalic acid, nitric acid, sodium nitrate, nitrogen-monoxide, special amines

In 2003 BC-MCHZ improved production efficiency and foreign trade of its products. The operating profit showed an increment of 40 % against the previous year. 90% of sales revenues were realised in export markets. Aniline, which accounts for 62% of the sales revenues, increased its share from exports by 22%. Credit portfolio of the company decreased by 17 %, while the efficiency of live labour was further improved. Based on achievements in business activities, 2003 may be evaluated as very successful.


This year BC- MCHZ emphatically turned its resources to the product group of nitric acid – aniline - cyclohexy-lamine – special amines described as a "core business". Parallel to this, they managed to keep the production of oxalic acid, diethyl-oxalate and dinitrogene oxide produced and sold in small amounts but traditionally present in the market at a profitable level.
The subsidiary supplies BorsodChem Rt. with raw materials aniline and nitric acid for the production of MDI and TDI in the amount of up to 80–90% of the total consumption by means of "BC Express" trains put into operation specially for this purpose.

A visit of Vaclàv Klaus President of the Czech Republic at BorsodChem Rt.'s subsidiary in Ostrava

The sale of carbamide-formaldehyde resin production to a professional investor was aimed at the subsequent concentration of product portfolio.
During the year the reconstruction of adiabatic nitration plant was successfully accomplished. This investment facilitates the overall utilisation of the aniline production capacity and the implementation of further developments.
Designing and licensing works of the expansion project have started. Parallel to this, with the involve-ment of German and Japanese enterprises the company concluded a favourable deal for the sale of the aniline licence, know-how and basic engineering in Japan. Engineering works had been completed before the end of 2003.

The subsidiary lays special emphasis on quality assurance. Its total sales revenues are generated by pro-ducts, which had been produced, qualified and sold in line with ISO 9001:2000 standards.
Environment protection and the management of natural resources are ensured by the operation of the audited systems of ISO 14001 and "Responsible care". The requirements of production relia-bility and safety engineering are met within an up-to-date, high-quality system audited by inde-pendent organisations.

# BC-Ongropack Kft.

Owner: BorsodChem Rt. 100%
Issued capital: 935 HUF M
Net assets: 2,187 HUF M
Sales revenues: 5,611 HUF M
Staff: 128 employees
Activities: Production and sales of rigid and stretch PVC films and different types of plain, foamed and corrugated sheets

In business year 2003 the company was unable to realise its targets for output and sales revenues as outlined by the plan, which was primarily due to a drop in rigid PVC film sales.

It sold a total amount of 8,226 tons of PVC films and 6 kt of sheets.

The proportion of export sales had not changed in previous years, it approached 80% in 2003 as well.
Production and sales of PVC sheets were further increased, thereby strengthening the position of the company in our region.

4th Ongropack Open Days

The proportion of foamed sheets continues to be representative within the product portfolio.

Though the sales of rigid PVC film lagged behind the plan in 2003, its sales for pharmaceutical purposes and that of special PVC/PE laminated films further increased.

In the future the company intends to realise a gradual restructuring of rigid PVC film products.

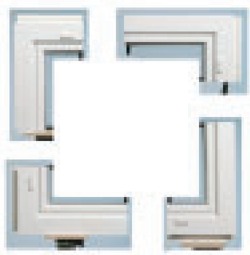
Strengthening its acquired market positions and increasing the market share of new products are considered to be the company's strategic objectives.

# BC Ablakprofil Gyártó és Forgalmazó Kft.

Owner: BorsodChem Rt. 100%
Issued capital: 190 HUF M
Net assets: 2,191 HUF M
Sales revenues: 6,030 HUF M
Staff: 150 employees
Activities: Production and sales of PVC window profiles and PVC pipes

In 2003 BC Ablakprofil Kft. continued to expand, which resulted altogether in an increase of 20% compared to 2002.
During last year the company faced stiffening competition on its markets. In this gradually intensified price competition the company managed to retain its domestic market position, while improving its position in export markets.
With a few per cent growth of the Hungarian construction industry, within the window production sector, plastic windows have gained further considerable importance.
The market share of PANORAMA system windows and doors continued to be 45-50%. It was difficult to keep this level since Western European recession still has not come to its end, and an aggressive market policy of foreign PVC-window profile producers was perceptible throughout the year in Eastern Europe and in Hungary.
For this reason the 56% expansion in export markets is seen as a remarkable achievement, since the company realised sales exclusively in this region.
The subsidiary could surpass its sales target.
Their window profile sales amounted to 11,750 tons as opposed to the planned amount of 11 kt. Out of this volume the amount of sales realised abroad is 4,350 tons, which makes up 37% of total sales.
The main target countries for the company are Romania, Slovakia, Poland, the Ukraine and the Baltic states.
Along with PVC-window profiles, the sales of pipes and other profile elements amounted to approx. 2,400 tons.

The company spent HUF 330 million on investments and developments during the year. They went on with investing into capacity expansion and completed the development of the five-chamber PANORAMA-3000 profile system.



# Panorama Kft.

Owner: BorsodChem Rt. 100%
Issued capital: 88.2 HUF M
Net assets: 444 HUF M
Sales revenues: 1,764 HUF M
Staff: 101 employees
Activities: Production and sales of insulated plastic frontal doors and windows, entrance doors and portals, glass walls and winter gardens with 7-year warranty, from design to installation, with complete accessories from sills to shades

The subsidiary's performance in 2003 was characterised by increased efficiency of production.
The subsidiary continued the development of its machinery in the direction of automated production by installing a new cutting machine of optimised tailoring and a number of specific machines for the assistance and intensification of production, which investment amounted to nearly HUF 40 million.


The Kft.'s stand at the Construma Construction Industrial Trade Exhibition

It is partly due to the above facts that the operating profit exceeded that of the previous year by 50%, while production lead time had been reduced by an average of one week.
In order to promote the five-chamber Penta windows and doors on new export markets, the subsidiary opened exhibition rooms in Denmark and Croatia.

In 2003 PVC profile consumption exceeded 800 tons.

# BC-KC Formalin Kft.

| | |
|---|---|
| Owner: | BorsodChem Rt. 66.67% |
| | Dynea Austria GmbH 33.33% |
| Issued capital: | 338.1 HUF M |
| Net assets: | 463 HUF M |
| Sales revenues: | 1,860 HUF M |
| Staff: | 16 employees |
| Activities: | Production and sale of formaldehyde |

Since its establishment, the subsidiary reached record sales revenues and production in 2003 with 57 kt of product output.
84% of all the formaldehyde produced was used by BC Rt.'s MDI Plant and by the resin plant of Dynea Austria, the rest was purchased by other domestic and foreign partners.
The export accounted for 9.1% of total sales. Net sales revenues have increased by 20%, sales revenues per capita have reached the amount of HUF 116 million /year.

Granting awards on the occasion of 20 August

Production of 2003 was also characterised by high level of industrial safety, excellent product quality and minimised environment load. In 2003 the company developed an integrated quality assurance and environment management system.

# BC-Ongromechanika Kft.

Owner: BorsodChem Rt. 100%
Issued capital: 167.7 HUF M
Net assets: 250 HUF M
Sales revenues: 1,014 HUF M
Staff: 130 employees
Activities: Planning, manufacturing and maintaining chemical devices, pipelines, parts of machines, particular tools and steel structures, assembling and maintaining machinery, rotating machines, cranes and vehicles, repairing, controlling, adjusting of safety valves, adjusting misalignment, metal and ceramic dispersion, plasma cutting

The company faced a difficult year in 2003 due to the restrained maintenance and investment activities of BorsodChem Rt. Although only 85% of the sales target could be met, the company could increase the operating profit to 103% of target.

Along with general maintenance works, during the year 35 heat exchangers, 16 containers, 1 column, 6 air and 2 chlorine coolers were produced. In addition the company carried out the repair works on 18 containers, pulled down a VC gasometer of 2,500 $m^3$ and replaced the DN 800 chlorine pipeline at the chlorine plant. Construction works were carried out by the use of 484 tons of steel, 6,984 linear metres of corrugated tube, 4,200 linear metres of double bend, 35,000 linear metres of steel pipe and 3,000 linear metres of plastic pipe.
Similarly to the practice of previous years, the subsidiary undertook the complete production and assembly of bottle bundles for Linde.

Renewal audit of the ISO 9001:2000 standards system was implemented successfully by TÜV Rheinland InterCert Kft.

# BC-Ongroelektro Kft.

Owner: BorsodChem Rt. 100%
Issued capital: 77 HUF M
Net assets: 196 HUF M
Sales revenues: 757 HUF M
Staff: 108 employees
Activities: Manufacture and maintenance of electric and process control equipment; design, installation and maintenance of controlling equipment, drives and frequency converter systems; repair of electric motors and heaters; maintenance of scales, temperature and pressure measuring devices, transmitters, gas-detection apparatus; calibration in an accredited calibration laboratory; operating a Danfoss and Compur brand service workshop

BC-Ongroelektro Kft. closed a successful business year in 2003 as well. During the year there was a significant growth in the volume of external orders, though the main sphere of activities of the company continued to be specific investment and maintenance tasks for BorsodChem Rt. and its subsidiaries.

In May 2003, upon a successful audit carried out by SGS, the company switched to the quality assurance system of ISO 9001:2000 standards, whereas since October it has been operating an Accredited Calibration Laboratory in 24 calibration processes based on the resolution of the National Accrediting Board.

# BC-Ongrobau Kft.

| | |
|---|---|
| Owner: | BorsodChem Rt. 100% |
| Issued capital: | 60 HUF M |
| Net assets: | 181 HUF M |
| Sales revenues: | 683 HUF M |
| Staff: | 90 employees |

Activities: Maintenance, renovation and building-construction work, corrosion protection and transportation of liquid communal and hazardous waste waters for BorsodChem Rt. and its subsidiaries

With its maintenance and on-call service activities the company has been contributing to the continuity of BorsodChem Rt.'s operation for 8 years. In addition to maintenance work, during the past years it has also continuously participated in the building-construction and renovation projects of the parent company.

Sales revenues of HUF 682 million realised in 2003 exceed the planned figure by 6.4%.

During the year the company participated in the implementation of underground construction works relating to BorsodChem Rt.'s PUR and VCM investments. Among reconstruction objectives of BC Rt., the subsidiary took part in the development of chemical-resisting servings, corrosion protection treatments as well as contractor works of social blocks and offices.
The company completed its tasks for 2003 in line with the requirements of its ISO 9001:2000 certificate.

# Polimer Szolgáltató Kft.

| | |
|---|---|
| Owner: | BorsodChem Rt. 100% |
| Issued capital: | 72.5 HUF M |
| Net assets: | 135 HUF M |
| Sales revenues: | 442 HUF M |
| Staff: | 174 employees |

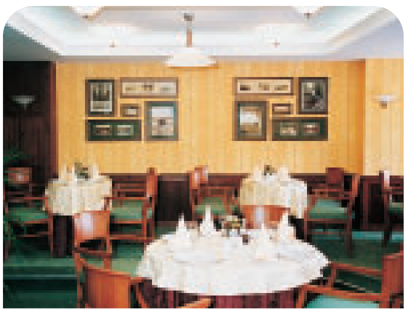
Activities: Catering and hotel service, operating the factory canteen and provision of cleaning services

The operation of Hotel BorsodChem is the main activity of the company, providing lodging for customers, suppliers and visitors in the vicinity of the plant.
This 3-star hotel, which was opened almost 5 years ago, has rightly become one of the most popular hotels of the region through its high-standard services. Its impressive conference room and private room satisfying every technical requirement provide an excellent venue for business meetings, conferences, and press conferences. Beside company programmes, it caters for family celebrations of a high standard, for which on there is a great demand all over the town as it has been experienced for the past years.

A programme in the private room of Hotel BorsodChem

Services provided by the sauna, solarium and gym located in the basement are popular among employees and townspeople being fond of active recreation. A non-smoking and air-conditioned restaurant invites both businessmen and gourmets with a seasonally renewed menu.
On its renovation, the Irinyi János Workers' Hostel receives the employees of construction companies, subcontractors as well as other guests and groups in its comfortable double and triple bedrooms and high quality facilities.

At the Students' Hostel double bedrooms with shower and cooking facilities are at the disposal of lodgers.
In the vicinity of the hostels, a tennis court and a swimming pool, as well as a bowling alley operated by the company provide enjoyable recreation and entertainment to visitors.



# BC Ongro Benelux B.V.

Owner: BorsodChem Rt. 100%
Issued capital: 199.66 EUR th
Net assets: 155 HUF M
Sales revenues: 6,432 HUF M
Staff: 3 employees
Activities: Sales of PVC resin, PVC semi-finished and finished goods, MDI, TDI and EPS in the Benelux, the Scandinavian, the North German and the English markets

Despite economic stagnation prevailing in Western Europe and a drop in the GDP of EU countries, in 2003 - considering its total sales -BC Ongro Benelux B.V. sold 2,500 tons more chemical products in the Benelux, German, English and Scandinavian markets than in 2002.

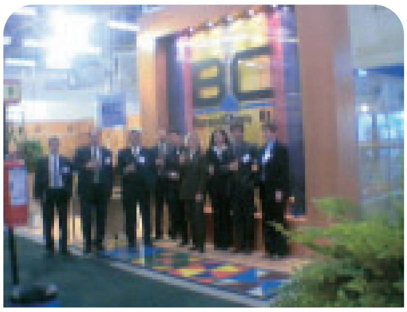
As regards the sales of PVC resin, however, they did not manage to achieve the 2002 level. Due to unforeseeable changes in price in the Western European PVC resin market, with monthly spot sales solvent demand emerged only for smaller volumes than expected. Larger volumes could have only been sold in the frame of annual, price formula delivery contracts.

In the trade of isocyanates, i.e. TDI and MDI, the subsidiary implemented a growth and established a stable, reliable customer base. Despite difficult market conditions, there had been an increase in the turnover of TDI, selling nearly 4,300 tons of this product. MDI was also sold in a total quantity of over 10 kt, which indicates that sales in this region may be expected to constantly exceed 10 kt year by year.

In the case of EPS sales, the plan for 2003 was successfully realised, along with providing for a stable turnover of BC-Ongropack products, stretch films in the first place.

They purchased the intermediate products of BC-MCHZ in expanding volumes in 2003, intending to further increase turnover year by year as a function of market opportunities.

Foreign language courses organised for the staff of the parent company were continued, in 2003 6 persons completed a successful language course in Arnhem.




At the UTECH 2003 Exhibition

# BC Polska Sp. z o.o.

Owner: BorsodChem Rt. 100%
Issued capital: 2.0 PLN M
Net assets: 145 HUF M
Sales revenues: 8,889 HUF M
Staff 6 employees
Activities: Besides the sales of the parent company's products including TDI, PVC resin - dry blends - granules, CPE, EPS and initiators, selling the products of subsidiaries such as BC- Ablakprofil Kft. BC-Ongropack Kft. and BC-MCHZ s.r.o., in Poland as well as obtaining favourable quotations for the purchase of Polish chemical raw materials for BorsodChem Rt.

Participants of the Polish customers meeting in Polimer II. Plant's instrument room

Owing to its firm customer relations dating back to earlier years, in 2003 BorsodChem Polska Kft. significantly increased its sales of PVC resin, PVC granules, TDI and CPE in Poland. As a consequence, sales revenues of the company, in which PVC resin and TDI represent a 75% share, increased by 30% against the previous year. In the case of these two base products BorsodChem Rt. holds a 10% and 26% market share respectively.

After a breakthrough in 2002, in 2003 the sales of window profiles were resumed along with the purchase of chemical raw materials for the parent company.

Our Polish costumers' visit to Hungary

# B.C.-M.C. s.r.l.

Owner: BorsodChem Rt. 50%, Mol-Chem Kft. 50%
Issued capital: 104 EUR th
Net assets: 116 HUF M
Sales revenues: 16,246 HUF M
Staff: 6 employees
Activities: Sales and distribution of products made by the two parent companies and company groups in the Italian market, trading activities

We have encountered adverse economic environment during the past two years, we are hopeful 2003 represented the bottom of the recession on the Italian market, that also affected B.C.-M.C.

The annual sales revenues of the company were slightly below EUR 62 million, which has been EUR 4 million behind the sales revenues of 2002, however, it is still regarded as a positive achievement if we consider economic processes and the general performance of the chemical industry sector. Despite decreasing sales revenues, the company's profitability reached the same level as that of 2002.

The Italian market continued to be the leading export market of BorsodChem Rt., both in respect of PVC and isocyanates.

PVC sales experienced a setback in 2003, though sales volumes still accounted for 15% of the parent company's PVC production.

Isocyanate sales indicated a satisfying degree of expansion; the turnover of MDI, and especially that of TDI, has increased.

In the case of other products (CPE, oxalic acid, chlorine-alkali products) the company's performance was pursuant to expectations, thereby BorsodChem Rt. maintained its share of the market.

BorsodChem Rt.'s stand at the Plast Milan Exhibition

# BorsodChem Handelsgesellschaft m.b.H

Owner: BorsodChem Rt. 100%
Issued capital: 730.0 EUR th
Net assets: 472 HUF M
Sales revenues: 8,650 HUF M
Staff: 8 employees
Activities: Sales of raw materials for the chemical and plastics industry in the markets of the neighbouring countries and providing complete commercial services

In 2003 the company sold approximately 75 thousand tons of the parent company's products and 28 thousand tons materials of other long term production suppliers.
The proportion of BorsodChem Rt.'s products permanently constitutes 75% of the turnover.

In the course of the year, the company achieved the highest sales revenues in Austria, Slovenia, Croatia and Germany, however, the role of Bosnia-Herzegovina and Serbia-Montenegro has gradually increased. Compared to last year, 800 tons more PVC resin was sold while they doubled their turnover on MDI and hydrochloric acid.

In 2003 a significant task was presented by the sales of chlorine alkali products, of which they sold a total of 53 thousand tons.
The company strengthened its positions in selling isocyanates, chlorine alkali products as well as PVC resin particularly, especially in the Southern Slavic region.

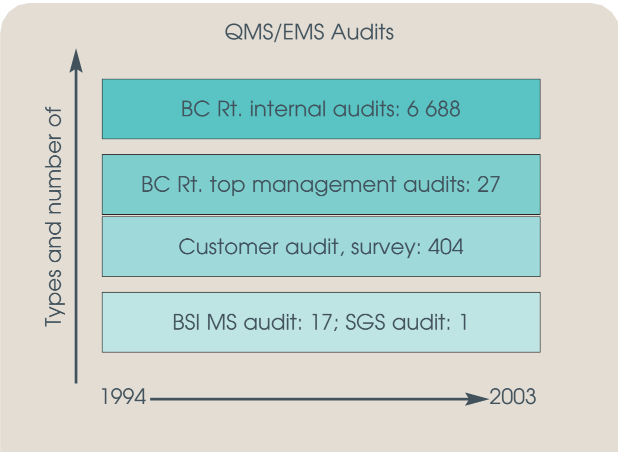
Similarly to previous years, foreign language training of the employees of the parent company still continued in 2003.

# Quality Management

It was early at the beginning of 1990's when BorsodChem Rt. realized the significance of applying management systems. Company management meeting European standards worked its way into every day life gradually transforming quality assurance into quality management.

## Complying with the requirements of QUALITY – SAFETY – ENVIRONMENT PROTECTION is of primary importance in all areas.

Operation of the integrated management system (ISO 9001 / ISO 14001) in 2003 may be characterized by the following data:

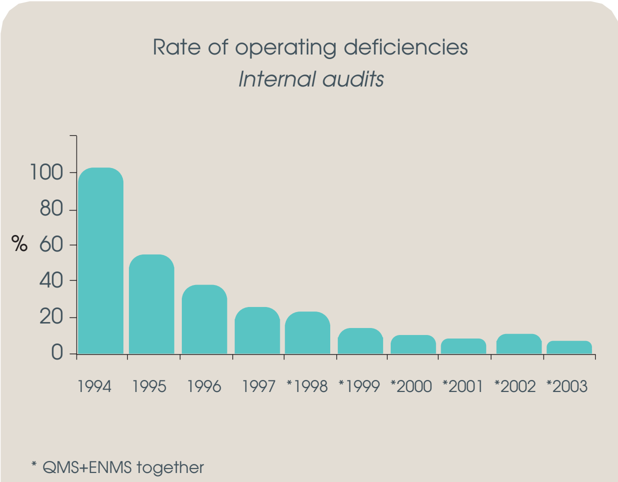


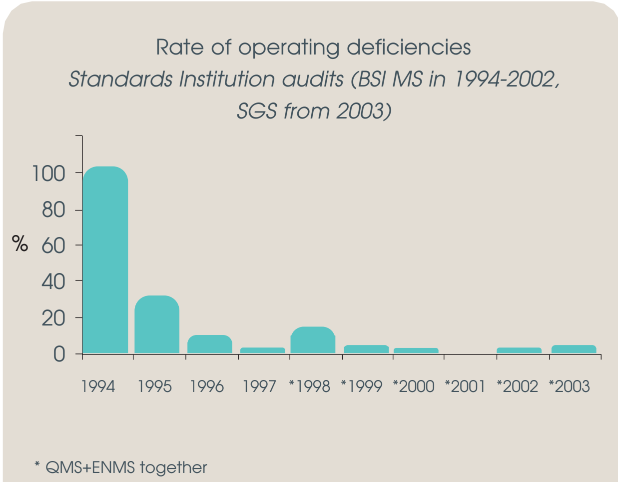


Re-certification audit

Adequate operation was controlled by several kinds of audits.

