

INVITATION

*The Board of Directors of **BorsodChem Rt.** (3702 Kazincbarcika, Bolyai tér 1., hereinafter referred to as the “Company”) notifies the shareholders that **the Annual General Meeting of the Company in 2005 will be held at 9.00 a.m. on 29 April 2005***

*Venue of the General Meeting:
Hotel Marriott, Erzsébet Room, Apáczai Csere János utca 4., Budapest*

In case a quorum has not been reached at the General Meeting the repeated General Meeting will be held at the same place with the same agenda at 9.30 a.m. on 29 April 2005.

Agenda of the General Meeting:

- 1. Report on business year 2004, closing of business year 2004.
 - a. Report of the Board of Directors on the business operations of the Company in 2004 in respect of both the annual reports of BorsodChem Rt. and the consolidated annual reports of BorsodChem Group.*
 - b. Proposal of the Board of Directors for the use of after-tax profit and the determination of dividends.*
 - c. Supervisory Board report on annual reports and on the review of proposal for the use of after-tax profit.*
 - d. Auditing report on annual reports and on the review of proposal for the use of after-tax profit.**
- 2. Approval of annual reports of the Company for year 2004 and that of consolidated annual reports of BorsodChem Group for year 2004, decision on the use of after-tax profit.*
- 3. Modification of the Articles of Association.*
- 4. Approving the report of the Board on its activity in relation to the corporate governance recommendations of BSE and Warsaw Stock Exchange.*
- 5. Approving the Rules of Procedure of the Supervisory Committee*
- 6. Recall of Board Member(s)*
- 7. Election of new Board Member(s)*
- 8. Recall of Supervisory Board Member(s)*
- 9. Election of new Supervisory Board Member(s)*
- 10. Determining the remuneration of Board of Directors Members for 2005.*
- 11. Determining the remuneration of Supervisory Board Members for 2005.*
- 12. Electing the Company's registered Auditor.*
- 13. Determining the remuneration of the Company's registered Auditor for 2005*
- 14. Board of Directors presentation on main principles of the Company's business policy in 2005.*

Board of Directors proposals and all other documents relating to items on the agenda may be inspected at the registered seat of the Company (3702 Kazincbarcika, Bolyai tér 1.) and in Budapest Branch Office of the Company (Budapest, District V., Váci u. 55) on working days between 8 a.m. until 3 p.m. from 19 to 28 April 2005, as well as from 9 a.m. 19 April 2005 on the website of both Budapest Stock Exchange (www.bet.hu) and BorsodChem Rt. (www.borsodchem.hu).

Only those shareholders will be allowed to attend the General Meeting and exercise their voting rights who are duly registered in the Share Register of the Company prior to the General Meeting.

Shareholders may exercise their shareholders' rights at the General Meeting either in person or through a duly authorized proxy.

At the place and on the day of the General Meeting between 8.00 a.m. and 8.45 a.m. the shareholder or his/her/its duly authorized proxy after certifying his/her identity and his/her right for representation and concurrently with signing the attendance sheet may request the voting-cards or voting device, which will entitle him/her to attend and vote at the General Meeting.

In the case of proxies, the authorization has to be set out in a public document or a private document of full probative effect and it has to be handed over (together with the documents necessary for identification) not later than the time of registration for the General Meeting. The authorization will also be valid for the repeated General Meeting in case a quorum was not achieved at the original General Meeting and for the continued General Meeting.

In the case of an authorization contained in a public document or a private document of full probative effect executed outside Hungary the document has to comply with the superlegalisation requirements applicable to documents to be used abroad.

Conditions for the attendance at the repeated General Meeting in case a quorum was not achieved at the original General Meeting will be the same as the conditions for the attendance at the original General Meeting. The repeated General Meeting will have a quorum on the issues of the agenda irrespective of the number of shares with voting rights represented at the repeated General Meeting.

We kindly suggest to our shareholders to discuss with their investment service provider keeping their securities account the tasks and deadlines required for the participation in the identification of shareholders by KELER Rt. if they wish to attend the General Meeting.

Kazincbarcika, 25 March 2005

Board of BorsodChem Rt.

Proposals by the Board of Directors for the Annual General Meeting of BorsodChem Rt. to be held on 29 April 2005

AGENDA ITEMS 1 AND 2 OF THE GENERAL MEETING

Approval of the annual reports of the Company,, the consolidated annual reports of the BorsodChem Group and the decision on the use of after-tax profit for the year 2004.