# QUALITY MANAGEMENT

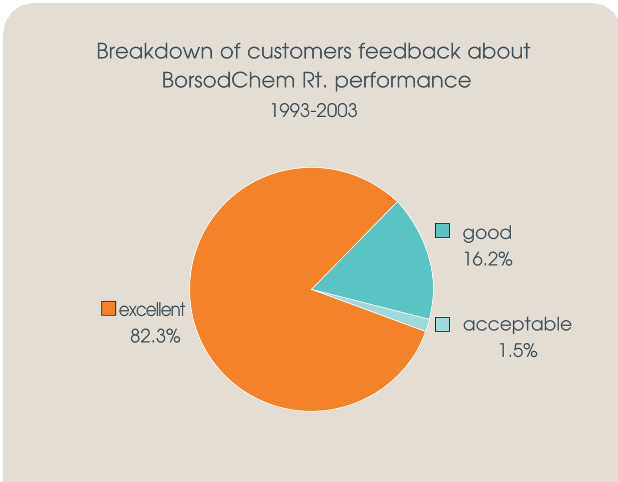



Switching from ISO 9002 to ISO 9001:2000 was concluded.
Due to the approach of fault prevention the rate of operating deficiencies still remained insignificant.

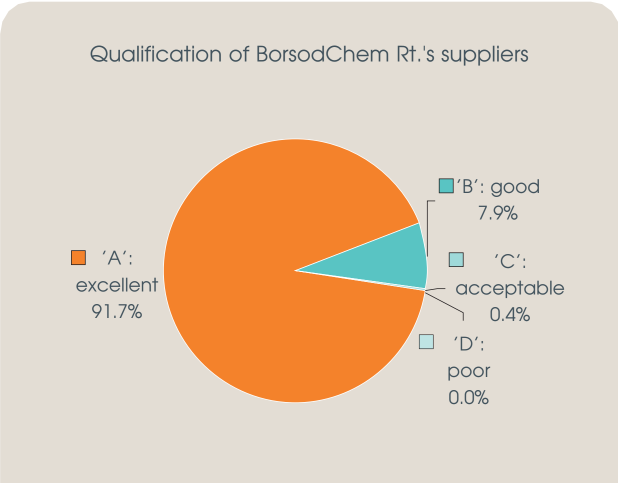
The re-certification of the integrated QMS/EMS was carried out by SGS Hungária Kft. in June 2003.

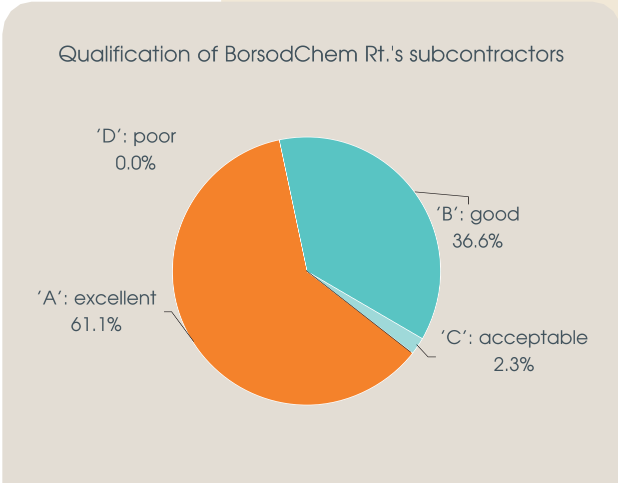
Most of the costumers are satisfied with the quality of BC Rt.'s products and services considering the Company as a reliable partner. In comparison to the volume of product output, losses due to claims are small.




It is of great importance to BC Rt. to control its activities also by laboratory examinations.
In 2003 the Company spent HUF 600 million on the examination of incoming and its interim products as well as on environmental and safety engineering testing.
Most of the measurements are carried out in a laboratory accredited for approx. 140 examinations as per MSZ EN ISO / IEC 17025.

# QUALITY MANAGEMENT




In order to select and keep a scope of adequate partners, the performance of suppliers and subcontractors was continuously evaluated and the results were considered when placing orders.


In order to achieve quality objectives, 47 programmes have been approved in the value of HUF 1.251 million. The implementation of a part of the programmes continues in 2004.

In 2003 data base management and the processing information technology system of quality examinations as well as the electronic system documenting the QMS/EMS system were significantly updated.
The Company prepared a self-evaluation complying with EFQM principles on BC Rt.'s performance including a survey on employee and customer satisfaction.

# Industrial Safety

In 2003, similarly to previous years, safety performance of BorsodChem Rt. was good.

In the course of 2003 there were only seven occupational accidents. The majority of accidents occurred owing to causes that could not have been prevented by the company.
The principal indicator of accidents, i.e. injuries per one thousand people was 2.6.

Occupational diseases and increased exposition cases have not occurred for years. This is a result of improved working conditions, continuous medical control and a better working morale of employees. Medical and laboratory examinations are carried out in the well-equipped occupational health clinic situated on the premises of the company.

In 2003 there were no cases of fire, extraordinary events subject to announcement or leakage of material to a hazardous degree.

## Owing to regular and strict safety inspections held on-site with subcontractors, there were no serious accidents or fires in the course of operations of these companies, either.

BorsodChem Rt. initiated calling to account of workers disregarding rules and regulations. Nearly HUF 2 million penalty was levied during the year.


Through investments and refurbishments implemented on-site, technical safety standards have increased, which resulted in further improvement of working conditions.

The company drew increased attention to the training, education and practice of employees in safety engineering this year, too.

BorsodChem Rt.'s activities in the fields of safety engineering, work protection, occupational health, fire protection and technical safety were regularly supervised in 2003 by competent authorities, such as the Supervision of Labour Safety, the State Public Health Authority, the Authority of Fire Protection and the Supervision of Technical Safety. In the course of these inspections no severe non-conformities were found that would have required instant action and no fines for minor offence or chemical loading were levied.

# INDUSTRIAL SAFETY

Full-range assurance of corporate compliance with the technical and engineering requirements defined by the Law on Disaster Prevention and its executive decrees still lays charges on BC Rt. Supplementation of deficiencies for the safety report was completed as per the authority's request. The authority resolution regarding its approval still did not arrive in 2003.

Works connected to establishing a control centre for disaster prevention were continued in the company's dispatcher centre.

The stock of appliances used for emergency control and fire fighting was further increased in the course of the year. For locating the on-site Fire Fighting Facility on corporate grounds, the social block of the fire fighters' hostel was brought into use by the end of the year. The fire brigade shall move in to the renovated facility in Q1 of 2004.

In 2003 BorsodChem Rt. allocated more than HUF 900 million for safety investments, renovation, occupational health, maintenance and operational tasks.

BorsodChem Rt.'s organization controlling emergencies is able to provide efficient assistance in the occurrence of emergencies and industrial accidents within the company, to on-site subsidiaries and subcontractors as well as in mitigating and overcoming damaging effects of transportation accidents.

# Environment Protection

Within the range of topics concerning society the subject matter of environment protection has significantly been revaluated. Both the proximity of EU accession and the negotiations on accession have contributed to the acceleration of regulating activities; industrial companies have to operate in compliance with more than a hundred new environmental provisions of law.

In their Environment Protection Policy, BorsodChem and its subsidiaries voluntarily committed to protecting the immediate and extended environment. Beyond continuous technical development, it is required that people working for the company be familiar with and consider the environmental impacts of their decisions. Regular training and disciplined workplace environment effectively contribute to enhancing the standard of environmental culture.

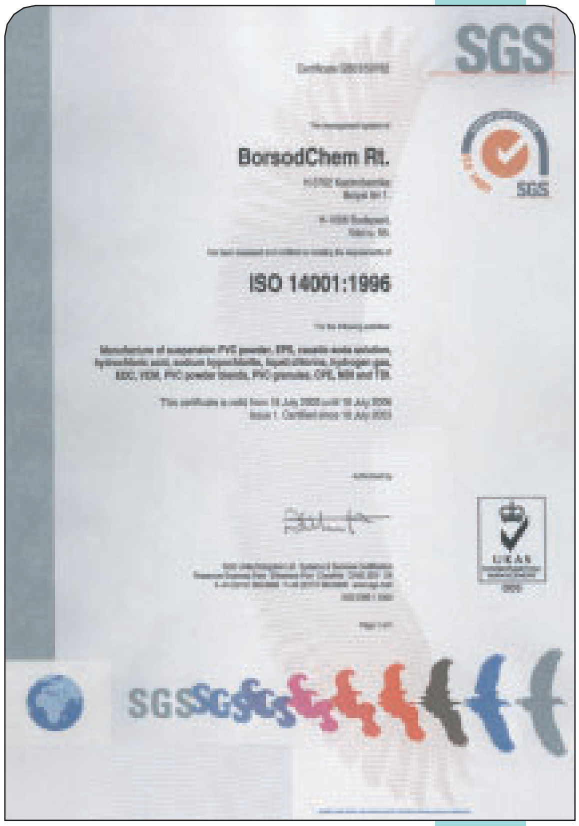
The application of the environment conscious management system complying with the international standard of ISO 14001 having been introduced and certified in 1998 at BorsodChem Rt. establishes a methodical and professional way of thinking, its operation ensures continued development.

For further improvement of environmental performance, the company realized several environment protection projects in the course of the year. Considering the rate of expenditures, approximately the same amount of money was spent on each environmental element.

The new anaerobe biological waste water treatment unit, installed in 2002, operates as per the planned efficiency. On the basis of operating experience, two supplementary investments of approximately total HUF 160 million have been implemented this year in the interest of safer operation. One of these included the establishment of a waste water cooler, while the other one involved smaller-scale restructuring for ensuring more efficient disposal. Experience gained during test-runs justified the demand for the investment. Besides attaining operational safety additional savings on electricity were realized, and the consumption of neutralizing agents has also decreased. The reconstruction of the Waste Water Treatment Unit has continued with electrical improvements. The amount of expenditure was HUF 6.5 million.

Maintenance and renovation of the pipeline system at the plant site is practically being carried out on a continuous basis in order to prevent soil and ground water contamination. In 2002 600 m of the large-diameter main channel for organic waste water was insulated. This year the length of insulated section has been completed with additional 160 m thus the renovation of the main channel's entire section has been concluded. Afterwards, the insulation of the large-diameter main channel for inorganic water has also commenced. In 2003 renovation of 190 linear m pipeline was accomplished. This year's expenditure was HUF 22 million.

To terminate ground water contamination with ethylene dichloride and to decontaminate ground water, an individual technology is required. For its development, BorsodChem signed a cooperation agreement with two professional companies which hold excellent references in this line of business. Technical plans shall be completed by the end of first quarter next year.


SGS

BorsodChem Rt.

ISO 14001:1996

# ENVIRONMENT PROTECTION

Handing over a Certificate for participation in the Tisza Project

For the expansion of its hazardous waste disposal site BorsodChem holds an environmental licence. The detail engineering of technical plans is in process. Moreover, quantitative reduction of waste to be disposed at the disposal site is also a high-priority task. In 2003 the reconstruction of the dehydration of sludge from the water softening plant was completed. The new equipment's degree of efficiency is essentially higher; dry solids content of the sludge rose up to 50-60% from the former 40%.

New equipment has been installed at the TDI Plant with the tasks of processing isocyanate waste, which was formerly eliminated by incineration, and extracting recoverable materials. Equipment installation cost HUF 1.14 billion in 2003.
With cost of HUF 19.9 million, the DNT Plant air pollution was terminated by directing the emitted air flow into the TDI Plant's incinerator.

In the field of air quality protection a significant progress shall be constituted by the installation of the VCM Plant's new by-product incinerator commenced this year which shall be adequate, beside waste incineration, to eliminate substances leaving through a number of air polluting sources (CO, vinyl chloride, ethylene dichloride).

When collecting and recycling a certain volume of packing material as regulated by the effective law, users are exempt from paying a product fee. For completing such operative activities, BorsodChem concluded a contract with Öko-Pannon Kht. thus it has been exempt from paying any product fee from April 1st on.

By enforcing EU laws in Hungary, BC Rt. was the first Hungarian chemical company to receive an integrated environmental licence.

Licence documentation regarding TDI production was compiled by the experts at the company's Environment Protection Department. The documentation reflects well the high standard realization of BAT (Best Available Techniques) principles.

Environment protection constitutes an important part of BorsodChem Rt.'s investment programs. In the processes of planning, preparation and licensing it consciously aims at minimizing environmental emissions by greatly emphasizing compliance with continuously tightening regulations.

Demand for environmental information is significant in every layer of society nowadays and it especially important to people living in the surroundings.
Resulting from BorsodChem Rt.'s communication on environmental issues, trust is growing between the company and involved parties and the population; by the means of regular and fair communications conflicts may be prevented and incidental problems may be solved.


THE
WORLD

## To the Shareholders and Board of Directors of BorsodChem Rt.

We have audited the accompanying consolidated balance sheet of BorsodChem Rt. and its subsidiaries (the Group) as of 31 December 2003 and the related consolidated statement of income, changes in shareholders' equity and cash flows for the year then ended and the related notes 1 to 25. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2003, and of the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young Kft.
Budapest, Hungary
22 March 2004

# Consolidated Balance Sheet as at 31 December 2003

(all amounts in HUF million)

| | Notes | 31 December 2003 | 2002 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | 3 | 18,479 | 1,711 |
| Accounts receivable | 4 | 18,185 | 18,688 |
| Inventory | 5 | 13,935 | 11,965 |
| Other current assets | 6 | 7,041 | 5,058 |
| Total current assets | | 57,640 | 37,422 |
| Non-current assets: | | | |
| Property, plant and equipment | 7 | 97,229 | 88,907 |
| Intangible assets | 8 | 2,580 | 2,828 |
| Investment in Associates and Joint Ventures | 9 | 1,285 | 1,387 |
| Investment securities | 10 | 20,365 | 20,365 |
| Negative goodwill | 11 | (462) | (535) |
| Total non-current assets | | 120,997 | 112,952 |
| **Total assets** | | **178,637** | **150,374** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Current liabilities: | | | |
| Trade accounts payable | 12 | 16,231 | 12,441 |
| Other accrued liabilities | 13 | 4,210 | 2,657 |
| Short term borrowings | 14 | 8,809 | 10,514 |
| Current portion of long term debt | 15 | 10,970 | 6,068 |
| Total current liabilities | | 40,220 | 31,680 |
| Long term liabilities: | | | |
| Long term debt | 15 | 24,971 | 26,758 |
| Other non-current liabilities | 24 | 488 | 466 |
| Total long term liabilities | | 25,459 | 27,224 |
| Minority interest | | 415 | 384 |
| Shareholders' equity: | | | |
| Share capital | 16 | 15,388 | 12,311 |
| Share premium | 16 | 30,316 | 16,329 |
| Retained earnings | 17 | 65,790 | 62,111 |
| Cumulative translation adjustment | | 1,049 | 335 |
| Total shareholders' equity | | 112,543 | 91,086 |
| **Total liabilities and shareholders' equity** | | **178,637** | **150,374** |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Income for the Year Ended 31 December 2003

(all amounts in HUF million)

| | Notes | 31 December 2003 | 2002 |
|---|---|---|---|
| Net sales | 18 | 131,832 | 124,488 |
| Cost of sales | | (94,343) | (88,194) |
| Gross profit | | 37,489 | 36,294 |
| Distribution cost | | (12,224) | (11,353) |
| General and administrative expenses | | (12,629) | (12,311) |
| Other operating income/(expense) | 19 | (586) | (1,269) |
| Operating income | 19 | 12,050 | 11,361 |
| Other income/(expense): | | | |
| Interest income | | 237 | 134 |
| Interest expense | 7 | (1,354) | (1,928) |
| Income from associates | | 93 | 200 |
| Gain from the sale of investments | | - | 22 |
| Net (losses)/gains on derivatives | | (2,113) | 1,158 |
| Net foreign currency (losses)/gains | | (2,311) | 1,527 |
| Total other income/(expense) | | (5,448) | 1,113 |
| Income before income taxes and minority interest | | 6,602 | 12,474 |
| Income tax expense | 20 | (175) | (127) |
| Income before minority interest | | 6,427 | 12,347 |
| Minority interest | | (66) | (54) |
| **Net income** | | **6,361** | **12,293** |
| Earnings per share: | | | |
| Basic (HUF per share) | 21 | 517 | 1,009 |
| Fully diluted (HUF per share) | 21 | 517 | 1,009 |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity for the Year Ended 31 December 2003

(all amounts in HUF million)

| | Share Capital | Share Premium | Retained Earnings | Cumulative translation adjustment | Total |
|---|---|---|---|---|---|
| Balance at 31 December 2001 | 12,311 | 16,329 | 51,281 | 623 | 80,544 |
| Net income 2002 | - | - | 12,293 | - | 12,293 |
| Dividends for 2001 | - | - | (1,463) | - | (1,463) |
| Currency translation adjustment | - | - | - | (288) | (288) |
| **Balance at 31 December 2002** | **12,311** | **16,329** | **62,111** | **335** | **91,086** |
| Net income 2003 | - | - | 6,361 | - | 6,361 |
| Dividends for 2002 | - | - | (2,682) | - | (2,682) |
| Capital increase (Note 16) | 3,077 | 13,987 | - | - | 17,064 |
| Currency translation adjustment | - | - | - | 714 | 714 |
| **Balance at 31 December 2003** | **15,388** | **30,316** | **65,790** | **1,049** | **112,543** |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flow for the Year Ended 31 December 2003

(all amounts in HUF million)

| | 31 December 2003 | 2002 |
|---|---|---|
| Cash flows relating to operating activities: | | |
| Net income | 6,361 | 12,293 |
| Adjustment for items not affecting cash: | | |
| Depreciation and amortisation expense | 8,647 | 8,741 |
| (Decrease)/increase in provision for accounts receivable and inventory | (14) | 15 |
| Gain on disposal of fixed assets | (532) | (112) |
| Interest in income of associates | (93) | (200) |
| Release of environmental provision | (7) | - |
| Unrealised losses/(gains) on derivatives | 1,566 | (376) |
| Unrealised foreign exchange losses/(gains) | 2,110 | (2,448) |
| Other non-cash charges/(gains), net | 1 | (50) |
| | 18,039 | 17,863 |
| Changes in current assets and current liabilities | | |
| Decrease/(increase) in accounts receivable | 642 | (2,237) |
| (Increase) in inventories | (2,095) | (646) |
| (Increase)/decrease in other assets | (1,960) | 237 |
| Increase in accounts payable and accrued liabilities | 3,754 | 979 |
| Net cash provided by operating activities | 18,380 | 16,196 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of fixed assets and intangible assets | (16,122) | (10,699) |
| Dividend from associates and joint ventures | 190 | 103 |
| Proceeds from sale of fixed assets | 1,070 | 197 |
| Net cash used in investing activities | (14,862) | (10,399) |
| | | |
| Cash flows from financing activities: | | |
| Repayment of borrowings | (14,995) | (14,531) |
| Proceeds from borrowings | 13,863 | 10,073 |
| Dividends paid | (2,682) | (1,463) |
| Proceeds from issue of share capital | 17,064 | - |
| Net cash generated by/(used in) financing activities | 13,250 | (5,921) |
| | | |
| Net increase/(decrease) in cash | 16,768 | (124) |
| Cash at the beginning of the year | 1,711 | 1,835 |
| Cash at the end of the year | 18,479 | 1,711 |
| | | |
| Supplementary information: | | |
| Cash paid for interest – financing | 1,304 | 1,734 |
| Cash paid for income taxes – operating | 171 | 272 |
| Cash from interest received – investing | 138 | 127 |

The accompanying notes form an integral part of these consolidated financial statements.

## 1. General

BorsodChem Rt. ("the Company") is a public limited liability company incorporated under the laws of the Republic of Hungary. The registered office of the Company is located at Bólyai tér 1. Kazincbarcika, H-3702 Hungary. The Company is primarily engaged in the production and further processing of PVC, MDI and TDI products.

Prior to 1 August 1991, the Company was legally organised as two companies; a State owned holding entity, Borsodi Vegyi Kombinát (BVK) and an operating company 99.8% owned by the holding company, Borsodi Vegyi Kombinát Rt. (BVK Rt.). On 1 August 1991, the holding company was transformed into a public shareholding company named BorsodChem Rt. and all assets and liabilities of the BVK subsidiary were transferred to BorsodChem Rt. at book value. In March 1996, the Company finalised its privatisation and initial public offering of shares (traded domestically and via global depository receipts in London and the United States).

The shareholders of the Company who according to the company share register hold a 10% or greater interest in the Company's share capital at 31 December 2003 (after accounting for the share capital increase in December 2003 Note 16) are as follows:

| | |
|---|---|
| CE Oil & Gas Beteiligung und Verwaltung AG | 59.38% |
| VCP Industrie Beteiligungen AG | 31.79% |

The Consolidated financial statements of BorsodChem Rt. for the year ended 31 December 2003 were authorized for presentation for approval of the General Meeting of the Company in accordance with a resolution of the Board of Directors on 22 March 2004.

## 2. Significant accounting policies

### a) Accounting convention

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect.

The Company maintains its official accounting records and prepares its financial statements for domestic purposes in accordance with accounting regulations in force in Hungary ("HAS"). A summary of the significant differences between IFRS and HAS as they affect these financial statements is presented in Note 25.

The accompanying financial statements are prepared under the historical cost convention except for the measurement at fair value of derivative financial instruments.

The accounts of the Group are presented in millions of Hungarian Forints (HUF million). The accounts of the individual companies, which have been included in the consolidation, are maintained in the currencies as indicated and converted into Hungarian Forints using the policy as described in Note 2 p.

Based on the economic substance of the underlying events and circumstances relevant to the Group, the measurement currency of the Group has been determined to be the Hungarian Forint ("HUF").

**b) Basis of consolidation**

BorsodChem Group companies are those companies in which the Company has a controlling financial interest through direct and indirect ownership of a majority voting interest or effective managerial and contractual control. The accompanying consolidated financial statements include the accounts of all of the companies comprising the BorsodChem Group except certain subsidiaries, which are immaterial individually and in the aggregate. All material intercompany accounts and transactions have been eliminated on consolidation. The equity and net income attributable to minority interests are shown as separate items in the consolidated financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Company has consolidated the following investments for which it has a controlling financial interest through direct and indirect ownership of a majority ownership and voting interest at 31 December:

| | **Principle activities** | **Ownership % in 2003** | **Ownership % in 2002** |
|---|---|---|---|
| BC-Ongropack Kft. | Production and sale of rigid and stretch PVC films | 100.0 | 100.0 |
| BC-Ongromechanika Kft. | Planning, manufacture and maintenance of chemical devices, pipelines, machine parts, tools and steel structures | 100.0 | 100.0 |
| BC Ongro Benelux B. V. (Netherlands) | Trading of Group products | 100.0 | 100.0 |
| BC-Ongrobau Kft. | Maintenance, renovation and building-construction works | 100.0 | 100.0 |
| BC-Ongroelektro Kft. | Manufacture and maintenance of electric and process control equipments | 100.0 | 100.0 |
| Panorama Kft. | Production and sale of insulated plastic frontal doors and windows | 100.0 | 100.0 |
| BC Ablakprofil Kft. | Production and sale of PVC window profiles and PVC pipes | 100.0 | 100.0 |
| BC Handelsgesellschaft m.b.H. (Austria) | Trading of Group products | 100.0 | 100.0 |
| BC Polska Sp. z o.o. (Poland) | Trading of Group products | 100.0 | 100.0 |
| BC-KC Formalin Kft. | Production and sale of formaldehyde | 66.7 | 66.7 |
| BC-MCHZ s.r.o. (Czech Republic) (Note 11) | Production and sale of aniline, cyclohexylamine, dycyclohexyl-amine and nitrobenzene | 97.5 | 97.5 |

**c) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**d) Trade receivables**

Trade and other receivables are stated at amortised cost, after making provision for any losses, which, in the opinion of management, may be sustained on realisation.

**e) Inventories**

Inventories are valued at the lower of cost, as determined by the weighted average cost method, or net realisable value after making allowance for any obsolete or slow moving items. Inventory costs include direct material, direct labour and an appropriate allocation of manufacturing fixed and variable overhead. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**f) Investments in associates and joint ventures**

Long term equity investments in which the Company has greater than 20% ownership but less than 50%, and/or over which the Company exercises significant influence ("associates"), are accounted for under the equity method, unless the Company exercises control over the entity's operations in which case it is consolidated as a subsidiary.

The Company's share of the associates' profit or loss for the year is recognised in the income statement. The Company's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition.

Joint venture investments in which the Company shares equal control with third-parties are accounted for using the equity method.

**g) Property, plant and equipment**

Property, plant and equipment are stated at purchase price or production cost less accumulated depreciation. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs.

Freehold land is not depreciated. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The rates used are as follows:

| | |
|---|---|
| Buildings | 2-5% |
| Machinery and other equipment | 5-15% |
| Vehicles | 15-20% |
| Computer equipment | 33% |

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognised as other operating income or expense.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

**h) Borrowing costs**

Borrowing costs that are directly attributable to the construction of a qualifying asset are included in the cost of that asset. Borrowing costs include interest, costs incurred in connection with the arrangement of specific facilities and exchange differences to the extent that they are regarded as an adjustment to interest costs. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**i) Intangible assets**

Intangible assets consist primarily of licence fees paid for the acquisition of specialised production technology and know-how, which is amortised over the estimated expected useful life of the technology of an average 10 years.

**j) Investment securities**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.
After initial recognition, investments which are classified as "held for trading" and "available for sale" are measured at fair value, with unrealised gains or losses on trading securities recognised in income and unrealised gains and losses on available-for-sale securities reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.
Other long-term investments, which are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, any gain or loss is recognised in income when the investment is derecognised or impaired, as well as through the amortisation process.

For investments actively traded in organised financial markets fair value is determined by reference to the market price. For investments where there is no market price or the market price is considered to be an unreliable indicator, fair value is estimated on the basis of the market price of comparable investments or by reference to the expected future cash flows. Where fair value cannot be reliably measured for certain investments, such investments are measured at amortised cost.

**k) Derivative financial instruments**

The company uses forward foreign exchange contracts and interest rate swap contracts to hedge its risk associated primarily with foreign currency fluctuations relating to foreign currency loans and receivables and payables from/to overseas customers/suppliers respectively. As these contracts do not qualify for special hedge accounting under IAS 39, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the net profit and loss for the period. The fair value of forward exchange rates 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 value for similar instruments.

**l) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life. Goodwill on all acquisitions to date has had a useful life of 5 years and is fully amortised as at 31 December 2003.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary/associate over the cost of the acquisition and is reported in the balance sheet as a deduction from the assets of the Company. Negative goodwill is amortised to the income statement over the remaining weighted average useful life of the identified acquired depreciable assets.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction.

**m) Pensions**

The Company, in the normal course of business, makes fixed contributions into the Hungarian State and private pension funds on behalf of its employees. The Company does not operate any other pension scheme or post retirement benefit plan, and consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**n) Taxation**

Income taxes are computed on the basis of reported income in the statutory financial statements, adjusted as required by tax regulations. BorsodChem Rt. is entitled in 2003 to a tax allowance against substantially all its income as explained in Note 20.

The Company uses the balance sheet liability method in accounting for income taxes. Deferred tax assets and liabilities are determined using the effective tax rate for the periods in which the timing differences to which these deferred tax assets and liabilities relate are expected to reverse. A deferred tax liability is recognised for all taxable temporary differences, unless they relate to goodwill or the initial recognition of an asset or they relate to taxable temporary differences associated with investments in subsidiaries, associates and joint-ventures when the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Due to the tax allowance discussed above and in Note 20, it is not probable that deferred tax assets will result in future benefit.

**o) Treasury stock**

Treasury stock represents the cost of shares of the Company repurchased and is displayed as a reduction of shareholders' equity. Premiums and discounts on repurchase and subsequent disposal are credited and debited respectively directly to retained earnings. According to Hungarian regulations, any premiums arising are available for distribution.

**p) Foreign currency**

*Transactions*

Transactions arising in foreign currency are translated into Hungarian Forint at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing at the balance sheet date. The resulting gains and losses are recognised in the statement of income.

*Translation of financial statements*

The Group uses the closing rate method for translating the financial statements of subsidiaries whose transactions are recorded in foreign currencies. Under this method, on consolidation, assets and liabilities are translated at the exchange rates prevailing at the balance sheet date. Income and expense items are translated using average exchange rates, which approximate to those prevailing during the period. Exchange differences arising on the translation of the financial statements of foreign subsidiaries are taken to the cumulative translation adjustment account within shareholders' equity.

**q) Revenue recognition**

Revenue is recognised when it is probable that the economic benefit associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from the sale of products is recognised upon passage of title to the customer and represents sales at invoiced amounts net of value added tax and discounts.

**r) Earnings per share**

Basic earnings per share data is calculated based on the weighted average number of shares outstanding during the period excluding treasury shares held by the Company. Fully diluted earnings per share is calculated based on the weighted average number of shares outstanding as calculated for basic earnings per share and as adjusted for giving effect to the assumed issuance of all potentially dilutive securities. Net income is adjusted in the fully diluted earnings per share calculation for any income or expense associated with the potentially dilutive securities. At 31 December 2003 and 2002 there were no significant potentially dilutive securities in issue.

**s) Stock options/Bonus shares**

No expense is recognised in respect of any differences, which may exist between the exercise price of the option or bonus shares and the market share price at either the date of exercise or granting of the option or bonus share right. Personal income taxes payable related to the sale of shares under these schemes at a price less than the prevailing market price is borne by the Company. No stock options or bonus shares were outstanding during or have been issued in either 2003 or in 2002 (Note 16).

**t) Segment reporting**

Segmental information is based on two segment formats. The primary format represents business segments reflecting the Group's management structure. The secondary format represents the Group's geographical markets.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of Group revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Group policy.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's balance sheet. Segment assets and liabilities do not include income tax items.

Unallocated items mainly comprise corporate, general and administrative expenses that relate to the group as a whole, assets not directly attributable to the operations of the segments such as short and long term investments and liabilities that are incurred for financing rather than operating purposes. Segment results are determined before any adjustments for minority interest.

Capital expenditure represents the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

**u) Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is estimated as the higher of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs. Where carrying values exceed this estimated recoverable amount the assets are written down to their recoverable value.

**v) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Immediate provision is made for expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings in order to recognise the liability in the year when they are identified. Measurement of liabilities is based on current legal requirements and obligations and estimated based upon existing technical standards.

**w) Contingencies**

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

**x) Subsequent Events**

Post-year-end events that provide additional information about a Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**y) Estimates**

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 notes thereto. Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from those estimates.

**z) Comparatives**

Certain of the prior year amounts have been reclassified to conform to the current year presentation.

### 3. Cash and cash equivalents

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Cash at bank and in hand | 1,125 | 1,567 |
| Short-term deposits | 17,354 | 144 |
| | **18,479** | **1,711** |

Short-term deposits consist primarily of HUF based deposits at an average fixed interest rate of 11.75%.

### 4. Accounts receivable

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Trade accounts receivable | 17,546 | 17,105 |
| Receivable from associates | 1,148 | 2,231 |
| | 18,694 | 19,336 |
| Less reserve for doubtful accounts | (509) | (648) |
| **Accounts receivable, net** | **18,185** | **18,688** |

### 5. Inventory

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Raw materials and other supplies | 4,908 | 4,458 |
| Spare parts | 3,646 | 2,548 |
| Work in progress | 823 | 755 |
| Finished goods | 4,766 | 4,287 |
| Provision for stocks | (208) | (83) |
| **Inventory, net** | **13,935** | **11,965** |

### 6. Other current assets

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Prepaid taxes | 37 | 196 |
| VAT receivables | 5,336 | 2,682 |
| Advance payments on capital projects, licence fees and inventories | 477 | 741 |
| Receivable from sale of securities | - | 2 |
| Prepayments | 419 | 417 |
| Unrealised gains on derivatives | 399 | 376 |
| Insurance proceeds receivable (Note 19(i)) | - | 499 |
| Other miscellaneous | 373 | 145 |
| | **7,041** | **5,058** |

## 7. Property, plant and equipment

| | Freehold land and buildings | Machinery and equipment | Construction in progress | Total |
|---|---|---|---|---|
| **1 January 2002 net book value** | **21,353** | **29,104** | **34,522** | **84,979** |
| Translation difference | (250) | (189) | (12) | (451) |
| Additions | 15,406 | 23,392 | (26,167) | 12,631 |
| Disposals and reclassifications | (9) | 14 | - | 5 |
| Depreciation charge | (1,390) | (6,867) | - | (8,257) |
| **31 December, 2002 net book value** | **35,110** | **45,454** | **8,343** | **88,907** |
| Translation difference | 717 | 504 | 56 | 1,277 |
| Additions | 2,708 | 7,506 | 5,692 | 15,906 |
| Disposals and reclassifications | (372) | (294) | - | (666) |
| Depreciation charge | (1,543) | (6,652) | - | (8,195) |
| **31 December, 2003 net book value** | **36,620** | **46,518** | **14,091** | **97,229** |

| | Freehold land and buildings | Machinery and equipment | Construction in progress | Total |
|---|---|---|---|---|
| **At 31 December 2003** | | | | |
| Cost | 43,421 | 86,331 | 14,091 | 143,843 |
| Accumulated depreciation | (6,801) | (39,813) | - | (46,614) |
| **Net book value** | **36,620** | **46,518** | **14,091** | **97,229** |
| **At 31 December 2002** | | | | |
| Cost | 40,549 | 79,767 | 8,343 | 128,659 |
| Accumulated depreciation | (5,439) | (34,313) | - | (39,752) |
| **Net book value** | **35,110** | **45,454** | **8,343** | **88,907** |

### Property, plant and equipment

### Freehold land and buildings

Included within freehold land and buildings is land at cost of HUF 1,202 million (2002: HUF 1,221 million)

### Construction work in progress

Amounts shown as net additions for construction in progress represent the gross additions into, and transfers out of this account. Gross additions and transfers out were HUF 15,934 million and HUF 10,242 million respectively, for the year ended 31 December 2003, and HUF 10,505 million and HUF 36,672 million respectively for the year ended 31 December 2002.

### Fully depreciated assets

Included in property, plant and equipment at 31 December 2003 is machinery and equipment with a cost value of HUF 16,347 million (2002: HUF 13,368 million) which is fully depreciated, but remains in use.

### Secured assets

Included in freehold, land and buildings is a plot of land with a net book value of HUF 587 thousand. This land is rented to BC Erőmű Kft., an associated company, as its site for the construction of a 50 Megawatt gas fired power station. A mortgage has been registered over this land as security against the borrowings of BC Erőmű Kft. (See Note 9)

Included in property, plant and equipment are the assets of BC-MCHZ s.r.o. - a 97.5% owned subsidiary of BorsodChem Rt. - with a net book value of HUF 4,572 million, which are used as security against loans taken by that subsidiary. (See Notes 14 and 15)

**Borrowing costs**

Included in the construction in progress balance at 31 December 2003 are borrowing costs totalling HUF 626 million consisting of HUF 276 million interest expense incurred in 2003 and HUF 106 million carried forward interest from 2002 and HUF 244 million foreign exchange losses incurred in 2003 arising on financing specifically entered into for capital expenditure programs which were not completed by the year end.

Included in the construction in progress balance at 31 December 2002 were borrowing costs totalling HUF 469 million consisting of interest and related financing expense incurred in 2002 on capital expenditure programs which were not completed by the year end.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 7.42% and 4.72% in 2003 and 2002 respectively.

## 8. Intangible assets

| | 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Net book value at beginning of year | 2,828 | 310 |
| Translation difference | 4 | (2) |
| Additions | 216 | 3,004 |
| Disposals and adjustments | (16) | - |
| Depreciation charge | (452) | (484) |
| **Net book value at end of year** | **2,580** | **2,828** |
| | | |
| Cost | 5,351 | 5,168 |
| Accumulated depreciation | (2,771) | (2,340) |
| **Net book value** | **2,580** | **2,828** |

## 9. Investment in Associates and Joint Ventures

Investment in Associates and Joint Ventures include the following unconsolidated equity investments:

| | | | | 31 December | |
|---|---|---|---|---|---|
| **Name** | **Activity** | **Ownership %** | | **2003** | **2002** |
| Ongropur Kft. | Plastics | 48.0 | 1 | - | 6 |
| Polimer Kft. | Catering | 100.0 | 2 | 135 | 142 |
| BC-MC S.r.l. (Italy) | Trading | 50.0 | 3 | 63 | 56 |
| BC Erőmű Kft. | Power supply | 26.0 | 4 | 991 | 1,163 |
| SP Anfol Ltd. | Clingfilm supply | 50.0 | 5 | 96 | 20 |
| | | | | **1,285** | **1,387** |

1. Ongropur Kft. was voluntarily liquidated in 2003.

2. Polimer Kft. is not consolidated, as it is immaterial.

3. The investment in BC-MC S.r.l represents a joint venture established in January 1997 in which the Company shares equal control. The investment is accounted for in accordance with the equity method.

Selected aggregate financial data translated at year end rates from the financial statements of BC-MC S.r.l as at and for the years ended 31 December 2003 and 2002 is presented below:

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Current assets | 6,025 | 6,940 |
| Long-term assets | 26 | 33 |
| Current liabilities | (5,907) | (6,798) |
| Long term liabilities | (18) | (15) |
| Sales revenues | 16,246 | 15,550 |
| Cost of Sales | (15,745) | (15,195) |
| Net income after tax | 26 | 24 |

4. BC Erőmű Kft. was founded in December 1998 and is owned by ÉMÁSZ Rt. (74%), the Northeast regional electricity grid operator in Hungary and BorsodChem Rt. (26%). The objective of this Company is to provide a long term steam and power source to BorsodChem Rt. This was achieved through construction of a 50 Megawatt gas fired power station at BorsodChem Rt's plant facility at Kazinbarcika.

Based on the syndicate agreement signed by the shareholders on 8 April 1999, 25% of the total construction cost was financed from shareholders' funds and 75% from bank loans. The total construction cost of the facility was HUF 11.1 billion, from which BorsodChem Rt's total contribution was HUF 741 million.

In order to finance construction costs, BC Erőmű Kft. arranged and fully drew down from a EUR 13 million syndicated loan facility and a bank loan facility of EUR 20 million. As at 31 December 2003 EUR 27 million remains outstanding on these facilities.

As part of the security for these loans BorsodChem Rt. has pledged its investment in BC Erőmű Kft and mortgaged the land on which the power plant is situated. (See Note 7)

5. Ongropack Kft has a 50% share in a joint venture, SP Anfol Ltd, a Ukrainian Company.

Selected aggregate financial data translated at year end rates from the financial statements of SP Anfol Ltd. as at and for the years ended 31 December 2003 and 2002 is presented below:

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Current assets | 201 | 162 |
| Long-term assets | 352 | 337 |
| Current liabilities | (191) | (136) |
| Long-term liabilities | (170) | (164) |
| Sales revenues | 554 | 504 |
| Cost of Sales | (491) | (448) |
| Net income after tax | 11 | 16 |

**10. Investment securities**

Investment securities include the following:

| | 31 December 2003 | 31 December 2002 |
|---|---|---|
| Investment in TVK | 20,320 | 20,320 |
| Other | 45 | 45 |
| | **20,365** | **20,365** |

The investment in Tiszai Vegyi Kombinát Rt. ("TVK"), a Hungarian publicly quoted chemicals Company, at 31 December 2003 and 2002 represents the Company's holding of 3,760,979 TVK shares representing 15.4% of that Company's issued share capital. The total investment cost is HUF 20,320,292 thousand and is classified as an investment security carried at amortised cost of HUF 5,403 per share.

The quoted market price of TVK shares at 31 December 2003 was HUF 3,955 per share (2002: HUF 3,940). The share of net assets of TVK as reflected by TVK's 31 December 2003 unaudited consolidated financial statements prepared in accordance with IFRS was HUF 15,716 million or HUF 4,179 per share (2002: HUF 14,955 million or HUF 3,976 per share).

The Company's investments in TVK is carried at amortised cost because:

i) Due to the closely held nature of TVK shares and the infrequent trading of these shares in sufficiently large quantities the currently quoted share prices are not considered a reliable indicator of the fair value of the investment and,
ii) In the absence of future projections related information for TVK, it is not possible to make a reliable estimate of fair value based on a net present value of future cash flows calculation.
As a result of the above factors the investment is carried at amortised cost. Management considers that there has been no impairment in the amortised cost value.

During 2003 TVK sold ethylene to BorsodChem in total value of HUF 11,669 million (2002: HUF 10,781 million). As of 31 December 2003 BorsodChem's payables to TVK amounted to HUF 1,484 million (2002: HUF 1,162 million). Due to existing ethylene supply contracts between the companies, the Company regards its investment in TVK as a strategic long term investment.

**11. Negative goodwill**

On April 27, 2000 the Company acquired 97.5% of the shares of BorsodChem MCHZ s.r.o. a company registered in the Czech Republic and the major supplier of aniline to the Company for a net purchase price of HUF 6,369 million.

As the fair value of the net assets acquired exceeded the net purchase price, negative goodwill in the amount of HUF 730 million was recorded and is amortised over the remaining weighted average useful life of the identified acquired depreciable assets.

The negative goodwill balance net of amortisation at 31 December 2003 and 2002 related to this acquisition is set out below:

| | 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Net book value at 1 January | 535 | 607 |
| Amortisation | (73) | (72) |
| **Net book value at 31 December** | **462** | **535** |

### 12. Trade accounts payable

| | 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Trade accounts payable | 15,648 | 11,788 |
| Payable to associates | 583 | 653 |
| **Accounts payable, net** | **16,231** | **12,441** |

### 13. Other accrued liabilities

Other accrued liabilities consist of the following:

| | 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Accrued wages and other employee costs | 602 | 728 |
| Accrual for severance and early retirement costs | 30 | 44 |
| Import VAT payable | 704 | 447 |
| Unrealised loss on derivatives | 1,589 | - |
| Other provisions | 104 | 192 |
| Accrued interest | 120 | 176 |
| Accrued bonus | 96 | 238 |
| Accrued given discount | 126 | - |
| Other accruals | 839 | 832 |
| | **4,210** | **2,657** |

None of the above liabilities are secured.

### 14. Short term borrowings

| | 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Bank overdrafts in HUF | 338 | 609 |
| Bank overdrafts in foreign currency | 1,010 | 1,231 |
| Bank loans denominated in foreign currency | 7,461 | 8,674 |
| | **8,809** | **10,514** |

The short term bank loans and overdrafts bear a market rate of interest and, are unsecured, except for those taken by BC-MCHZ s.r.o. totalling HUF 7,230 million which are secured by the assets of the subsidiary (Note 7).