Board Resolutions No. 21-22 /2005

The Board of Directors approves the audited annual reports of the Company and proposes the draft resolution to the General Meeting as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

On the basis of the report of the Board of Directors, the Supervisory Board and the Auditor, the General Meeting approves the audited annual reports of the Company with the following main figures:

- **Annual report for the year 2004 consolidated in accordance with IFRS representing HUF 208,061 million balance sheet total and HUF 17,147 million net profit.**
- **Annual report for the year 2004 in accordance with Hungarian Accounting Rules representing HUF 170,380 million balance sheet total and HUF 17,134 million profit after tax.**
- **Annual report for the year 2004 consolidated in accordance with Hungarian Accounting Rules representing HUF 198,434 million balance sheet total and HUF 18,367 million profit after tax.**

The General Meeting resolves that a dividend of HUF 44.30 per share shall be payable for the year 2004. Owing to the treasury shares held by the Company and the adjustment of dividend in accordance with the Articles of Association the dividend payable for 2004 shall be HUF 45 per share. The General Meeting authorizes the Board of Directors to organize the payment of dividends. The dividends shall be payable from 8th June 2005 for the financial year 2004.

Taking into account the approved dividend the Company hereby resolves that:

- **the net profit indicated in the annual report for year 2004 consolidated in accordance with IFRS is HUF 17,147 million;**
- **the profit for the year indicated in the annual report for year 2004 prepared in accordance with Hungarian Accounting Rules is HUF 13,477 million;**
- **the profit for the year indicated in the annual report for year 2004 consolidated in accordance with Hungarian Accounting Rules is HUF 14,710 million.**

AGENDA ITEM 3 OF THE GENERAL MEETING

Modification of the Articles of Association

Draft resolution No. 1 to Item 3 of the Agenda

Board Resolution No. 33 /2005

The Board of Directors proposes to the General Meeting to amend and restate 1.§ 1) of the Articles of Association as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting amends and restates 1.§ 1) of the Articles of Association as follows:

“1.§ 1) Company name: *BorsodChem Rt.*”

Draft resolution No. 2 to Item 3 of the Agenda

Board Resolution No. 34 /2005

The Board of Directors proposes to the General Meeting to amend and restate 1.§ 3) of the Articles of Association as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting deletes the branch establishments of the Company at the H-3754 Rakaca-tó, Gyöngyvirág út 1. address from the list of the Company’s establishments set out in 1.§ 3) of the Articles of Association. The restated text of 1.§ 3) shall be as follows:

“1.§ 3) The establishments (fióktelep) of the Company are as follows:

1054 Budapest, Szabadság tér 7., Bank Center

1055 Budapest, Váci u. 55. szám,

4200 Hajdúszoboszló, Wesselényi út 36. szám,

3519 Miskolc-Tapolca, Váradi út 5. szám,

Berente, külterület, hrsz. 4050,

Múcsony, külterület, hrsz. 095/2,

123242 Moscow, Krasznaja Presznja Street 7, Russian Confederation”

Draft resolution No. 3 to Item 3 of the Agenda

Board Resolution No. 35 /2005

The Board of Directors proposes to the General Meeting to amend and restate 9.§ 20) of the Articles of Association as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting amends and restates 9.§ 20) of the Articles of Association as follows:

“9.§ 20) In order to help well-founded decision making by the Board of Directors the Board of Directors shall elect an audit, a nomination, a remuneration and a *strategy* committee from among its members. The rules relating to the formation and operation of these committees shall be set out in the rules of procedure of the Board of Directors and the rules of procedures of these committees which rules shall be approved by the Board of Directors.

Majority of the members of each Committee and the chairman of each Committee except the chairman of the Strategy Committee must be elected from the independent members of the Board of Directors. For the purpose of this section those members shall be regarded independent who are not the employees of the Company or any of its affiliated companies and who do not have any other legal relationship therewith which may give rise to a conflict of interests and may hinder the objective and impartial performance of the Committee’s duties.”

Draft resolution No. 4 to Item 3 of the Agenda

Board Resolution No. 36 /2005

The Board of Directors proposes to the General Meeting to amend and restate 10.§ of the Articles of Association as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting amends 10.§ of the Articles of Association as follows:

“10.§ 1/A) The members of the Supervisory Board other than the employee representatives must be independent. For the purpose of this section those persons shall be regarded independent who are not the employees of the Company or any of its affiliated companies, and who do not have any other legal relationship therewith which may hinder the objective and impartial performance of the duties of the Supervisory Board.”

Draft resolution No. 5 to Item 3 on the Agenda

Board Resolution No. 37 /2005

The Board of Directors proposes to the General Meeting to amend and restate 8.§ 5) of the Articles of Association as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting amends and restates 8.§ 5) of the Articles of Association as follows:

“8.§ 5) The conditions of exercising the participation and voting rights of a shareholder at the General Meeting are:

- a) the shareholder has paid its financial contribution due to the Company;**
- b) the owner of a share shall be entered definitively in the Shares Register of the Company;**
- c) the Central Clearing House and Depository (Budapest) Ltd. or the securities account keeper has, up to the date of the General Meeting, locked up the shareholder’s shares and**

ca) the Central Clearing House and Depository (Budapest) Ltd. has informed the Board of Directors in writing of the lock-up not later than by 3 pm of the working day preceding the day of the general meeting, or

cb) the shareholder or its securities account keeper gives evidence to the Board of Directors of the lock-up of the shares of the shareholder by presenting an ownership certificate issued by the securities account keeper not later than by 3 pm of the working day preceding the day of the General Meeting.