## 15. Long term debt

At 31 December 2003 and 2002, outstanding bank debt was as follows:

| Company | Maturity date | Interest rate | Currency | Average interest rate 2003 | 2003 | Average interest rate 2002 | 2002 |
|---|---|---|---|---|---|---|---|
| BorsodChem Rt. | 30 Nov 2004 | 3 months EURIBOR+0.5% | EUR | 2.82% | 5,245 | 3.82% | 4,718 |
| BorsodChem Rt. | 13 Oct 2006 | 3 months EURIBOR +0.6% | EUR | 2.94% | 10,795 | 3.92% | 12,948 |
| BorsodChem Rt. | 13 Oct 2006 | 3 months LIBOR+0.6% | USD | 1.81% | 4,279 | 2.40% | 5,224 |
| BorsodChem Rt. | 06 Nov 2009 | 3 months EURIBOR +0.75% | EUR | 2.89% | 3,933 | - | - |
| BorsodChem Rt. | 01 Aug 2005 | 3 months BUBOR+0.45% | HUF | 8.49% | 200 | 9.56% | 2,000 |
| BorsodChem Rt. | 25 Feb 2005 | 12 months EURIBOR –0.1% | EUR | 2.17% | 3,147 | - | - |
| BorsodChem Rt. | 24 Oct 2005 | 12 months EURIBOR –0.1% | EUR | 2.17% | 1,836 | - | - |
| BorsodChem Rt. | 02 Sept 2004 | 3 months LIBOR+0.4% | EUR | 2.72% | 4,720 | 4.40% | 4,246 |
| BorsodChem Rt. | 30 May 2005 | 1 month LIBOR+0.3% | EUR | 2.63% | - | 3.62% | 945 |
| BC-MCHZ s.r.o. | 30 Sept 2005 | 3 months PRIBOR+0.875% | CZK | 3.15% | 453 | 4.43% | 662 |
| BC-MCHZ s.r.o. | 30 June 2004 | 1 month PRIBOR+0.6% | CZK | 2.90% | - | 4.19% | 842 |
| Ongropack Kft. | 30 Sept 2006 | 3 months EURIBOR+0.3% | EUR | 2.63% | 118 | 3.62% | 139 |
| Ongropack Kft. | 28 Nov 2007 | 3 months EURIBOR+0.85% | EUR | 3.18% | 210 | 4.17% | 236 |
| Ongropack Kft. | 31 Oct 2004 | EURIBOR+0.45% | EUR | 2.80% | 24 | 3.75% | 43 |
| Ongropack Kft. | 20 Dec 2004 | 0.0% | HUF | - | 15 | - | 30 |
| Ongropack Kft. | 16 May 2005 | 75% MNB+2% | HUF | 8.19% | 17 | 8.80% | 28 |
| Ongropack Kft. | 20 Sept 2005 | 0.0% | HUF | - | 70 | - | 110 |
| Ongropack Kft. | 31 May 2005 | 12 months | EUR | 2.44% | 315 | - | - |
| BC-KC Formalin Kft. | 21 Apr 2004 | MNB+0.25% | HUF | 8.50% | 51 | 9.31% | 154 |
| BC-KC Formalin Kft. | 30 July 2004 | EURIBOR+0.55% | EUR | 2.90% | 50 | 3.85% | 89 |
| BC Ablakprofil Kft. | 10 May 2004 | 75% MNB+2% | HUF | 8.19% | 5 | 8.80% | 15 |
| BC Ablakprofil Kft. | 18 Jan 2005 | 2.71625% | EUR | 2.72% | 197 | - | - |
| BC Ablakprofil Kft. | 16 Nov 2005 | 2.91288% | EUR | 2.91% | 261 | - | - |
| BC Ablakprofil Kft. | 15 May 2003 | 75% MNB+2% | HUF | 8.19% | - | 8.80% | 8 |
| BC Ablakprofil Kft. | 31 Jan 2003 | 3 months BUBOR+0.4% | HUF | 8.86% | - | 9.51% | 350 |
| Panoráma Kft. | 31 Oct 2003 | 3.84 % | EUR | 3.84% | - | 3.84% | 39 |
| | | | | | 35,941 | | 32,826 |
| Less: Current portion of long-term debt | | | | | (10,970 ) | | (6,068) |
| | | | | | **24,971** | | **26,758** |

MNB = National Bank of Hungary
LIBOR = London Interbank Offering Rate
BUBOR = Budapest Interbank Offering Rate
PRIBOR = Prague Interbank Offering Rate
EURIBOR = European Interbank Offering Rate

The scheduled maturity of debt at 31 December 2003 is set out in the table below:

| 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|---|---|---|---|---|---|
| 10,970 | 15,863 | 6,106 | 1,036 | 1,966 | 35,941 |

### Borrowing facilities

1) BorsodChem Rt. signed a syndicated loan agreement with a consortium of six banks on 13 October 1999 in order to finance the Company's three year investment plan. The EUR 100 million multicurrency term loan facility is unsecured and may be drawn in US Dollars or Euros and carries interest rates that reprice at three or six months LIBOR and EURIBOR respectively, plus a margin of 0.60% p.a. The final maturity date of the loan is 7 years from the date of signing the facility agreement. Under the terms of the agreement the Company is required to meet certain financial covenants on the basis of the unconsolidated annual financial statements prepared in accordance with HAS including a predetermined level of interest bearing debt to equity ratio (not to exceed 0.8), an annual debt service coverage ratio (not less than 1.4:1) and a liquidity ratio (not less than 1.2:1). As at 31 December 2003 EUR 41 million (HUF 10,795 million) and USD 20.5 million (HUF 4,279 million) remained outstanding related to this facility.

2) BorsodChem Rt. signed a second syndicated loan facility with a consortium of eight banks on 8 November 2002 in order to finance its 2003-2005 investment program. The new loan facility totals EUR 100 million, it is unsecured and may be drawn in either US Dollars or Euros and carries interest rates that reprice at one, three or six months LIBOR and EURIBOR respectively, plus a margin of 0.75% p.a. The availability period for withdrawal is 2 years from the date of signing the contract. The final maturity of the loan is November 2009. Under the terms of the agreement the Company is required to meet certain financial covenants on the basis of unconsolidated annual financial statements prepared in accordance with HAS including a predetermined level of net debt to equity ratio (not to exceed 0.8:1), an annualised debt service coverage ratio (not less than 1.4:1) and net debt to annualised EBITDA ratio (not to exceed 3.75:1). As at 31 December 2003 EUR 15 million (HUF 3,933 million) has been drawn against this facility.

BC-MCHZ s.r.o. long term loans totalling HUF 453 million are secured by charges over the assets of this company (Note 7).

Other loans are secured mainly by comfort letters or guarantees of the parent company, BorsodChem Rt.

### 16. Share capital and share premium

| | 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Face value of shares in issue | 15,388 | 12,311 |
| Treasury Shares | - | - |
| **Share capital net of treasury stock** | **15,388** | **12,311** |
| **Share premium** | **30,316** | **16,329** |

#### Shares issued and outstanding

At 31 December 2003 and 2002 the Company had 15,235,960 and 12,188,768 issued shares with a nominal value of HUF 1,010 each respectively.

On 16 December 2003 the Company issued by private placement a total of 3,047,192 new shares with a nominal value of HUF 1,010 each to CE Oil & Gas Beteiligung und Verwaltung AG (1,828,315) and VCP Industrie Beteiligungen AG (1,218,877) for a price of HUF 5,600. The average market price of BorsodChem shares on 16 December 2003 was HUF 13,837. Due to this transaction the share capital and share premium increased by HUF 3,077,664 thousands and by HUF 13,986,611 thousand respectively. The proceeds of the new shares were received on 17 December 2003 and were registered on 10 January 2004 by the Court of Registration.

#### Treasury stock

At 31 December 2003 and 2002 the Company did not hold any of its own shares. On 28 January 2004 the Company repurchased 60,000 own shares at the average market price of HUF 13,950 per share existing at that date.

#### Bonus compensation scheme

The Annual General Meeting in April 2002 approved the cancellation of all outstanding management bonus and share option schemes existing at that date. The General Meeting approved the replacement of the existing schemes with a non-share based Management Bonus and Allowance System, which will operate between 2002 and 2005 according to certain predetermined performance targets.

### 17. Retained earnings / Dividends

Retained earnings available for distribution are based on the financial statements of the Company prepared in accordance with Accounting Regulations in force in Hungary, as opposed to these financial statements, which are prepared under International Financial Reporting Standards. The distributable reserves at 31 December 2003 amount to HUF 56,915 million.

Dividends totalling HUF 3,170 million have been proposed for the consideration of the Annual General Meeting.

### 18. Segment Information

For management purposes the Group is organised into eight major operating divisions.

**Chlorine-Vinyl division,** which produces chlorine mainly used internally for vinyl chloride production and caustic soda which is sold to third parties mainly for use as a raw material for aluminium oxide production and vinyl chloride, the basic raw material for production of PVC;

**PVC division,** which produces PVC resin, which is mainly used in the building and construction industry;

**Compounds division,** producing PVC compounds in the form of dry blends and granules used by producers of PVC films, sheets, cables, pipes and packaging materials;

**PUR division,** which produces crude, pure and modified MDI primarily used in the manufacturing of rigid insulation foams for construction and refrigeration and for vehicle components and furnishings;

**Plastic production,** which produces end products from PVC compounds such as stretch and rigid films, door and window profiles;

**BC-MCHZ division,** which produces aniline mainly used internally for the production of MDI and cyclohexilamine mainly used in the rubber industry;

**TDI division,** which produces TDI primarily used in the manufacturing of soft foams for vehicle components and furnishing;

**Other,** includes the service subsidiaries and divisions of the Group providing goods, maintenance, repair, commercial and marketing services to the Group and to third parties.

**Primary reporting format - business segments**

| Year ended 31 December 2003 | Chlorine-Vinyl Division | PVC Division | Compounds Division | PUR Division | TDI Division | BC-MCHZ | Plastic Production | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment revenues** | | | | | | | | | | |
| External sales | 7,068 | 35,480 | 5,058 | 20,741 | 25,032 | 16,530 | 12,455 | 9,468 | - | 131,832 |
| Inter-segment sales at market prices | 25,683 | 11,282 | 7,467 | 5,142 | 7,038 | 8,137 | 949 | 10,248 | (75,946) | - |
| Total sales | 32,751 | 46,762 | 12,525 | 25,883 | 32,070 | 24,667 | 13,404 | 19,716 | (75,946) | 131,832 |
| **Segment result** | **5,669** | **5,483** | **2,262** | **6,067** | **10,333** | **4,873** | **2,518** | **349** | **(65)** | **37,489** |
| Unallocated expenses | - | - | - | - | - | - | - | - | - | (25,439) |
| Operating income | - | - | - | - | - | - | - | - | - | 12,050 |
| Interest income/(expense), net | - | - | - | - | - | - | - | - | - | (1,117) |
| Income from associates | - | - | - | - | - | - | - | - | - | 93 |
| Foreign currency (losses)/gains | - | - | - | - | - | - | - | - | - | (2,311) |
| Net gain from the sale of investment | - | - | - | - | - | - | - | - | - | - |
| Net (losses)/gains on derivatives | - | - | - | - | - | - | - | - | - | (2,311) |
| Income tax expense | - | - | - | - | - | - | - | - | - | (175) |
| Minority interest | - | - | - | - | - | - | - | - | - | (66) |
| **Net income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6,361** |
| Segment assets | 18,761 | 11,864 | 4,456 | 11,196 | 34,695 | 20,900 | 7,370 | 27,588 | (4,901) | 131,929 |
| Investment in associates | - | - | - | - | - | - | - | - | - | 1,285 |
| Unallocated assets | - | - | - | - | - | - | - | - | - | 45,423 |
| **Consolidated total assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **178,637** |
| Segment liabilities | 6,871 | 2,327 | 635 | 1,201 | 16,281 | 11,295 | 3,023 | 24,178 | (4,830) | 60,981 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | 5,113 |
| **Consolidated total liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **66,094** |
| Capital expenditure | 7,756 | 654 | 774 | 1,160 | 1,454 | 1,928 | 504 | 1,892 | - | 16,122 |
| Depreciation | 1,152 | 619 | 166 | 867 | 2,196 | 1,014 | 635 | 1,998 | - | 8,647 |

| Year ended 31 December 2002 | Chlorine-Vinyl Division | PVC Division | Compounds Division | PUR Division | TDI Division | BC-MCHZ | Plastic Production | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment revenues | | | | | | | | | | |
| External sales | 7,555 | 37,397 | 4,368 | 18,755 | 20,436 | 14,970 | 12,036 | 8,971 | - | 124,488 |
| Inter-segment sales at market prices | 27,096 | 10,480 | 6,944 | 4,144 | 7,065 | 6,157 | 689 | 9,580 | (72,155) | - |
| Total sales | 34,651 | 47,877 | 11,312 | 22,899 | 27,501 | 21,127 | 12,725 | 18,551 | (72,155) | 124,488 |
| **Segment result** | **7,325** | **6,485** | **2,060** | **5,728** | **7,853** | **3,974** | **2,321** | **433** | **115** | **36,294** |
| Unallocated expenses | - | - | - | - | - | - | - | - | - | (24,933) |
| Operating income | - | - | - | - | - | - | - | - | - | 11,361 |
| Interest income/(expense), net | - | - | - | - | - | - | - | - | - | (1,794) |
| Income from associates | - | - | - | - | - | - | - | - | - | 200 |
| Foreign currency gains/(losses) | - | - | - | - | - | - | - | - | - | 1,527 |
| Net gain from the sale of investment | - | - | - | - | - | - | - | - | - | 22 |
| Net gains/(losses) on derivatives | - | - | - | - | - | - | - | - | - | 1,158 |
| Income tax expense | - | - | - | - | - | - | - | - | - | (127) |
| Minority interest | - | - | - | - | - | - | - | - | - | (54) |
| **Net income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **12,293** |
| Segment assets | 12,347 | 12,329 | 3,544 | 11,116 | 37,173 | 19,213 | 7,099 | 24,906 | (5,339) | 122,388 |
| Investment in associates | - | - | - | - | - | - | - | - | - | 1,387 |
| Unallocated assets | - | - | - | - | - | - | - | - | - | 26,599 |
| **Consolidated total assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **150,374** |
| Segment liabilities | 1,958 | 2,213 | 525 | 1,135 | 19,452 | 11,136 | 2,655 | 21,106 | (5,052) | 55,128 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | 4,160 |
| **Consolidated total liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **59,288** |
| Capital expenditure | 2,241 | 148 | 354 | 596 | 2,298 | 2,974 | 747 | 1,341 | - | 10,699 |
| Depreciation | 1,111 | 678 | 177 | 1,032 | 1,977 | 1,464 | 621 | 1,681 | - | 8,741 |

In addition to the information on primary business segments the following tables present information by geographical segments. Segment revenue is based on the geographical location of customers, and segment assets and capital expenditure are disclosed by the geographical location of the assets.

| Year ended 31 December 2003 | Hungary | Western Europe | Central and Eastern Europe | Other | Elimination | Total |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Sales to external customers | 23,125 | 59,907 | 41,059 | 7,741 | - | 131,832 |
| Inter-segment sales | 55,235 | 5,662 | 15,049 | - | (75,946) | - |
| **Total revenue** | **75,360** | **65,569** | **56,108** | **7,741** | **(75,946)** | **131,832** |
| **Other segment information** | | | | | | |
| Carrying amount of segment assets | 107,877 | 830 | 23,222 | - | - | 131,929 |
| Additions to property, plant and equipment and intangible assets | 14,174 | 2 | 1,946 | - | - | 16,122 |

| Year ended 31 December 2002 | Hungary | Western Europe | Central and Eastern Europe | Other | Elimination | Total |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Sales to external customers | 23,726 | 59,337 | 36,351 | 5,074 | - | 124,488 |
| Inter-segment sales | 52,986 | 5,329 | 13,840 | - | (72 ,155) | - |
| **Total revenue** | **76,712** | **64,666** | **50,191** | **5,074** | **(72 ,155)** | **124,488** |
| **Other segment information** | | | | | | |
| Carrying amount of segment assets | 101,927 | 370 | 20,091 | - | - | 122,388 |
| Additions to property, plant and equipment and intangible assets | 7,721 | 2 | 2,976 | - | - | 10,699 |

## 19. Operating income

The following items have been charged in arriving at operating income:

| | Year ended 31 December 2003 | 2002 |
|---|---|---|
| Depreciation of property, plant and equipment, and amortisation of intangible assets | 8,647 | 8,741 |
| Costs of inventories recognised as an expense | 87,241 | 82,331 |
| Staff costs | | |
| Salaries and wages | 8,937 | 8,439 |
| Social security | 3,255 | 3,145 |
| Other personnel type costs | 1,461 | 951 |
| Other recurring operating expense | 9,655 | 8,251 |
| Other operating income/expense | 586 | 1,269 |
| **Total operating expense** | **119,782** | **113,127** |

The number of employees of the Group at 31 December 2003 was 4,135 (2002: 4,134).

Other operating income/(expense) consists of the following items:

| | Year ended 31 December 2003 | 2002 |
|---|---|---|
| Local taxes | (780) | (742) |
| Wage taxes | (299) | (299) |
| Early retirement and severance cost | (87) | (151) |
| Decrease/(Increase) in bad debt provisions | 7 | (53) |
| Gain on fixed assets sold | 121 | 112 |
| Goodwill amortisation | - | (50) |
| Release of environmental provision | 7 | - |
| Negative goodwill amortisation | 73 | 72 |
| Loss on sale of receivables | (53) | (24) |
| Insurance proceeds (Note 19 (i)) | 841 | 499 |
| Sale of business line (Note 19 (ii)) | 411 | - |
| Other miscellaneous | (827) | (633) |
| | **(586)** | **(1,269)** |

(i) An explosion of nitrobenzene damaged an aniline production line on December 26, 2002 at BC-MCHZ s.r.o. The write off of the production line and a provision for repair and maintenance work totalling HUF 512 million was recorded in depreciation and other expense in 2002. The Company also recognised expected insurance proceeds of HUF 499 million as at 31 December 2002 representing the Company's estimate of confirmed insurance recoverable at that date. In 2003 BC-MCHZ finalised compensation arrangements with its insurers and as a result a further HUF 841 million was recognised as other income in 2003 representing compensation for lost profit and business disruption and repairs and replacement costs of assets. The total insurance compensation of HUF 1,340 million was received in cash during 2003 and as at 31 December 2003 the destroyed production line has been replaced.

(ii) BC-MCHZ s.r.o. sold its Dukol production unit VOJ Dukol in June 2003. The total net assets of the production unit sold was HUF 354 million (including fixed assets with a net book value of HUF 356 million) and the sale price was HUF 765 million generating a gain on sale of HUF 411 million. The Dukol unit contributed 1.25% of total consolidated sales in 2003 (2002: 2.55%).

**20. Taxation**

BorsodChem Rt. and most of its significant subsidiaries are subject to income tax at the Hungarian statutory rate of 18% on taxable income, except BC-MCHZ s.r.o., located in the Czech Republic, where the tax rate is 31%. The Hungarian statutory tax rate is reduced to 16% as of 1 January 2004.

The effective income tax rate varied from the statutory income tax rate due to the following items:

| | 31 December 2003 | 2002 |
|---|---|---|
| Income before income taxes | 6,602 | 12,474 |
| Tax at statutory rate of 18% | 1,188 | 2,245 |
| Adjustment for items not taxable in period | 356 | (697) |
| Tax holiday | (1,369) | (1,421) |
| **Income tax charge for the period** | **175** | **127** |

**Tax Holiday**

Hungarian companies located in underdeveloped regions of Hungary, which invested in excess of HUF 1 billion on capital projects after 31 December 1995, were entitled to a tax holiday of 100% on net income derived from production in the underdeveloped regions in those years in which their sales revenue increased by at least 5% of the initial capital expenditure, compared to the previous year. BorsodChem Rt. was entitled to this tax holiday based primarily on its investment in the Company's MDI plant, which was capitalised in 1996. This tax holiday was available for a period of 5 years from 1997 up to and including the year 2001. In 2002 the Company was entitled to this tax holiday based on its product manufacturing investment capitalised in 1999.

In 2003 the Company is entitled to a tax holiday after investments made in excess of HUF 3 billion on qualifying capital projects. The tax holiday is calculated based on the percentage on net sales revenue deriving from the manufacturing activity compared to the total net sales revenue in those years in which the number of employees exceed at least by 100 persons the number of the employees in the year preceding the commencement of the capital project. The Company is entitled to this tax holiday based on the TDI investment capitalised in 2002. Management believes that the Company will continue to meet the criteria for this tax allowance until 2011.

Based on the 31 December 2003 and 2002 statutory accounts of BorsodChem Rt. the Company met the criteria for each kind of tax allowances in both 2003 and 2002. Due to this and other tax allowances for which the Company was also eligible, the actual tax payable by BorsodChem Rt. in 2003 was 10.2% (2002 3.2%) of the total tax which would have been payable had no tax allowances been available. Management anticipates that due to the further significant investments in production facilities planned for 2004 and 2005 (Note 24) the effective rate of tax will be minimal in future periods.

The tax allowance requirements have not been met by certain of the subsidiary companies resulting in a Group corporate tax expense of HUF 175 million and HUF 127 million on a consolidated basis for the years ended 31 December 2003 and 2002 respectively.

**Deferred taxation**

Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax liabilities of HUF 569 million and HUF 429 million for the years ended 31 December 2003 and 2002 respectively and deferred tax assets of HUF 587 million and HUF 1,028 million for the years ended 31 December 2003 and 2002, respectively, primarily relate to differences between IFRS and tax law in the timing of recognition of certain provisions for environmental liabilities, depreciation and recognition of foreign exchange translation gains. It is expected that many of these differences will reverse during the tax allowance period referred to above.

Due to the fact that most of the deductible temporary differences are likely to reverse in the tax holiday period, no deferred tax asset or liability was recognised in the accounts in 2003 and 2002 as no taxable profit will be available against which the tax saving arising from the temporary differences can be used.

At 31 December 2003 BC-MCHZ s.r.o. has tax losses available for carry forward, translated at period end exchange rates, amounting to HUF 907 million. No tax benefit has been recorded in respect of these losses, as the realisation of these benefits is not yet reasonably assured.

### Tax examinations

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to five years after the period to which they relate until examinations are finalised. Consequently, the Company may be subject to further assessments in the event of an audit by the tax authorities. The tax authorities have finalised their examinations through 1999. Management is not aware of any significant unaccrued potential tax liability, which may arise from open examinations.

### Dividend withholding

A 20% dividend withholding tax, subject to reduction by applicable double taxation treaties, is levied on the recipient in respect of dividends, payable to a foreign legal entity. In the event of payment to domestic or foreign individuals, a personal income tax liability of 20% arises. In both cases the tax is deducted at the source.

## 21. Earnings per share

Weighted average shares outstanding, net income used in the calculation of earnings per share and calculated earning per share details are set out below:

| | Year ended 31 December | |
|---|---|---|
| | **2003** | **2002** |
| Weighted average shares outstanding for: | | |
| Basic and diluted earnings per share | 12,305,647 | 12,188,768 |
| Net income used in calculating earnings per share for: | | |
| Basic and diluted earnings per share | 6,361 | 12,293 |
| Basic earnings per share | 517 | 1,009 |
| Fully diluted earnings per share | 517 | 1,009 |

## 22. Financial instruments

### Currency management

The financial instruments that potentially subject the Company to currency risk consist principally of foreign currency trade receivables, payables, and short and long term borrowings denominated in foreign currency.

The Group's export sales prices are primarily denominated in Euro, U.S. dollars or other hard currencies and therefore the related receivables are denominated in the relevant hard currencies. Domestic sales prices are based on the Hungarian Forint equivalent of the product prices, which are quoted in Euro or other hard currencies, and receivables are denominated in Hungarian Forints. Product prices are generally adjusted at one month intervals to take account of changes in input prices and related commodity indexes.

The company uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to foreign currency loans, receivables and payables from/to overseas customers/suppliers respectively. These contracts do not qualify for hedge accounting under IAS 39 and any gains and losses arising from changes in the fair value of the forward contracts are taken directly to net profit or loss for the period.

The net result on derivative contracts in 2003 is reflected under other income/(expense) in the consolidated statement of income. As at 31 December 2003 the unrealised gains on open derivative positions was HUF 399 million (2002: HUF 376 million) (Note 6). As at 31 December 2003 the unrealised loss on open derivative positions was HUF 1,589 million (2002: zero) (Note 13).

Open forward contracts as at 31 December 2003 are summarized below:

| Transaction | Value | Maturity date | Average contracted forward rate |
|---|---|---|---|
| EUR sale for HUF | EUR 139,500,000 | various during 2004 | 270.59 HUF/EUR |

BC-MCHZ has entered into interest rate swap transactions, which relate to the years 2003 through 2005 in a total volume of CZK 760 million. As a result market floating interest rates on its loans are fixed in the given period. The contracts were revalued to fair value as of 31 December 2003 giving rise to a HUF 36 million unrealised loss.

Short and long term foreign currency borrowings primarily consist of the syndicated loans drawn by the Company in 2003. The loan facility is available in USD, EUR, which allows the company to match its foreign currency receivables and payables in order to minimise foreign currency risk. Borrowings of the Group and the related currencies are shown in Notes 14 and 15.

**Credit risk**

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash, short term investments and the related accounts receivable. The Company's cash is primarily held with major banks located in Hungary. Accounts receivable are presented net of allowances for doubtful receivables. Credit risk is limited due to the dispersion across geographical areas and customers. The Group uses insurance contracts to transfer certain portion of credit risk to insurance companies and where customers are not subject to insurance coverage the Company seeks bank guarantees or advance payments. Accordingly, the Company has no significant concentrations of credit risk.

**Interest rate risk**

The Company does not have significant holdings of fixed rate government bonds. The Company's borrowings are provided on interest rate bases as set out in Notes 14 and 15.

**Fair values**

At 31 December 2003 and 2002 the carrying amounts of cash, short-term investments, accounts receivable, short term borrowings, accounts payable and accrued expenses approximated their fair values due to the short-term maturities of these assets and liabilities. Receivables are stated after making allowance for doubtful debts. The fair values of long-term borrowings are not materially different from the carrying amounts. The investment in TVK is carried at amortised cost of HUF 5,403 per share (Note 10).

## 23. Related party transactions

### Transactions with associates and joint ventures

The Company received dividends of HUF 190 million and HUF 103 million for the years ended 31 December 2003 and 2002, respectively, from its associates and joint ventures (See Note 9). These dividends are recorded as a reduction in the investment account. Sales to associates and joint ventures for the years ended 31 December 2003 and 2002 were HUF 12,296 million and HUF 9,635 million, respectively. Purchases from associates and joint ventures representing mainly power supply from BC Erőmű for the year ended 31 December 2003 and 2002 was HUF 6,593 and HUF 5,908 million, respectively. Receivables from and payables to associates and joint ventures are set out in Notes 4 and 12 respectively.

### Remuneration of the members of the Supervisory Board and Board of Directors

| | 2003 | 2002 |
|---|---|---|
| Board of Directors | 19 | 16 |
| Supervisory Board | 12 | 9 |
| **Total** | **31** | **25** |

## 24. Commitments and contingencies

### Capital commitments

At 31 December 2003, the Group had authorised capital expenditures, translated at year end closing rates, of HUF 76,881 million of which binding commitments for capital expenditures in the amount of HUF 4,047 million were entered into at the year end. Included within authorised capital expenditures are the estimated project costs required to expand MDI capacity to operate with 80 thousand tonnes ("kt") capacity per year (HUF 20,026 million), to expand vinyl chloride capacity to 320 kt per year (HUF 14,771 million) and to construct a new chlorine electrolysis plant to extend the capacity of its existing chlorine production facility by 120 kt (HUF 17,753 million).

### Licence fees

Included within intangible assets in Note 8 are the expenditures towards license fees payable, under a licensing agreement dated 28 April 1999, to Mitsui Chemicals, Inc., a Japanese corporation, to acquire the proprietary technology necessary for manufacturing TDI. The license agreement contains a "change in ultimate control" clause which gives Mitsui Chemicals, Inc. the right to purchase the TDI plant from the Company at a commercially reasonable price should a shareholder acquire in excess of 20% of the Company with the intention of getting control of or exerting a significant influence on the Company for merger, acquisition or other strategic purpose aimed at taking possession of the TDI plant.

### Supply contracts

In November 2001 the Company and TVK renegotiated an ethylene supply contract for the period of 1 September 2004 to 31 December 2013 to supply a minimum 140 Kilo tonnes and a maximum 155 Kilo tonnes annually of ethylene at the ICI'S LOR FD NEW Contract price plus a 3.5% percentage mark-up in the years 2004 to 2008 and at the ICI'S LOR FD NEW Contract price in the years 2009 to 2013.

The Company enters into various long-term supply contracts to guarantee supplies of other raw materials including chlorine, salt, vinyl-chloride, toluol and energy. These contracts generally cover quantities required for the three year period to 31 December 2006. Prices are based on either an index of related market commodity indexes which exist at the date of delivery or are subject to quarterly and/or annual agreements between the parties.

**Environmental liabilities**

In 1989, the Company identified that significant contamination from various pollutants had occurred over the years in the soil underlying sections of the plant. The Company contracted environmental consulting firms to assess the extent of the contamination. It was discovered that the contamination did not pose an immediate health risk to surrounding communities because the geological structure of the site, in conjunction with the recommended action plan, would prevent contamination from reaching the public ground water supplies in the foreseeable future. Effective in 1991, the Company recorded a liability, based on 1991 prices, of HUF 885 million for the expected future costs to contain and monitor the situation.

At 31 December 2003 the Company estimated that a total provision of HUF 459 million (2002: HUF 466 million) was still required in order to implement those capital and maintenance projects outstanding from the 1991 action plan and those which have been recommended by subsequent independent environmental audits which related to cleaning up past contamination issues. These costs are expected to be incurred within three years of the balance sheet date.

**Guarantees**

At 31 December 2003 BorsodChem Rt. had guaranteed bank loan facilities for two of its subsidiaries to a limit of HUF 227 million.

**Sale of aniline technology**

In September 2003 BC MCHZ entered an agreement for sale of a licence for its aniline production technology. The contract is a compound of Basic Engineering Packages EUR 270 thousand and Licence Fees EUR 2,680 thousand, totalling EUR 2,950 thousand. Revenue will be generated in line with delivery of the various packages called for under the contract, which is expected to occur in 2004 and 2005. As at 31 December 2003 HUF 231 million has been received as advance payment on the contract.

## 25. Reconciliation of statutory accounts to IFRS financial statements

In order to comply with International Financial Reporting Standards ("IFRS") certain adjustments have been made to the Company's consolidated statutory financial statements prepared in accordance with Hungarian Accounting Standards ("HAS"). The most significant differences relate to:

(1) The recognition of reserves for obsolescence and environmental contingencies under IFRS which are not recorded in HAS until an expense occurs,

(2) the recognition of gains and losses on trading in own shares in income under HAS whereas under IFRS, such gains and losses are recorded directly within shareholders' equity,

(3) the valuation of unconsolidated long-term equity investments at cost under HAS while under IFRS, the equity method of accounting is used,

(4) prior to 1992 the use of depreciation rates and asset valuations under HAS which were not in accordance with IFRS. As such, accumulated depreciation recorded under IFRS is higher and the net fixed assets balance is lower than under HAS,

(5) prior to 1997 under HAS, privatisation and share issue expenses were expensed in the income statement while under IFRS, such expenditures are deducted from the proceeds of the share issue within shareholders' equity,

(6) the recognition of certain translation gains on balances denominated in foreign currency under IFRS while under HAS the Company has elected to defer such gains and amortise to income over a life of two years,

(7) recognition of associated acquisition costs as a part of the investment cost under IFRS while under HAS such items are expensed in the income statement,

(8) the recognition of the joint venture investment in BC-MC s.r.l. using the equity method in IFRS while under HAS consolidation principles this investment is consolidated on a 50% line by line basis,

(9) the retranslation of fixed assets of foreign subsidiaries at closing exchange rates under IFRS while under HAS consolidation principles these assets are translated at the historical rates at the date of acquisition and

(10) the valuation of open forward contracts in 2002 at market forward available rates at the balance sheet date under IFRS while under HAS these contracts are valued at forward rate at balance-sheet preparation date.

The significant reconciling differences between the statutory financial statements and IFRS statements are as follows:

| **31 December 2003 Reconciliation** | **Equity** | **Profit** | **Assets** | **Liabilities** |
|---|---|---|---|---|
| 31 December 2003 unaudited consolidated statutory accounts before 2003 dividend | (83,966) | (7,365) | 178,820 | (87,489) |
| Negative goodwill | - | - | (462) | 462 |
| Acquisition costs on investments | (505) | - | 505 | - |
| Foreign currency translation gain | (2,533) | 1,161 | - | 1,372 |
| Fixed asset adjustments | 33 | (241) | 208 | - |
| Investment in associates | (184) | 97 | 87 | - |
| Environmental provision | 466 | (7) | - | (459) |
| Investment in associates | 43 | 13 | (2,556) | 2,500 |
| Reclassification of minority interests | 415 | - | - | (415) |
| Translation of fixed assets of subsidiaries | (1,074) | 27 | 902 | 145 |
| Open forward contracts adjustment | (596) | 596 | - | - |
| Reallocation of share capital increase | (17,064) | - | - | 17,064 |
| Other miscellaneous differences relating to HAS consolidation rules | (1,217) | (642) | 1,133 | 726 |
| **IFRS Consolidated financial statements** | **(106,182)** | **(6,361)** | **178,637** | **(66,094)** |

| **31 December 2002 Reconciliation** | **Equity** | **Profit** | **Assets** | **Liabilities** |
|---|---|---|---|---|
| 31 December 2002 consolidated statutory accounts before 2002 dividend | (76,902) | (9,699) | 151,830 | (65,229) |
| Negative goodwill | - | - | (534) | 534 |
| Acquisition costs on investments | (504) | - | 240 | 264 |
| Foreign currency translation gain | (835) | (1,697) | - | 2,532 |
| Fixed asset adjustments | (374) | 407 | (33) | - |
| Investment in associates | 17 | (162) | 145 | - |
| Environmental provision | 466 | (250) | - | (216) |
| Investment in joint ventures | 34 | 14 | (3,233) | 3,185 |
| Reclassification of minority interests | 384 | - | - | (384) |
| Translation of fixed assets of subsidiaries | (510) | (85) | 595 | - |
| Open forward contracts adjustment | - | (596) | 376 | 220 |
| Other miscellaneous differences relating to HAS consolidation rules | (569) | (225) | 988 | (194) |
| **IFRS Consolidated financial statements** | **(78,793)** | **(12,293)** | **150,374** | **(59,288)** |

# This is a translation of the Hungarian Report
# Independent Auditors' Report

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

To the Shareholders of
BorsodChem Rt.

We have audited the accompanying balance sheet of BorsodChem Rt. as at 31 December 2003, which shows a balance sheet total of HUF 155,875 M and a profit for the year of HUF 3,430 M, the related profit and loss account for the year then ended and the notes included in the Company's 2003 annual financial statements. The annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the financial statements based on the audit and to assess whether the business report is consistent with that presented in the financial statements.

We issued an unqualified opinion on the Company's annual financial statements as at 31 December 2002 on 14 March 2003.

We conducted our audit in accordance with Hungarian National Audit Standards and with applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements arc free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The annual financial statements have been prepared for the consideration of the forthcoming shareholders' meeting, therefore the amount of dividends of HUF 3,170 M disclosed in the financial statements will be regarded as final upon approval by the shareholders.

We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of BorsodChem Rt. in accordance with national audit standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion, the annual financial statements give a true and fair view of the equity and financial position of BorsodChem Rt. as at 31December 2003 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, March 12, 2004

Ernst & Young Kft.
Registration No. 001165

Virágh Gabriella
Registered Auditor
Chamber membership No. 004245

# Unconsolidated Balance Sheet in Accordance with Hungarian Accounting Rules

version "B", HUF million

| Number<br>a | Description<br>b | 2002<br>c | 2003<br>d |
|---|---|---|---|
| **01.** | **A. Fixed assets** | **103,348** | **110,114** |
| 02. | I. INTANGIBLE ASSETS | 2,764 | 2,521 |
| 03. | Capitalised foundation/restructuring | | |
| 04. | Capitalised research and development | 130 | 159 |
| 05. | Concessions, licenses and similar rights | 3 | 4 |
| 06. | Trade-marks, patents and similar assets | 2,631 | 2,358 |
| 07. | Goodwill | | |
| 08. | Advanced payments for intangible assets | | |
| 09. | Adjusted value of intangible assets | | |
| 10. | II. TANGIBLE ASSETS | 70,823 | 77,333 |
| 11. | Land, buildings and related property rights | 26,139 | 26,952 |
| 12. | Plant, machinery, equipment and vehicles | 35,519 | 35,098 |
| 13. | Other equipment, fixtures and fittings, vehicles | 1,282 | 1,199 |
| 14. | Breeding stock | | |
| 15. | Assets in the course of construction | 7,516 | 13,948 |
| 16. | Prepayments for capital expenditures | 367 | 136 |
| 17. | Adjusted value of tangible assets | | |
| 18. | III. LONG TERM FINANCIAL ASSETS | 29,761 | 30,260 |
| 19. | Long-term participations in related parties | 9,668 | 10,163 |
| 19/a. | Companies involved in consolidation | 8,837 | 9,336 |
| 19/b. | Jointly managed enterprises | 12 | 14 |
| 19/c. | Associated enterprises | 819 | 813 |
| 20. | Long-term loans granted to related parties | 0 | 0 |
| 20/a. | Companies involved in consolidation | | |
| 20/b. | Jointly managed enterprises | | |
| 20/c. | Associated enterprises | | |
| 21. | Other long-term investment | 20,080 | 20,080 |
| 22. | Long-term loans granted to other investments | | |
| 23. | Other long-term loans granted | 13 | 17 |
| 24. | Long-term debt securities | | |
| 25. | Adjusted value of financial investments | | |
| 26. | Deviation from capital consolidation | | |
| **27.** | **B. Current assets** | **26,062** | **45,554** |
| 28. | I. STOCKS | 9,008 | 10,348 |
| 29. | Raw materials and consumables | 5,127 | 6,285 |
| 30. | Work in progress and semi-finished products | 575 | 488 |
| 31. | Animals for breeding, fattening and other livestock | | |
| 32. | Finished products | 3,256 | 3,532 |
| 33. | Goods | 4 | 10 |
| 34. | Advanced payments for stocks | 46 | 33 |
| 35. | II. RECEIVABLES | 16,051 | 17,460 |
| 36. | Trade debtors | 8,106 | 8,369 |
| 37. | Receivables from related parties | 5,798 | 4,393 |
| 37/a. | Companies involved in consolidation | 3,695 | 3,268 |
| 37/b. | Jointly managed enterprises | 1,586 | 721 |
| 37/c. | Associated enterprises | 517 | 404 |
| 38. | Receivables from other investments | | |
| 39. | Bills of exchange receivables | | |
| 40. | Other receivables | 2,147 | 4,302 |
| 41. | Corporation tax claim due to consolidation | | |
| 42. | Positive deviation from derivative claims | | 396 |
| 43. | III.SECURITIES | 0 | 0 |
| 44. | Participations in related parties | 0 | 0 |
| 44/a. | Companies involved in consolidation | | |
| 44/b. | Jointly managed enterprises | | |
| 44/c. | Associated enterprises | | |

Unconsolidated Balance Sheet in Accordance with Hungarian Accounting Rules version "B", HUF million

| Number a | Description b | 2002 c | 2003 d |
|---|---|---|---|
| 45. | Other participations | | |
| 46. | Treasury shares and own participation | | |
| 46. | Marketable debt securities | | |
| 48. | Deviation from securities | | |
| 49. | IV. LIQUID ASSETS | 1,003 | 17,746 |
| 50. | Cash, cheques | 5 | 8 |
| 51. | Bank deposits | 998 | 17,738 |
| **52.** | **C. Prepaid expenses and accrued income** | **246** | **207** |
| 53. | Accrued income | 34 | 74 |
| 54. | Prepaid expenses | 212 | 133 |
| 55. | Deferred expenses | | |
| **56.** | **D. Amounts falling due within the year** | **20,935** | **50,109** |
| 57. | Short-term borrowings | | |
| 58. | of which: convertible bonds | | |
| 59. | Other short-term loans | 7,191 | 13,838 |
| 60. | Prepayment received from debtors | 93 | 282 |
| 61. | Creditors | 8,277 | 11,452 |
| 62. | Bills of exchange payable | | |
| 63. | Short-term debts to related parties | 2,025 | 1,990 |
| 63/a. | Companies involved in consolidation | 1,373 | 1,408 |
| 63/b. | Jointly managed enterprises | | 7 |
| 63/c. | Associated enterprises | 652 | 575 |
| 64. | Short-term debts to other investments | | |
| 65. | Other current liabilities | 3,349 | 21,028 |
| 66. | Corporation tax liabilities due to consolidation | | |
| 67. | Negative deviation from derivative claims | | 1 519 |
| **68.** | **E. Accrued expenses and deferred income** | **3,292** | **1,756** |
| 69. | Deferred income | 2,743 | 1,372 |
| 70. | Accrued expenses | 483 | 299 |
| 71. | Deferred extraordinary revenues and negative goodwill | 66 | 85 |
| **72.** | **F. Current assets and current liabilities (B+C-D-E)** | **2,081** | **-6,104** |
| **73.** | **G. Total assets less current liabilities (A±F)** | **105,429** | **104,010** |
| **74.** | **H. Amounts falling due and payable after more than one year** | **25,556** | **20,751** |
| 75. | I. Long-term liabilities | | |
| 76. | Long-term borrowings | | |
| 77. | Convertible bonds | | |
| 78. | Liabilities from the issue of bonds | | |
| 79. | Investment and development loans | 13,629 | 13,983 |
| 80. | Other long-term loans | 11,908 | 6,756 |
| 81. | Long-term debts to related parties | 0 | 0 |
| 81/a. | Companies involved in consolidation | | |
| 81/b. | Jointly managed enterprises | | |
| 81/c. | Associated enterprises | | |
| 82. | Long-term debts to other investments | | |
| 83. | Other long-term liabilities | 19 | 12 |
| 84. | II. Subordinated debts | 0 | 0 |
| 85. | Subordinated debts to related parties | 0 | 0 |
| 85/a | Companies involved in consolidation | | |
| 85/b. | Jointly managed enterprises | | |
| 85/c. | Associated enterprises | | |
| 86. | Subordinated debts to other investments | | |
| 87. | Subordinated debts to third parties | | |
| **88.** | **I. Provisions** | **550** | **506** |
| 89. | Provisions for contingent liabilities | 550 | 506 |
| 90. | Provisions for future commitments | | |
| 91. | Other provisions | | |
| **92.** | **J. Shareholders' equity** | **79,323** | **82,753** |
| 93. | I. Issued capital | 12,311 | 12,311 |
| 94. | of which : treasury shares redeemed at face value | | |
| 95. | II. Issued capital not paid (-) | | |
| 96. | III. Capital reserve | 16,538 | 16,538 |
| 97. | IV. Retained earning /(losses) | 44,075 | 50,315 |
| 98. | V. Allocated reserves | 130 | 159 |
| 99. | VI. Revaluation reserve | | |
| 100. | Valuation reserve of value adjustment | | |
| 101. | Valuation reserve of substantial valuation | | |
| 102. | VII. Profit or loss for the year | 6,269 | 3,430 |

# Unconsolidated Statement of Income in Accordance with Hungarian Accounting Rules

(Total cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2002<br>c | 2003<br>d |
|---|---|---|---|
| 01. | Domestic sales, net | 28,724 | 28,439 |
| 01/a. | Companies involved in consolidation | 7,923 | 8,635 |
| 01/b. | Jointly managed enterprises | | |
| 01/c. | Associated enterprises | 4,342 | 4,158 |
| 01/d. | Other entrepreneurs | 16,459 | 15,646 |
| 02. | Export sales, net | 72,906 | 78,678 |
| 02/a. | Companies involved in consolidation | 18,930 | 20,500 |
| 02/b. | Jointly managed enterprises | 11,733 | 12,525 |
| 02/c. | Associated enterprises | | |
| 02/d. | Other entrepreneurs | 42,243 | 45,653 |
| **I.** | **Total sales, net (01+02)** | **101,630** | **107,117** |
| 03. | Movements in self-produced stocks | 251 | 189 |
| 04. | Capitalised self-manufactured assets | 1,601 | 908 |
| **II.** | **Capitalised own performance (±03+04)** | **1,852** | **1,097** |
| **III.** | **Other income** | **2,080** | **2,436** |
| III/a. | Companies involved in consolidation | 13 | 64 |
| III/b. | Jointly managed enterprises | | |
| III/c. | Associated enterprises | 6 | |
| III/d. | Other entrepreneurs | 2,061 | 2,372 |
| | Reversed diminution in value from other revenues | 22 | 33 |
| 05. | Material costs | 61,441 | 64,620 |
| 06. | Services used | 6,577 | 6,875 |
| 07. | Other services | 719 | 1,153 |
| 08. | Costs of goods sold | 8,720 | 8 ,879 |
| 09. | Provision of (consignment) services | 155 | 134 |
| **IV.** | **Material-type expenditures (05+06+07+08+09)** | **77,612** | **81,661** |
| 10. | Payroll | 5,415 | 5,751 |
| 11. | Other payments to personnel | 1,174 | 1,126 |
| 12. | Social security and similar deductions | 2,090 | 2,149 |
| **V.** | **Payments to personnel (10+11+12)** | **8,679** | **9,026** |
| **VI.** | **Depreciaton** | **6,098** | **6,728** |
| **VII.** | **Other expenditures** | **3,344** | **3,319** |
| | Of which: diminution in value | 69 | 168 |
| **A.** | **Operating profit / (loss) (I±II+III-IV-V-VI-VII)** | **9,829** | **9,916** |
| 13. | Dividends and profit-sharing (received or due) | 231 | 496 |
| 13/a. | Companies involved in consolidation | 128 | 306 |
| 13/b. | Jointly managed enterprises | 5 | 6 |
| 13/c. | Associated enterprises | 98 | 184 |
| 13/d. | Other enterpreneurs | | |
| 14. | Exchange gains from disposal of shares | 22 | 0 |
| 14/a. | Companies involved in consolidation | | |
| 14/b. | Jointly managed enterprises | | |
| 14/c. | Associated enterprises | 0 | |
| 14/d. | Other enterpreneurs | 22 | |
| 15. | Interest and capital gains on long-term financial assets | 0 | 0 |
| 15/a. | Companies involved in consolidation | | |
| 15/b. | Jointly managed enterprises | | |
| 15/c. | Associated enterprises | | |
| 15/d. | Other enterpreneurs | 0 | |

Unconsolidated Statement of Income in Accordance with Hungarian Accounting Rules (Total cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2002<br>c | 2003<br>d |
|---|---|---|---|
| 16. | Other interests and similar income (received or due) | 60 | 161 |
| 16/a. | Companies involved in consolidation | 26 | 5 |
| 16/b. | Jointly managed enterprises | | |
| 16/c. | Associated enterprises | | |
| 16/d. | Other entrepreneurs | 34 | 156 |
| 17. | Other revenues from financial transactions | 544 | 2,342 |
| | From which: valuation adjustment | | 396 |
| **VIII.** | **Financial revenues (13+14+15+16+17)** | **857** | **2,999** |
| 18. | Exchange losses on long-term financial assets | 0 | 0 |
| 18/a. | Companies involved in consolidation | | |
| 18/b. | Jointly managed entrprises | | |
| 18/c. | Associated enterprises | | |
| 18/d. | Other entrepreneurs | 0 | |
| 19. | Interest payable similar changes | 1,406 | 1,041 |
| 19/a. | Companies involved in consolidation | 15 | 9 |
| 19/b. | Jointly managed enterprises | | |
| 19/c. | Associated enterprises | | |
| 19/d. | Other enterpreneurs | 1,391 | 1,032 |
| 20. | Diminution in the values of shares, securities and bank deposits | 67 | |
| 21. | Pénzügyi műveletek egyéb ráfordításai | 25 | 4,525 |
| | From which: valuation adjustment | | 1,519 |
| **IX.** | **Financial expenditures (18+19±20+21)** | **1,498** | **5,566** |
| **B.** | **Financial profit or loss (VIII-IX)** | **-641** | **-2,567** |
| **C.** | **Profit or loss of ordinary activities (±A±B)** | **9,188** | **7,349** |
| **X.** | **Extraordinary revenues** | **56** | **18** |
| **XI.** | **Extraordinary expenditures** | **238** | **682** |
| **D.** | **Extraordinary profit/loss (X-XI)** | **-182** | **-664** |
| **E.** | **Profit before tax (±C±D)** | **9,006** | **6,685** |
| **XII.** | **Tax payable** | **55** | **85** |
| **F.** | **Profit after tax (± E- XII)** | **8,951** | **6,600** |
| 22. | Retained earnings for dividend and profit-sharing | | |
| 23. | Dividend and profit-sharing paid (payable) | 2,682 | 3,170 |
| 23/a. | Companies involved in consolidation | | |
| 23/b. | Jointly managed enterprises | | |
| 23/c. | Associated enterprises | | |
| 23/d. | Other entrepreneurs | 2,682 | 3,170 |
| **G.** | **Profit or loss for the year (±F+22-23)** | **6,269** | **3,430** |

# Unconsolidated Statement of Income in Accordance with Hungarian Accounting Rules

(Sales cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2002<br>c | 2003<br>d |
|---|---|---|---|
| 01. | Domestic sales, net | 28,724 | 28,439 |
| 01/a. | Companies involved in consolidation | 7,923 | 8,635 |
| 01/b. | Jointly managed enterprises | | |
| 01/c. | Associated enterprises | 4,342 | 4,158 |
| 01/d. | Other entrepreneurs | 16,459 | 15,646 |
| 02. | Export sales, net | 72,906 | 78,678 |
| 02/a. | Companies involved in consolidation | 18,930 | 20,500 |
| 02/b. | Jointly managed enterprises | 11,733 | 12,525 |
| 02/c. | Associated enterprises | | |
| 02/d. | Other entrepreneurs | 42,243 | 45,653 |
| **I.** | **Total sales, net (01+02)** | **101,630** | **107,117** |
| 03. | Direct costs of sales | 65,547 | 71,108 |
| 04 | Costs of goods sold | 8,720 | 8,879 |
| 05. | Provision of (consignment) services | 155 | 134 |
| **II.** | **Direct costs of sales (03+04+05)** | **74,422** | **80,121** |
| **III.** | **Gross sales (I-II)** | **27,208** | **26,996** |
| 06. | Selling and marketing costs | 5,502 | 5,808 |
| 07. | Administration costs | 6,010 | 6,426 |
| 08. | Other general overheads | 4,603 | 3,963 |
| **IV.** | **Indirect costs of sales (06+07+08)** | **16,115** | **16,197** |
| **V.** | **Other revenues** | **2,080** | **2,436** |
| V/a. | Companies involved in consolidation | 13 | 64 |
| V/b. | Jointly managed enterprises | | |
| V/c. | Associated enterprises | 6 | 0 |
| V/d. | Other entrepreneurs | 2,061 | 2,372 |
| | Reversed diminution in value from other revenues | 22 | 33 |
| **VI.** | **Other expenditures** | **3,344** | **3,319** |
| | of which: dimininution value | 69 | 168 |
| **A.** | **Operating profit /(loss) (±III-IV+V+VI)** | **9,829** | **9,916** |
| 09. | Dividends and profit-sharing (received or due) | 231 | 496 |
| 09/a. | Companies involved in consolidation | 128 | 306 |
| 09/b. | Jointly managed enterprises | 5 | 6 |
| 09/c. | Associated enterprises | 98 | 184 |
| 09/d. | Other entrepreneurs | 0 | |
| 10. | Exchange gains from disposal of shares | 22 | 0 |
| 10/a. | Companies involved in consolidation | | |
| 10/b. | Jointly managed enterprises | | |
| 10/c. | Associated enterprises | 0 | |
| 10/d. | Other entrepreneurs | 22 | |
| 11. | Interest and capital gains on long-term financial assets | 0 | 0 |
| 11/a. | Companies involved in consolidation | | |
| 11/b. | Jointly managed enterprises | | |
| 11/c. | Associated enterprises | | |
| 11/d. | Other entrepreneurs | | |
| 12. | Other interests and similar income (received or due) | 60 | 161 |
| 12/a. | Companies involved in consolidation | 26 | 5 |
| 12/b. | Jointly managed enterprises | | |
| 12/c. | Associated enterprises | | |
| 12/d. | Other entrepreneurs | 34 | 156 |
| 13. | Other revenues from financial transactions | 544 | 2,342 |
| | From which: valuation adjustment | | 396 |
| **VII.** | **Financial revenues (09+10+11+12+13)** | **857** | **2,999** |

Unconsolidated Statement of Income in Accordance with Hungarian Accounting Rules (Sales cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2002<br>c | 2003<br>d |
|---|---|---|---|
| 14. | Exchange losses on long-term financial assets | 0 | 0 |
| 14/a. | Companies involved in consolidation | | |
| 14/b. | Jointly managed entrprises | | |
| 14/c. | Associated enterprises | | |
| 14/d. | Other enterpreneurs | 0 | |
| 15. | Interest payable similar changes | 1,406 | 1,041 |
| 15/a. | Companies involved in consolidation | 15 | 9 |
| 15/b. | Jointly managed enterprises | | |
| 15/c. | Associated enterprises | | |
| 15/d. | Other enterpreneurs | 1,391 | 1,032 |
| 16. | Diminution in the values of shares, securities and bank deposits | 67 | |
| 17. | Pénzügyi műveletek egyéb ráfordításai | 25 | 4,525 |
| | From which: valuation adjustment | | 1,519 |
| **VIII.** | **Financial expenditures (14+15±16+17)** | **1,498** | **5,566** |
| **B.** | **Financial profit or loss (VII-VIII)** | **-641** | **-2,567** |
| **C.** | **Profit or loss of ordinary activities (±A±B)** | **9,188** | **7,349** |
| **IX.** | **Extraordinary revenues** | **56** | **18** |
| **X.** | **Extraordinary expenditures** | **238** | **682** |
| **D.** | **Extraordinary profit/loss (IX-X)** | **-182** | **-664** |
| **E.** | **Profit before tax (±C±D)** | **9,006** | **6,685** |
| **XI.** | **Tax payable** | **55** | **85** |
| **F.** | **Profit after tax (± E- XI)** | **8,951** | **6,600** |
| 18. | Retained earnings for dividend and profit-sharing | | |
| 19. | Dividend and profit-sharing paid (payable) | 2,682 | 3,170 |
| 19/a. | Companies involved in consolidation | | |
| 19/b. | Jointly managed enterprises | | |
| 19/c. | Associated enterprises | | |
| 19/d. | Other enterpreneurs | 2,682 | 3,170 |
| **G.** | **Profit or loss for the year (±F-18-19)** | **6,269** | **3,430** |

# This is a translation of the Hungarian Report
# Independent Auditors' Report

To the Shareholders of
BorsodChem Rt.

We have audited the accompanying consolidated balance sheet of BorsodChem Rt. as at 31 December 2002, which shows a balance sheet total of HUF 151,829 M and a profit for the year of HUF 7,017 M, the related consolidated profit and loss account for the year then ended and the notes included in the Company's 2002 consolidated annual financial statements. The consolidated annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with that presented in the consolidated financial statements.

We issued an unqualified opinion on the Company's consolidated annual financial statements as at 31 December 2001 on 21 March 2002.

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

We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of BorsodChem Rt. in accordance with national audit standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion, the consolidated annual financial statements give a true and fair view of the equity and financial position of BorsodChem Rt. as at 31 December 2002 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, March 21, 2003

Ernst& Young Kft.
Registration No. 001165

Virágh Gabriella
Registered Auditor
Chamber membership No.: 004245

# Consolidated Balance Sheet in Accordance with Hungarian Accounting Rules

version "B", HUF million

| Number<br>a | Description<br>b | 2001<br>c | 2002<br>d |
|---|---|---|---|
| **01.** | **A. Fixed assets** | **110,763** | **113,036** |
| 02. | I. INTANGIBLE ASSETS | 303 | 2,837 |
| 03. | Capitalised value of restructuring contribution | 3 | 0 |
| 04. | Capitalised value of R&D | 88 | 130 |
| 05. | Rights of property value | 7 | 5 |
| 06. | Intellectual property | 205 | 2,702 |
| 07. | Goodwill | 0 | 0 |
| 08. | Advanced payments for intangible assets | 0 | 0 |
| 09. | Value correction of intangible assets | 0 | 0 |
| 10. | II. TANGIBLE ASSETS | 89,283 | 89,032 |
| 11. | Real property and relating rights of property value | 20,804 | 34,751 |
| 12. | Technical equipment, machinery and vehicles | 27,091 | 43,654 |
| 13. | Other equipment, fittings, vehicles | 1,817 | 1,745 |
| 14. | Breeding animals | 0 | 0 |
| 15. | Investments and renovations | 39,107 | 8,498 |
| 16. | Advanced payments for investments | 464 | 384 |
| 17. | Value correction of tangible assets | 0 | 0 |
| 18. | III. INVESTMENTS / FINANCIAL ASSETS | 21,177 | 21,167 |
| 19. | Long-term shares and participations in related parties | 1,074 | 1,067 |
| 19/a. | Companies involved in consolidation | 0 | 0 |
| 19/b. | Jointly managed companies | 0 | 0 |
| 19/c. | Associated enterprises | 1,074 | 1,067 |
| 20. | Long-term loans granted to related parties | 0 | 0 |
| 20/a. | Companies involved in consolidation | 0 | 0 |
| 20/b. | Jointly managed enterprises | 0 | 0 |
| 20/c. | Associated enterprises | 0 | 0 |
| 21. | Other long-term investment | 20,080 | 20,080 |
| 22. | Long-term loans granted to other investments | 0 | 0 |
| 23. | Other long-term loans granted | 16 | 14 |
| 24. | Long-term debt securities | 7 | 6 |
| 25. | Adjusted value of financial investments | 0 | 0 |
| 26. | Deviation from capital consolidation | 0 | 0 |
| | of subsidiaries | 0 | 0 |
| | of associated enterprises | 0 | 0 |
| **27.** | **B. Current assets** | **35,165** | **37,808** |
| 28. | I. STOCKS | 11,180 | 11,617 |
| 29. | Materials | 6,577 | 6,445 |
| 30. | Work in progress | 755 | 755 |
| 31. | Animals for breeding, fattening and other livestock | 0 | 0 |
| 32. | Finished goods | 3,585 | 4,098 |
| 33. | Merchandise | 196 | 257 |
| 34. | Advanced payments for stocks | 67 | 62 |
| 35. | II. DEBTORS | 21,130 | 23,188 |
| 36. | Trade debtors | 16,196 | 18,639 |
| 37. | Claims against related parties | 627 | 517 |
| 37/a. | Companies involved in consolidation | 0 | 0 |
| 37/b. | Jointly managed enterprises | 0 | 0 |
| 37/c. | Associated enterprises | 627 | 517 |
| 38. | Receivables from other investments | 0 | 0 |
| 39. | Bills of exchange receivables | 14 | 42 |
| 40. | Other receivables | 4,263 | 3,956 |

**Consolidated Balance Sheet in Accordance with Hungarian Accounting Rules version "B", HUF million**

| Number a | Description b | 2001 c | 2002 d |
|---|---|---|---|
| 41. | Corporation tax claim due to consolidation (calculated) | 30 | 34 |
| 42. | III.SECURITIES | 0 | 0 |
| 43. | Participations in related parties | 0 | 0 |
| 43/a. | Companies involved in consolidation | 0 | 0 |
| 43/b. | Jointly managed enterprises | 0 | 0 |
| 43/c. | Associated enterprises | 0 | 0 |
| 44. | Other participations | 0 | 0 |
| 45. | Treasury shares and own participation | 0 | 0 |
| 46. | Marketable debt securities | 0 | 0 |
| 47. | IV. LIQUID ASSETS | 2,855 | 3,003 |
| 48. | Chase, cheques | 10 | 9 |
| 49. | Bank deposits | 2,845 | 2,994 |
| **50.** | **C. Prepaid expenses and accrued income** | **446** | **985** |
| 51. | Accrued income | 30 | 75 |
| 52. | Prepaid income | 310 | 376 |
| 53. | Deferred expenses | 106 | 534 |
| **54.** | **D. Amounts falling due within the year** | **31,134** | **35,549** |
| 55. | Short-term borrowings | 55 | 55 |
| 56. | of which: convertible bonds | 0 | 0 |
| 57. | Other short-term loans | 16,716 | 18,793 |
| 58. | Prepayment received from debtors | 268 | 186 |
| 59. | Creditors | 11,233 | 11,624 |
| 60. | Bills of exchange payable | 83 | 181 |
| 61. | Short-term debts to related parties | 502 | 652 |
| 61/a. | Companies involved in consolidation | 0 | 0 |
| 61/b. | Jointly managed enterprises | 0 | 0 |
| 61/c. | Associated enterprises | 502 | 652 |
| 62. | Short-term debts to other investments | 0 | 0 |
| 63. | Other current liabilities | 2,277 | 4,058 |
| 64. | Corporation tax liabilities due to consolidation (calculated) | 0 | 0 |
| **65.** | **E. Accrued expenses and deferred income** | **1,617** | **3,604** |
| 66. | Deferred income | 890 | 2,573 |
| 67. | Accrued expenses | 676 | 885 |
| 68. | Deferred extraordinary revenues and negative goodwill | 51 | 146 |
| **69.** | **F. Current assets and current liabilities (B+C-D-E)** | **2,860** | **-360** |
| **70.** | **G. Total assets less current liabilities (A±F)** | **113,623** | **112,676** |
| **71.** | **H. Amounts falling due and payable after more than one year** | **36,308** | **27,893** |
| 72. | I. Long-term liabilities | 35,235 | 26,820 |
| 73. | Long-term loans | 140 | 85 |
| 74. | Convertible borrowing | 0 | 0 |
| 75. | Liabilities from the issue of bonds | 0 | 0 |
| 76. | Investment and development loans | 20,484 | 14,063 |
| 77. | Other long-term loans | 14,529 | 12,610 |
| 78. | Long-term debts to related parties | 0 | 0 |
| 78/a. | Companies involved in consolidation | 0 | 0 |
| 78/b. | Jointly managed enterprises | 0 | 0 |
| 78/c. | Associated enterprises | 0 | 0 |
| 79. | Long-term debts to other investments | 0 | 0 |
| 80. | Other long-term liabilities | 82 | 62 |
| 81. | II. Subordinated debts | 0 | 0 |
| 82. | Subordinated debts to related parties | 0 | 0 |
| 82/a | Companies involved in consolidation | 0 | 0 |
| 82/b. | Jointly managed enterprises | 0 | 0 |
| 82/c. | Associated enterprises | 0 | 0 |
| 83. | Subordinated debts to other investments | 0 | 0 |
| 84. | Subordinated debts to third parties | 0 | 0 |

version "B", HUF million

| Number<br>a | Description<br>b | 2001<br>c | 2002<br>d |
|---|---|---|---|
| 85. | Deviation from capital consolidation from subsidiaries | 1,073 | 1,073 |
| 86. | I. Provisions | 595 | 864 |
| 87. | Provisions for contingent liabilities | 439 | 648 |
| 88. | Provisions for future commitments | 0 | 7 |
| 89. | Other provisions | 156 | 209 |
| **90.** | **J. Shareholders' equity** | **76,720** | **83,919** |
| 91. | I. Issued capital | 12,311 | 12,311 |
| 92. | of which: treasury shares redeemed at face value | 0 | 0 |
| 93. | II. Issued capital not paid (-) | 0 | 0 |
| 94. | III. Capital reserve | 16,555 | 16,525 |
| 95. | IV. Retained earning /(losses) | 42,418 | 47,406 |
| 96. | V. Allocated reserves | 90 | 159 |
| 97. | VI. Revaluation reserve | 0 | 0 |
| 98. | VII. Profit or loss for the year | 4,886 | 7,017 |
| 99. | VIII. Change in subsidiaries' equity capital (±) | 29 | 29 |
| 100. | IX. Consolidation elimination (±) | 37 | 20 |
| | Due to debt consolidation | 37 | 20 |
| | Due to intermediate results | 0 | 0 |
| 101. | X. Share of outside members (other owners) | 394 | 452 |

# Consolidated Statement of Income in Accordance with Hungarian Accounting Rules

(Total cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2001<br>c | 2002<br>d |
|---|---|---|---|
| 01. | Net sales income (domestic) | 30,372 | 30,047 |
| 01/a. | Companies involved in consolidation | 0 | 0 |
| 01/b. | Jointly managed enterprises | 0 | 0 |
| 01/c. | Associated enterprises | 3,168 | 4,344 |
| 01/d. | Other entrepreneurs | 27,204 | 25,703 |
| 02. | Net sales income (export) | 90,949 | 99,609 |
| 02/a. | Companies involved in consolidation | 0 | 0 |
| 02/b. | Jointly managed enterprises | 0 | 0 |
| 02/c. | Associated enterprises | 0 | 0 |
| 02/d. | Other entrepreneurs | 90,949 | 99,609 |
| **I.** | **Net sale income (01+02)** | **121,321** | **129,656** |
| 03. | Change in self-manufactured inventories | -1,320 | 26 |
| 04. | Capitalised value of self-manufactured assets | 1,444 | 2,038 |
| **II.** | **Value of own performance (±03+04)** | **124** | **2,064** |
| **III.** | **Other income** | **1,755** | **3,163** |
| **III/a.** | **Companies involved in consolidation** | **0** | **0** |
| III/b. | Jointly managed enterprises | 0 | 0 |
| III/c. | Associated enterprises | 0 | 6 |
| III/d. | Other entrepreneurs | 1,755 | 3,157 |
| | Reversed diminution in value from other revenues | | 101 |
| III/A. | Consolidation elimination due to debt consolidation (increasing results) | 55 | 18 |
| 05. | Material costs | 70,153 | 73,181 |
| 06. | Services used | 8,466 | 8,640 |
| 07. | Other services | 633 | 962 |
| 08. | Costs of goods sold | 16,726 | 15,333 |
| 09. | Provision of (consignment) services | 602 | 420 |
| **IV.** | **Material-type expenditures (05+06+07+08+09)** | **96,580** | **98,536** |
| 10. | Payroll | 7,062 | 8,096 |
| 11. | Other payments for personnel | 816 | 1,405 |
| 12. | Social security and similar deductions | 2,593 | 3,001 |
| **V.** | **Payments for personnel (10+11+12)** | **10,471** | **12,502** |
| **VI.** | **Depreciation** | **6,319** | **7,970** |
| **VII.** | **Other expenditures** | **2,721** | **4,561** |
| | **Of which: diminution in value** | **249** | **192** |
| **VII/A.** | **Consolidation elimination due to debt consolidation (decreasing results)** | **58** | **9** |
| **A.** | **Operating profit / (loss) (I±II+III+III/A-IV-V-VI-VII-VII/A)** | **7,106** | **11,323** |
| 13. | Dividends and profit - sharing (received or due) | 163 | 167 |
| 13/a. | Received dividends from jointly managed enterprises | 163 | 167 |
| 13/b. | Received dividends from other enterprises in interest | 0 | 0 |
| 14. | Exhange gains from disposal of shares | 0 | 22 |
| 14/a. | Companies involved in consolidation | 0 | 0 |
| 14/b. | Jointly managed enterprises | 0 | 0 |
| 14/c. | Associated enterprises | 0 | 0 |
| 14/d. | Other entrepreneurs | 0 | 22 |
| 15. | Interest and capital gains on long-term financial assets | 11 | 0 |
| 15/a. | Companies involved in consolidation | | 0 |
| 15/b. | Jointly managed enterprises | | 0 |
| 15/c. | Associated enterprises | | 0 |
| 15/d. | Other entrepreneurs | 11 | 0 |

Consolidated Statement of Income in Accordance with Hungarian Accounting Rules (Total cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2001<br>c | 2002<br>d |
|---|---|---|---|
| 16. | Other interests and similar income (received or due) | 254 | 86 |
| 16/a. | Companies involved in consolidation | | 0 |
| 16/b. | Jointly managed enterprises | | 0 |
| 16/c. | Associated enterprises | | 0 |
| 16/d. | Other entrepreneurs | 254 | 86 |
| 17. | Other revenues from financial transactions | 3,231 | 1,201 |
| **VIII.** | **Financial revenues (13+14+15+16+17)** | **3,659** | **1,476** |
| 18. | Exchange losses on long-term financial assets | 0 | 0 |
| 18/a. | Companies involved in consolidation | | 0 |
| 18/b. | Jointly managed enterprises | | 0 |
| 18/c. | Associated enterprises | | 0 |
| 18/d. | Other entrepreneurs | | 0 |
| 19. | Interests payable and similar charges | 1,531 | 1,970 |
| 19/a. | Companies involved in consolidation | | 0 |
| 19/b. | Jointly managed enterprises | | 0 |
| 19/c. | Associated enterprises | | 0 |
| 19/d. | Other entrepreneurs | 1,531 | 1,970 |
| 20. | Diminution in values of shares, securities and bank deposits | | 68 |
| 21. | Other expenditures on financial transactions | 2,605 | 721 |
| **IX.** | **Financial expenditure (18+19±20+21)** | **4,136** | **2,759** |
| **B.** | **Financial profit or loss (VIII-IX)** | **-477** | **-1,283** |
| **C.** | **Profit or loss of ordinary activities (±A±B)** | **6,629** | **10,040** |
| **X.** | **Extraordinary revenues** | **110** | **62** |
| **XI.** | **Extraordinary expenditures** | **208** | **260** |
| **D.** | **Extraordinary profit / loss (X-XI)** | **-98** | **-198** |
| **E.** | **Profit before tax (±C±D)** | **6,531** | **9,842** |
| **XII.** | **Tax payable** | **188** | **146** |
| **XII/A.** | **Corporation tax elimination (±) due to consolidation (calculated)** | **6** | **3** |
| **F.** | **Profit / loss after taxation (± E-XII ± XII/A)** | **6,349** | **9,699** |
| 22. | Dividends and profit - sharing paid (payable) | 1,463 | 2,682 |
| 22/a. | Companies involved in consolidation | | 0 |
| 22/b. | Jointly managed enterprises | | 0 |
| 22/c. | Associated companies | | 0 |
| 22/d. | Other entrepreneurs | 1,463 | 2,682 |
| **G.** | **Profit or losses for the year (± F- 22)** | **4,886** | **7,017** |

## Consolidated Statement of Income in Accordance with Hungarian Accounting Rules

(Sales cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2001<br>c | 2002<br>d |
|---|---|---|---|
| 01. | Domestic sales, net | 30,372 | 30,047 |
| 01/a. | Companies involved in consolidation | 0 | 0 |
| 01/b. | Jointly managed enterprises | 0 | 0 |
| 01/c. | Associated enterprises | 3,168 | 4,344 |
| 01/d. | Other entrepreneurs | 27,204 | 25,703 |
| 02. | Export sales, net | 90,949 | 99,609 |
| 02/a. | Companies involved in consolidation | | 0 |
| 02/b. | Jointly managed enterprises | | 0 |
| 02/c. | Associated enterprises | | 0 |
| 02/d. | Other entrepreneurs | 90,949 | 99,609 |
| **I.** | **Total sales, net (01+02)** | **121,321** | **129,656** |
| 03. | Direct costs of sales | 79,106 | 81,429 |
| 04. | Costs of goods sold | 16,726 | 15,333 |
| 05. | Provision of (consignment) services | 602 | 420 |
| **II.** | **Direct costs of sales (03+04+05)** | **96,434** | **97,182** |
| **III.** | **Gross sales (I-II)** | **24,887** | **32,474** |
| 06. | Selling and marketing costs | 4,071 | 4,930 |
| 07. | Administration costs | 6,993 | 8,497 |
| 08. | Other general overheads | 5,748 | 6,335 |
| **IV.** | **Indirect costs of sales (06+07+08)** | **16,812** | **19,762** |
| **V.** | **Other revenues** | **1,755** | **3,163** |
| V/a. | Companies involved in consolidation | | 0 |
| V/b. | Jointly managed enterprises | | 0 |
| V/c. | Associated enterprises | | 6 |
| V/d. | Other entrepreneurs | 1,755 | 3,157 |
| | Reversed diminution in value from other revenues | | 101 |
| V/A. | Consolidation elimination due to debt consolidation (increasing results) | 55 | 18 |
| **VI.** | **Other expenditures** | **2,721** | **4,561** |
| | **of which: diminution value** | **249** | **192** |
| **VI/A.** | **Consolidation elimination due to debt consolidation (decreasing results)** | **58** | **9** |
| **A.** | **Operating profit /(loss) (±III-IV+V+V/A-VI-VI/A)** | **7,106** | **11,323** |
| 09. | Dividends and profit-sharing (received or due) | 163 | 167 |
| 09/a. | Received dividends from associated enterprises | 163 | 167 |
| 09/b. | Received dividends from other investments | | 0 |
| 10. | Exchange gains from disposal of shares | 0 | 22 |
| 10/a. | Companies involved in consolidation | | 0 |
| 10/b. | Jointly managed enterprises | | 0 |
| 10/c. | Associated enterprises | | 0 |
| 10/d. | Other entrepreneurs | | 22 |
| 11. | Interest and capital gains on long-term financial assets | 11 | 0 |
| 11/a. | Companies involved in consolidation | | 0 |
| 11/b. | Jointly managed enterprises | | 0 |
| 11/c. | Associated enterprises | | 0 |
| 11/d. | Other entrepreneurs | 11 | 0 |
| 12. | Other interests and similar income (received or due) | 254 | 86 |
| 12/a. | Companies involved in consolidation | | 0 |
| 12/b. | Jointly managed enterprises | | 0 |
| 12/c. | Associated enterprises | | 0 |
| 12/d. | Other entrepreneurs | 254 | 86 |

(Sales cost method) version "A", HUF million

| Number<br>a | Description<br>b | 2001<br>c | 2002<br>d |
|---|---|---|---|
| 13. | Other revenues from financial transactions | 3,231 | 1,201 |
| **VII.** | **Financial revenues (09+10+11+12+13)** | **3,659** | **1,476** |
| 14. | Exchange losses on long-term financial assets | 0 | 0 |
| 14/a. | Companies involved in consolidation | | 0 |
| 14/b. | Jointly managed enterprises | | 0 |
| 14/c. | Associated enterprises | | 0 |
| 14/d. | Other entrepreneurs | | 0 |
| 15. | Interest payable similar changes | 1,531 | 1,970 |
| 15/a. | Companies involved in consolidation | | 0 |
| 15/b. | Jointly managed enterprises | | 0 |
| 15/c. | Associated enterprises | | 0 |
| 15/d. | Other entrepreneurs | 1,531 | 1,970 |
| 16. | Diminution in the values of shares, securities and bank deposits | | 68 |
| 17. | Other revenues from financial transactions | 2,605 | 721 |
| **VIII.** | **Financial expenditures (14+15±16+17)** | **4,136** | **2,759** |
| **B.** | **Financial profit or loss (VII-VIII)** | **-477** | **-1,283** |
| **C.** | **Profit or loss of ordinary activities (±A±B)** | **6,629** | **10,040** |
| **IX.** | **Extraordinary revenues** | **110** | **62** |
| **X.** | **Extraordinary expenditures** | **208** | **260** |
| **D.** | **Extraordinary profit/loss (IX-X)** | **-98** | **-198** |
| **E.** | **Profit before tax (±C±D)** | **6,531** | **9,842** |
| **XI.** | **Tax payable** | **188** | **146** |
| **XI/A.** | **Corporation tax elimination due to consolidation (calculated) (±)** | **6** | **3** |
| **F.** | **Profit after tax (± E- XI ± XI/A)** | **6,349** | **9,699** |
| 18. | Dividend and profit-sharing pay (payable) | 1,463 | 2,682 |
| 18/a. | Companies involved in consolidation | | 0 |
| 18/b. | Jointly managed enterprises | | 0 |
| 18/c. | Associated enterprises | | 0 |
| 18/d. | Other entrepreneurs | 1,463 | 2,682 |
| **G.** | **Profit or loss for the year (±F-18)** | **4,886** | **7,017** |

# Balance Sheet Data for BorsodChem Rt.'s Majority Interests

HUF million

| Description | BC-MCHZ s.r.o. | | BC-Ongropack Kft. | | BC-Ablakprofil Kft. | | Panorama Ablakgyártó Kft. | | BC-KC Formalin Kft. | | BC-Ongroelektro Kft. | | BC-Ongromechanika Kft. | | BC-Ongrobau Kft. | | BC Ongro Benelux B.V. | | BC Handels g.m.b.H. | | BC -Polska Sp. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. | 31.12. |
| A. Fixed assets | 13,860.9 | 15,437.4 | 1,556.5 | 1,367.0 | 1,585.4 | 1,610.8 | 176.2 | 196.7 | 602.4 | 523.7 | 35.9 | 39.3 | 41.6 | 43.2 | 37.8 | 50.3 | 39.7 | 42.5 | 64.0 | 74.1 | 4.5 | 6.4 |
| I. Intangible assets | 48.6 | 51.9 | 6.5 | 6.6 | 8.2 | 5.4 | 3.9 | 3.0 | 1.5 | 0.6 | 0.8 | 0.9 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 | 1.0 | 0.1 | 0.0 |
| II. Tangible assets | 13,809.8 | 15,385.6 | 1,527.2 | 1,339.5 | 1,577.2 | 1,605.4 | 166.8 | 188.3 | 600.9 | 522.8 | 34.9 | 38.3 | 41.2 | 42.6 | 37.8 | 50.3 | 39.7 | 42.5 | 56.2 | 66.2 | 4.4 | 6.4 |
| III. Long-term financial assets | 2.5 | 0.0 | 22.8 | 20.9 | 0.0 | 0.0 | 5.5 | 5.5 | 0.0 | 0.2 | 0.1 | 0.0 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 6.2 | 6.9 | 0.0 | 0.0 |
| B. Current assets | 4,966.9 | 5,760.5 | 2,266.3 | 2,530.8 | 1,506.7 | 1,803.2 | 599.6 | 575.1 | 379.6 | 362.7 | 251.4 | 283.0 | 279.2 | 344.7 | 181.2 | 178.7 | 841.9 | 818.6 | 1,636.2 | 1,707.7 | 1,672.4 | 1,740.9 |
| I. Stocks | 1,643.3 | 1,788.6 | 687.4 | 787.1 | 389.8 | 446.0 | 141.2 | 149.9 | 67.9 | 74.6 | 56.5 | 105.0 | 93.8 | 122.4 | 46.8 | 102.0 | 0.0 | 32.9 | 0.0 | 0.0 | 26.6 | 10.5 |
| II. Receivables | 3,269.0 | 3,726.1 | 1,489.2 | 1,678.5 | 923.8 | 1,231.6 | 396.2 | 408.4 | 266.4 | 258.9 | 194.5 | 177.6 | 185.3 | 221.0 | 133.9 | 76.3 | 779.7 | 681.9 | 1,605.6 | 1,629.8 | 1,634.2 | 1,708.6 |
| among them: trade debtors | 1,920.1 | 1,809.5 | 1,340.5 | 1,386.3 | 834.8 | 946.7 | 344.8 | 391.1 | 153.1 | 167.5 | 8.3 | 34.1 | 12.3 | 68.6 | 1.1 | 3.9 | 776.6 | 672.8 | 1,337.1 | 1,605.4 | 1,591.3 | 1,587.9 |
| receivables from consolidated companies | 835.8 | 1,014.9 | 31.2 | 24.6 | 56.7 | 93.6 | 1.0 | 0.4 | 104.3 | 85.1 | 184.2 | 138.5 | 166.5 | 146.5 | 129.2 | 69.7 | 0.5 | 6.8 | 0.1 | 23.4 | 0.0 | 46.3 |
| III. Securities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IV. Liquid assets | 54.6 | 245.8 | 89.7 | 65.2 | 193.2 | 123.5 | 62.2 | 16.8 | 45.3 | 29.2 | 0.4 | 0.5 | 0.2 | 1.4 | 0.5 | 0.5 | 62.3 | 103.9 | 30.6 | 77.9 | 11.6 | 21.7 |
| C. Prepaid expenses and accrued income | 617.9 | 181.8 | 41.1 | 4.3 | 3.1 | 12.9 | 0.4 | 1.2 | 0.5 | 1.4 | 0.5 | 0.7 | 1.6 | 2.9 | 0.7 | 1.3 | 0.0 | 0.0 | 1.8 | 2.9 | 2.4 | 1.0 |
| D. Liabilities outstanding within one year | 10,689.3 | 10,698.3 | 1,131.0 | 1,049.3 | 1,022.5 | 878.0 | 370.2 | 328.9 | 450.6 | 410.5 | 116.5 | 118.5 | 102.5 | 136.3 | 69.4 | 43.1 | 750.8 | 709.9 | 1,209.2 | 1,165.9 | 1,561.5 | 1,594.1 |
| among them: borrowings and loans | 7,663.9 | 7,489.5 | 523.3 | 258.2 | 374.4 | 327.9 | 67.7 | 41.6 | 147.1 | 231.8 | | | | | | | 141.5 | 209.8 | 473.2 | 529.9 | 0.0 | 0.0 |
| accounts payable | 2,456.7 | 2,678.7 | 121.5 | 207.1 | 121.0 | 171.0 | 183.5 | 180.5 | 6.2 | 10.0 | 50.1 | 80.4 | 21.8 | 56.2 | 20.8 | 12.9 | 19.3 | 6.0 | 144.1 | 109.3 | 5.0 | 64.6 |
| current liabilities for consol. companies | 91.4 | 70.8 | 444.2 | 520.2 | 431.0 | 346.8 | 54.0 | 48.3 | 250.9 | 157.6 | 34.6 | 8.7 | 45.9 | 38.1 | 27.2 | 7.0 | 447.2 | 336.2 | 580.2 | 387.3 | 1,555.0 | 1,526.9 |
| E. Accrued expenses and differed income | 320.7 | 137.2 | 91.1 | 76.8 | 22.2 | 55.9 | 1.9 | 0.1 | 20.7 | 14.4 | 5.6 | 4.5 | 3.5 | 4.7 | 0.0 | 6.0 | 0.0 | 0.0 | 20.7 | 22.5 | 5.8 | 8.3 |
| F. Difference of current assets and short-term liabilities | -5,425.1 | -4,893.3 | 1,085.4 | 1,409.1 | 465.1 | 882.2 | 227.9 | 247.3 | -91.2 | -60.8 | 129.8 | 160.6 | 174.8 | 206.7 | 112.5 | 131.0 | 91.1 | 108.7 | 408.1 | 522.3 | 107.6 | 139.5 |
| G. Total assets excluding liabilities due within one year | 8,435.8 | 10,544.2 | 2,641.9 | 2,776.1 | 2,050.5 | 2,493.0 | 404.1 | 444.0 | 511.3 | 462.9 | 165.6 | 199.9 | 216.4 | 249.9 | 150.3 | 181.3 | 130.8 | 151.2 | 472.2 | 596.4 | 112.1 | 145.8 |
| H. Liabilities due over one year | 730.7 | 211.0 | 418.4 | 588.9 | 5.1 | 301.6 | 0.0 | 0.0 | 95.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| I. Long-term liabilities | 730.7 | 211.0 | 418.4 | 588.9 | 5.1 | 301.6 | 0.0 | 0.0 | 95.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| among them: borrowings and loans | 701.8 | 194.3 | 418.4 | 588.9 | 5.1 | 301.6 | 0.0 | 0.0 | 95.8 | 0.0 | | | | | | | | | | | | |
| II. Subordinated debts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| I. Provisions | 108.6 | 57.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 4.0 | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 1.3 | 94.3 | 124.9 | 3.3 | 1.0 |
| J. Shareholders' equity | 7,596.5 | 10,275.7 | 2,223.5 | 2,187.2 | 2,045.4 | 2,191.4 | 404.1 | 443.7 | 415.4 | 462.9 | 161.6 | 196.3 | 216.4 | 249.9 | 150.3 | 181.3 | 129.4 | 149.9 | 377.9 | 471.5 | 108.7 | 144.8 |
| I. Issued capital | 6,190.7 | 6,190.7 | 935.0 | 935.0 | 190.0 | 190.0 | 88.2 | 88.2 | 338.1 | 338.1 | 77.0 | 77.0 | 167.7 | 167.7 | 60.0 | 60.0 | 28.1 | 28.1 | 147.6 | 147.6 | 119.2 | 119.2 |
| II. Issued capital not paid (-) | | | | | | | | | | | | | | | | | | | | | | |
| III. Capital reserve | | | | | 0.5 | 0.5 | | | | | | | | | | | | | | | 52.0 | 52.0 |
| IV. Retained earnings/(losses) | 705.7 | 1,100.2 | 1,306.0 | 1,288.1 | 1,605.9 | 1,811.3 | 302.1 | 304.2 | 19.3 | 64.3 | 80.2 | 84.6 | 47.9 | 48.7 | 85.9 | 90.3 | 30.7 | 42.0 | 203.8 | 212.9 | -73.7 | -54.7 |
| V. Allocated reserves | | | 0.1 | 0.5 | 63.5 | 43.7 | | 11.6 | 29.0 | 13.0 | | | | | | | | | | | | |
| VI. Revaluation reserves | 305.9 | 969.2 | | | | | | | | | | | | | | | 39.6 | 53.3 | 17.4 | 61.3 | -7.8 | -14.8 |
| VII. Profit or loss for the year | 394.3 | 2,015.7 | -17.5 | -36.3 | 185.5 | 146.0 | 13.8 | 39.6 | 29.0 | 47.4 | 4.4 | 34.6 | 0.7 | 33.5 | 4.4 | 31.0 | 31.0 | 26.5 | 9.1 | 49.7 | 19.0 | 43.1 |

Note: before payment of dividend of 2003

# Statement of Income for BorsodChem Rt.'s Majority Interests

## (sales cost method) HUF million

| Description | BC-MCHZ s.r.o. | | BC-Ongropack Kft. | | BC-Ablakprofil Kft. | | Panorama Ablakgyártó Kft. | | BC-KC Formalin Kft. | | BC-Ongroelektro Kft. | | BC-Ongromechanika Kft. | | BC-Ongrobau Kft. | | BC Ongro Benelux B.V. | | BC Handels g.m.b.H. | | BC -Polska Sp. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| Domestic sales, net | 0.0 | 0.0 | 1,215.4 | 1,355.1 | 3,900.5 | 4,041.2 | 1,443.5 | 1,527.2 | 1,419.1 | 1,693.9 | 718.0 | 757.2 | 1,128.3 | 1,014.3 | 623.5 | 682.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Companies involved in consolidation | | | 72.3 | 84.9 | 419.7 | 498.3 | 51.9 | 21.4 | 634.1 | 787.8 | 659.3 | 652.5 | 1,081.6 | 925.9 | 593.9 | 670.1 | | | | | | |
| *Jointly managed enterprises | | | | | | | | | | | | | | | | | | | | | | |
| *Associated enterprises | | | 0.1 | 0.1 | | | | | | | 0.2 | 0.1 | 0.1 | 0.2 | 1.4 | 1.3 | | | | | | |
| *Other enterpreneurs | | | 1,143.1 | 1,270.0 | 3,480.8 | 3,542.9 | 1,391.6 | 1,505.8 | 785.0 | 906.1 | 58.6 | 104.6 | 46.5 | 88.2 | 28.2 | 11.3 | | | | | | |
| Export sales, net | 20,502.6 | 23,730.0 | 4,431.9 | 4,255.7 | 1,398.5 | 1,989.1 | 334.7 | 236.5 | 83.7 | 166.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6,044.7 | 6,432.0 | 8,661.5 | 8,650.3 | 7,651.0 | 8,889.5 |
| *Companies involved in consolidation | 6,156.6 | 8,061.6 | 100.2 | 110.0 | 44.4 | 234.7 | | | 24.9 | 37.1 | | | | | | | 26.8 | 22.5 | 31.4 | 145.7 | 207.9 | 180.7 |
| *Jointly managed enterprises | 113.8 | 127.2 | | | | | | | | | | | | | | | | | 1,137.7 | 9.2 | | |
| *Associated enterprises | | | | | | | | | | | | | | | | | | | | | | |
| *Other enterpreneurs | 14,232.3 | 15,541.1 | 4,331.7 | 4,145.7 | 1,354.1 | 1,754.4 | 334.7 | 236.5 | 58.8 | 129.0 | | | | | | | 6,018.0 | 6,409.4 | 7,492.4 | 8,495.4 | 7,443.2 | 8,708.8 |
| Total sales, net | 20,502.6 | 23,730.0 | 5,647.3 | 5,610.7 | 5,299.1 | 6,030.3 | 1,778.3 | 1,763.7 | 1,502.8 | 1,860.0 | 718.0 | 757.2 | 1,128.3 | 1,014.3 | 623.5 | 682.8 | 6,044.7 | 6,432.0 | 8,661.5 | 8,650.3 | 7,651.0 | 8,889.5 |
| Direct cost of sales | 17,097.5 | 18,548.4 | 4,750.9 | 4,614.1 | 3,623.2 | 4,086.0 | 1,242.3 | 1,222.7 | 1,158.9 | 1,583.0 | 485.1 | 453.8 | 802.2 | 692.0 | 238.1 | 257.2 | | | | | | |
| Cost of goods sold | 251.9 | 1,378.7 | 115.1 | 78.9 | 635.1 | 898.1 | 119.0 | 118.4 | | | 12.4 | 68.1 | 8.1 | 1.5 | 0.0 | 0.3 | 5,865.0 | 6,197.7 | 8,419.1 | 8,353.4 | 7,436.3 | 8,672.9 |
| Provision of (consigment) services | | | 1.0 | 0.2 | 0.0 | 0.0 | 57.4 | 13.4 | | | 9.8 | 8.0 | 0.9 | 0.3 | 195.7 | 183.2 | | | | | | |
| Direct cost of sales | 17,349.4 | 19,927.1 | 4,867.0 | 4,693.2 | 4,258.3 | 4,984.1 | 1,418.7 | 1,354.6 | 1,158.9 | 1,583.0 | 507.3 | 529.9 | 811.1 | 693.8 | 433.8 | 440.6 | 5,865.0 | 6,197.7 | 8,419.1 | 8,353.4 | 7,436.3 | 8,672.9 |
| Gross sales | 3,153.2 | 3,802.9 | 780.3 | 917.6 | 1,040.8 | 1,046.2 | 359.5 | 409.1 | 343.9 | 277.0 | 210.7 | 227.3 | 317.1 | 320.5 | 189.7 | 242.2 | 179.7 | 234.2 | 242.4 | 296.9 | 214.7 | 216.6 |
| Selling and marketing costs | 691.9 | 876.1 | 183.7 | 227.5 | 126.1 | 185.4 | 72.8 | 58.5 | 15.5 | 19.4 | 7.0 | 13.3 | 33.4 | 33.1 | 109.1 | 139.0 | 44.2 | 32.9 | 6.1 | 5.5 | 48.9 | 11.3 |
| Administration costs | 699.7 | 724.1 | 301.1 | 302.1 | 196.7 | 178.7 | 197.2 | 224.0 | 101.3 | 117.7 | 142.6 | 153.4 | 205.5 | 211.6 | 48.3 | 56.8 | 83.4 | 152.7 | 206.3 | 237.7 | 167.9 | 148.2 |
| Other general overheads | 1,188.9 | 1,158.0 | 192.1 | 209.1 | 178.0 | 235.7 | 67.5 | 73.7 | 27.7 | 27.3 | 11.8 | 14.3 | 17.6 | 24.5 | 1.7 | 5.2 | | | | | | |
| Indirect cost of sales (06+07+08) | 2,580.5 | 2,758.2 | 677.0 | 738.7 | 500.9 | 599.8 | 337.5 | 356.2 | 144.5 | 164.3 | 161.4 | 181.0 | 256.4 | 269.2 | 159.1 | 201.0 | 127.6 | 185.5 | 212.4 | 243.2 | 216.8 | 159.5 |
| Other revenues | 971.3 | 1,512.6 | 22.5 | 35.1 | 20.9 | 16.0 | 50.0 | 34.6 | 2.8 | 1.4 | 3.5 | 8.1 | 0.4 | 1.8 | 1.0 | 2.2 | | | 61.2 | 50.7 | 12.2 | 33.7 |
| of which diminution value | | | 2.6 | 2.6 | 0.5 | 0.0 | 2.8 | 2.5 | 1.9 | 0.0 | | | | | | | | | | | | |
| Other expenditures | 757.0 | 593.5 | 100.5 | 92.4 | 173.2 | 251.2 | 38.6 | 37.4 | 35.3 | 45.6 | 14.4 | 14.4 | 23.7 | 16.0 | 6.5 | 7.7 | | | 47.7 | 15.5 | 6.8 | 55.1 |
| of which diminution value | 43.3 | | 27.3 | 19.4 | 6.5 | 11.4 | 13.4 | 12.2 | | | | 1.5 | 1.4 | 1.8 | | | | | 31.9 | | | |
| Operating profit/(loss) | 787.1 | 1,963.8 | 25.4 | 121.6 | 387.6 | 211.1 | 33.6 | 50.0 | 167.0 | 68.5 | 38.4 | 40.0 | 37.4 | 37.2 | 25.1 | 35.6 | 52.1 | 48.7 | 43.5 | 88.8 | 3.3 | 35.7 |
| Dividends and profit-sharing (received or due) | | | | | | | | 6.1 | | | | | | | | | | | | | | |
| of which: from consolidated companies | | | | | | | | | | | | | | | | | | | | | | |
| Exchange gains from disposal of shares | | | | | | | | | | | | | | | | | | | | | | |
| of which: from consolidated companies | | | | | | | | | | | | | | | | | | | | | | |
| Interests and capital gains on long-term financial assets | | | | | | | | | | | | | | | | | | | | | | |
| of which: from consolidated companies | | | | | | | | | | | | | | | | | | | | | | |
| Other interests and similar income (received or due) | 1.6 | 30.2 | 0.8 | 1.5 | 0.9 | 1.5 | 1.8 | 0.7 | 7.2 | 1.0 | 3.6 | 2.1 | 6.8 | 4.2 | 4.7 | 2.3 | 1.2 | | 3.8 | 3.5 | 34.9 | 17.5 |
| of which: from consolidated companies | | | | 0.4 | | | | | | | 3.6 | 2.1 | 6.7 | 4.2 | 4.7 | 2.3 | | | | | | |
| Other revenues from financial transactions | 474.5 | 1,134.2 | 131.6 | 125.3 | 9.0 | 56.3 | 3.4 | 7.8 | 0.7 | 7.8 | | | 0.0 | 0.0 | | | | | 18.5 | 10.0 | 0.9 | 0.1 |
| Financial revenues | 476.2 | 1,164.4 | 132.4 | 126.8 | 9.9 | 57.8 | 5.2 | 14.5 | 7.9 | 8.8 | 3.6 | 2.1 | 6.8 | 4.2 | 4.7 | 2.3 | 1.2 | 0.0 | 22.2 | 13.5 | 35.8 | 17.6 |
| Exchange losses on long-term financial assets | | | | | | | | | | | | | | | | | | | | | | |
| of which: from consolidated companies | | | | | | | | | | | | | | | | | | | | | | |
| Interest payable, similar changes | 382.7 | 311.6 | 56.3 | 32.7 | 53.5 | 29.1 | 5.9 | 3.7 | 24.1 | 17.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.8 | 8.8 | 20.5 | 17.6 | 4.8 | 0.9 |
| of which: from consolidated companies | | | 25.8 | 5.7 | | | | | | | | | | | | 0.0 | | | | | | |
| Diminution in values of shares, securities and bank deposits | | | | | | | | | | | | | | | | | | | | | | |
| Other expense on financial transactions | 478.8 | 789.2 | 118.4 | 257.1 | 25.6 | 62.1 | 3.1 | 13.5 | 1.4 | 6.2 | | | 0.1 | 0.6 | | | | | 35.6 | 22.4 | 15.3 | 9.3 |
| Financial expenditures | 861.5 | 1,100.8 | 174.7 | 289.8 | 79.1 | 91.2 | 8.9 | 17.3 | 25.5 | 23.9 | 0.0 | 0.0 | 0.1 | 0.6 | 0.0 | 0.0 | 6.8 | 8.8 | 56.1 | 39.9 | 20.1 | 10.1 |
| Financial profit or loss | -385.3 | 63.6 | -42.3 | -163.0 | -69.2 | -33.4 | -3.7 | -2.7 | -17.6 | -15.1 | 3.6 | 2.1 | 6.7 | 3.6 | 4.7 | 2.2 | -5.6 | -8.8 | -33.9 | -26.5 | 15.7 | 7.5 |
| Profit or loss on opreation and financial transactions | 401.8 | 2,027.4 | -16.9 | -41.4 | 318.4 | 177.7 | 29.8 | 47.3 | 149.3 | 53.4 | 42.0 | 42.1 | 44.1 | 40.7 | 29.8 | 37.9 | 46.5 | 39.9 | 9.6 | 62.4 | 19.0 | 43.1 |
| Extraordinary revenues | 0.0 | 0.0 | 3.9 | 5.7 | 1.1 | 5.1 | | | | | 0.1 | 0.0 | 0.6 | 0.6 | | | | | | | | |
| Extraordinary expenditures | 7.5 | 11.7 | 4.5 | 0.6 | 1.8 | 8.0 | 1.3 | 0.7 | | | 0.0 | 0.1 | 0.1 | 0.1 | | | | | | | | |
| Extraordinary profit/loss | -7.5 | -11.7 | -0.6 | 5.0 | -0.7 | -2.9 | -1.3 | -0.7 | 0.0 | 0.0 | 0.0 | -0.1 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit before tax | 394.3 | 2,015.7 | -17.5 | -36.3 | 317.7 | 174.8 | 28.5 | 46.6 | 149.3 | 53.4 | 42.0 | 42.0 | 44.6 | 41.2 | 29.8 | 37.9 | 46.5 | 39.9 | 9.6 | 62.4 | 19.0 | 43.1 |
| Tax payable | 0.0 | 0.0 | | | 12.2 | 28.8 | 4.7 | 7.0 | 16.7 | 6.0 | 7.6 | 7.4 | 8.9 | 7.7 | 5.4 | 6.9 | 15.5 | 13.3 | 0.5 | 12.7 | 0.0 | 0.0 |
| Profit after tax | 394.3 | 2,015.7 | -17.5 | -36.3 | 305.5 | 146.0 | 23.8 | 39.6 | 132.6 | 47.4 | 34.4 | 34.6 | 35.7 | 33.5 | 24.4 | 31.0 | 31.0 | 26.5 | 9.1 | 49.7 | 19.0 | 43.1 |
| Dividends and profit-sharing paid from retained earnings | | | | | | | | | | | | | | | | | 19.8 | | | | | |
| Dividends and profit-sahring paid (payable) | | | | | 120.0 | | 10.0 | | 103.6 | | 30.0 | | 35.0 | | 20.0 | | 19.8 | | | | | |
| of which: from consolidated companies. | | | | | 120.0 | | 10.0 | | 69.1 | | 30.0 | | 35.0 | | 20.0 | | 19.8 | | | | | |
| Profit or loss for the year | 394.3 | 2,015.7 | -17.5 | -36.3 | 185.5 | 146.0 | 13.8 | 39.6 | 29.0 | 47.4 | 4.4 | 34.6 | 0.7 | 33.5 | 4.4 | 31.0 | 31.0 | 26.5 | 9.1 | 49.7 | 19.0 | 43.1 |

Note: Before payment of dividend of 2003

# Data sheet of the structure of shares and ownership

RS1. Structure, stake of ownership and degree of the voting rate

| Denomination of shareholders | Total equity | | | | | | Listed series[1] * | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | At the beginning of the current year (on1 January) | | | At the end of the period | | | At the beginning of the current year (on 1 January) | | | At the end of the period | | |
| | %[2] | %[3] | Pcs | %[2] | %[3] | Pcs | %[2] | %[3] | Pcs | %[2] | %[3] | Pcs |
| Domestic institutions | 1.02 | | 156 105 | 0.43 | | 65 200 | 1.28 | | 156 105 | 0.43 | | 65 200 |
| Foreign institutions | 98.2 | | 14 961 984 | 98.85 | | 15 061 074 | 97.75 | | 11 914 792 | 98.85 | | 15 061 074 |
| Domestic private individuals | 0.72 | | 110 345 | 0.30 | | 46 077 | 0.90 | | 110 345 | 0.30 | | 46 077 |
| Foreign private individuals | 0.03 | | 2 932 | 0.00 | | 542 | 0.03 | | 2 932 | 0.00 | | 542 |
| Employees, managing officials | 0.00 | | 8 | 0.00 | | 8 | 0.00 | | 8 | 0.00 | | 8 |
| Treasury stock | 0.00 | | 0 | 0.40 | | 60 000 | 0.00 | | 0 | 0.40 | | 60 000 |
| Shareholder as part of the state budget[4] | 0.00 | | 0 | 0.00 | | 0 | 0.00 | | 0 | 0.00 | | 0 |
| International Develop-ment Institutions[5] | 0.00 | | 0 | 0.00 | | 0 | 0.00 | | 0 | 0.00 | | 0 |
| Other | 0.03 | | 4 586 | 0.02 | | 3 059 | 0.04 | | 4 586 | 0.02 | | 3 059 |
| Total: | 100.00 | | 15 235 960 | 100.00 | | 15 235 960 | 100.00 | | 12 188 768 | 100.00 | | 15 235 960 |

* Total primary capital of the Company consists of two series, namely the original (12,188,768 shares; HU 0000065057) and the other one resulting from private capital increase (3,047,192 shares; HU 0000070966). This latter series is listed and held by CE Oil & Gas AG. and VCP Industrie AG in proportion as 1,828,315 and 1,828,315 respectively.

[1]If listed series equal to total equity, and it is indicated, the blanks are not necessary to be filled out. Should there be more series listed at the Budapest Stock Exchange, please specify the ownership structure with each series.
[2] Stake
[3] Voting right providing the participation in the decision making process at the General meeting of the issuer
If the stake and the voting rate are the same, only the column of stake should be filled in and handed in/published by indicating the fact!
[4]E.g.: ÁPV Rt., Social Security, Local government, etc.
[5]E.g..: EBRD, EIB, etc.

RS2. Change in treasury stock (pieces) in the year

| | 1 January | 31 March | 30 June | 30 September | 31 December |
|---|---|---|---|---|---|
| At corporal level | 0 | 60 000 | | | |
| Subsidiaries | 0 | 0 | | | |
| Total | 0 | 60 000 | | | |

Please state – besides indicating the fact – if the 100 % owned subsidiaries have shares from the issuer.

## RS3. List of shareholders holding over 5 % of the shares (at the end of the period) and its introduction regarding the introduced series

| Denomination | Nationality[1] | Activity[2] | Quantity (pcs) | Share (%)[3] | Voting rate (%)[3,4] | Note[5] |
|---|---|---|---|---|---|---|
| CE Oil & Gas Beteiligung und Verwaltung AG | K | I | 9 047 526 | 59.38 | 59.61 | Financial investor |
| VCP Industrie Beteiligungen AG | K | I | 4 843 877 | 31.79 | 31.92 | Financial investor |

When determining the share of ownership, relevant regulations of the LAW No. CXII of 1996 on 'Credit institutions and financial enterprises' on calculation of indirect ownership ratios must also be followed as it is ordered in Appendix 4 of the Law.
Should there be information available that any natural or legal entity or enterprise without a legal entity registered with the custodian hold over 5% of the shares, this should also be indicated even in a consolidated form, expressed in percentages.
It is not necessary to fill in if indicating that the introduced series and the whole equity capital are the same. If more series are introduced on the Stock Exchange data must be indicated regarding each of the series.

[1] Domestic (B), Foreign (K)

[2] Custodian (L), State budget (Á), International Development Institute (F), Institutional (I), Private (M), Employee, managing official(D)

[3] Please, specify rounded off two decimals

[4] Voting right providing the participation in the decision making process at the General Meeting of the issuer

[5] E.g.: trade investor, financial investor, etc.

## RS4/1. Structure of Securities at the Company

| | |
|---|---|
| Registered capital of the company | HUF 15 388 319 600 |
| Security class [1] | Ordinary share |
| Security type [2] | Registered |
| Method of production [3] | Dematerialize |
| Face value | HUF 1010 |
| Exchange listed (yes/no) | Yes |
| Year of listing (for exchange listed paper) | 1996 |
| Ticker code | BCHEM |
| ISIN code | HU 0000065057 |
| Series and serial number | |
| List of rights associated with the security | Participation to the GM, voting, right to divident |
| Control line (consolidated total face value of securities series) | HUF 12 310 655 680 |

Please fill in the table above for each securities series of the issuer.
[2] Ordinary shares, shares with voting privileges, preference shares, bonds, etc.
[3] Registered, bearer
[1] Physical, immobilized, dematerialized

RS4/2. Structure of Securities at the Company

| | |
|---|---|
| Registered capital of the company | HUF 15 388 319 600 |
| Security class [1] | Ordinary share |
| Security type [2] | Registered |
| Method of production [3] | Dematerialize |
| Face value | HUF 1010 |
| Exchange listed (yes/no) | Yes |
| Year of listing (for exchange listed paper) | 2004 |
| Ticker code | BCHEM04 |
| ISIN code | HU 0000070966 |
| Series and serial number | |
| List of rights associated with the security | Participation to the GM, Voting, Different right to divident |
| Control line (consolidated total face value of securities series) | HUF 3 077 663 920 |

Please fill in the table above for each securities series of the issuer.
[2] Ordinary shares, shares with voting privileges, preference shares, bonds, etc.
[3] Registered, bearer
[1] Physical, immobilized, dematerialized

TSZ1. General Data of the Company

| | |
|---|---|
| Date of the effective statutes | December 17 2003 |
| Place of most recent entry into the court register | Miskolc |
| Date of most recent entry into the court register | February 02 2004 |
| Number of most recent entry into the court register | Cg. 05-10-000054/152 |
| The equity capital of the company in the end of the business year | 15 388 319 600 |
| Duration of operation of the company[1] | <u>indefinite</u> / definite |
| Business year of the company | January 01 - December 31 |
| Name of the auditor of the company | Ernst & Young Kft. |
| Address of the auditor of the company | 1132 Budapest, Váci út 20. |
| Place of publishing corporate announcements | Magyar Tőkepiac, Világgazdaság |
| Company scope of activities (based on TEÁOR numbers) [2] | 2416, 2411, 2413, 2414, 2415, 2466, 2924, 3120, 4011, 4012, 4013, 4021, 4022, 4030, 4100, 5155, 5190, 5263, 5523, 6024, 6030, 6312, 6340, 7020, 7132, 7133, 7134, 7210, 7221, 7222, 7230, 7240, 7250, 7260, 7310, 7411, 7414, 7420, 7430, 7450, 7487, 8514, 9001, 9002, 9003, |

[1] Underline as appropriate.
[2] You are requested to show the most typical activity of the company first.

TSZ2. Number of employees in full time (person)

| | At the end of the base period | At the beginning of the year | At the end of the period |
|---|---|---|---|
| At corporal level | 2,794 | 2,823 | 2,862 |
| At group level | 4,135 | 4,147 | 4,221 |

TSZ3. Managing officials and employees in strategic position

| **Type** [1] | **Name** | **Position** | **Assignment started** | **Assignment ends** | **BC shares owned (pcs)** |
|---|---|---|---|---|---|
| BD | Dr. Heinrich Georg Stahl | Chairman of the Board of Directors | 2001.01.24. | 2006.04.30. | 0 |
| BD | Kovács F. László | Member of the Board | 1991.08.01. | 2005.04.11. | 0 |
| BD | S. Varga Béla | Member of the Board | 2002.04.11. | 2005.04.11. | 0 |
| BD | Dr. Nyíri Iván | Member of the Board | 2001.04.27. | 2004.04.27. | 0 |
| BD | Márton Ferenc | Member of the Board | 2002.04.11. | 2005.04.11. | 0 |
| BD | Dr. Christoph Herbst | Member of the Board | 2003.04.30. | 2006.04.30. | 0 |
| BD | Bartha Ferenc | Member of the Board | 2003.04.30. | 2006.04.30. | 0 |
| SB | Dr. Varga Zoltán | Chairman of the Supervisory Board | 2001.01.24. | 2006.04.30. | 0 |
| SB | Dr. Christian Riener | Member of the Supervisory Board | 2003.04.30. | 2006.04.30. | 0 |
| SB | Heinrich Pecina | Member of the Supervisory Board | 2001.01.24. | 2006.04.30. | 0 |
| SB | Bankó Judit | Member of the Supervisory Board | 2002.04.11. | 2005.04.11. | 0 |
| SB | Balázs Attila | Member of the Supervisory Board | 2003.05.01. | 2006.04.30. | 0 |
| SB | Fejes Bertalan | Member of the Supervisory Board | 2003.05.01. | 2006.04.30. | 0 |
| SP | Kovács F. László | Chief Executive Officer | 1991.04.15 | 2005.12.31. | 0 |
| SP | Dr. Gazdik Zoltán | Financial Director | 2001.05.01. | 2004.12.31. | 0 |
| SP | Purzsa Tamás | Technical Director, Deputy CEO, Director of Business Unit | 2000.02.01. | 2004.12.31. | 0 |
| SP | Gaál Gyula | Director of Business Unit | 1999.10.01. | 2004.12.31. | 0 |
| SP | Dr. Szakállas István | Director of Business Unit | 1998.01.01. | 2004.12.31. | 2 |
| SP | Seres András | Director of Business Unit | 1998.04.01. | 2004.12.31. | 5 |
| SP | Szentmiklóssy László | Director of Business Unit | 1998.04.01. | 2004.12.31. | 0 |
| SP | S. Varga Béla | Purchase Director | 1997.09.01. | 2004.12.31. | 0 |
| SP | Szabó János | Director of Utilities and Investment | 2003.01.01. | 2004.12.31. | 1 |
| SP | Gyurácz N. Gergely | Personnel Director | 1991.09.01. | 2004.12.31. | 0 |
| SP | Kézdi László | Iso-cyanide Commercial Director | 2002.05.01. | 2006.12.31. | 0 |
| Own stockholding (piece), total: | | | | | 8 |

In case of Board of Directors and Supervisory Board, the chairman should be listed first.

[1] Employees in strategic position (SP), Board of Directors (BD), Supervisory Board (SB)

*Kazincbarcika,28 April 2004*

# *Declaration of Assuming Responsibility*

*In the name of BorsodChem Rt., I declare that the Annual Report of 2003 contains data and statements that correspond to the real facts and it does not conceal any facts or circumstances that are significant from the aspect of assessing BorsodChem Rt.'s position.*

*László F. Kovács*
*Chief Executive Officer*