No shareholder may be excluded from exercising his rights at the General Meeting if the foregoing conditions are met.”

Draft resolution No. 6 to Item 3 of the Agenda

Board Resolution No. 38 /2005

The Board of Directors proposes to the General Meeting to amend and restate 14.§ 3) of the Articles of Association as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting amends and restates 14.§ 3) of the Articles of Association as follows:

“14.§ 3) Dividends shall be paid upon the resolution on the payment of dividends has been passed. A period of at least 20 business days shall elapse between the date of the resolution on and the commencement date of the payment of dividends. The shareholders shall be notified, at least 10 business days of the commencement date of the payment of dividends by way of a public announcement, of the commencement date, the place and the order of the payment of dividends, *as well as of dividends per share adjusted by the amount of dividend per treasury share. Between the dates of publishing the aforementioned Announcements and commencing dividend payment, the Company acts in a way that the stock of treasury shares may not be subject to any changes.* With respect to shares listed on the stock exchange, the Company requests a certificate of shareholder identification from the Central Clearing and Depository House (Budapest) Rt. until the commencement day of dividend payment.”

AGENDA ITEM 4 OF THE GENERAL MEETING

Approving the report of the Board on its activity in relation to the corporate governance recommendations of BSE and Warsaw Stock Exchange.

In 2004, the Budapest Stock Exchange (“BSE”) published a document entitled “Corporate Governance Recommendations” in which it laid down best practice guidelines for issuers listed on the BSE.

On March 29, 2004 the Company issued – on a voluntary basis – a corporate governance declaration in which it expressed its intention to comply with the aforementioned recommendations (Resolution of the Board of Directors No. 11/2004).

By passing Resolution of the Board of Directors No. 30/2004 (dated 30 June 2004) BorsodChem made a disclosure on its corporate governance arrangements.

In order to improve the Company's corporate governance system and to meet the expectations of the BSE the Board of Directors, with contribution from the management, made a task list which aimed to achieve full compliance with the above recommendations by December 31, 2004. The Board can now declare that the Company's governance system has been improved so that today it is almost fully in compliance with the recommendations. This development includes the following elements.

By passing Resolution No. 54/2004, the Board of Directors established an audit, nomination, remuneration and strategy committees of the Board of Directors.

By passing Resolution No. 55/2004, the Board of Directors preliminarily and unanimously approved the rules of procedure of each committee, requesting that members make proposals for amendments following a deeper analysis. The rules will take their final form by utilizing the experience gained during the operation of the committees.

By Resolution No. 56/2004 the Guidelines for Disclosure by the Company were approved, and by Resolution No. 57/2004 the Guidelines on Insider Dealings were also accepted.

On September 8, 2004 BorsodChem's General Meeting amended the Company's Articles of Association in order to incorporate all material provisions of the corporate governance recommendations of the Budapest Stock Exchange relating to the conduct of general meetings. Further, the Company's Board of Directors approved the detailed Rules of Procedure of the General Meetings in a separate document which includes all provisions of the recommendation of the Budapest Stock Exchange relating to the general meeting with its Resolution No. 64/2004.

In its Resolution No. 63/2004 the Board of Directors approved BorsodChem's Code of Ethics. The document contains basic principles concerning the ethical standards of both the senior executives of the Company and Management and employees as well as the relations of the Company as a legal entity.

In accordance with Corporate Governance Guidelines, the Company is obliged to inform the Honored General Meeting provided the Company assigns its auditing firm with additional tasks. Therefore, the Board of Directors hereby informs the Honored General Meeting that in the preparatory course of the International Share Offering having taken place in October 2004 the Company instructed its auditing firm to carry out an interim audit. This latter assignment entails no conflict of interest with the annual audit task in any way.

Owing to the fact that BorsodChem Rt. is also listed on the Warsaw Stock Exchange (since October 8, 2004) the Company must also comply with the corporate governance recommendations of the Warsaw Stock Exchange. Accordingly, the Company made a corporate governance declaration for the Warsaw Stock Exchange pursuant to Resolution of the Board of Directors No. 67/2004.

BorsodChem Rt. makes every effort to comply with all relevant legal regulations as well as all rules and expectations set forth by the Stock Exchanges on which its shares are listed and which are reasonable and justified in light of the Company's status as a company with multi-jurisdictional operation, the country of registration being Hungary.

Board Resolution No. 39 /2005

The Board of Directors proposes to the General Meeting to approve the work of the Board of Directors performed with the Corporate Governance Recommendations and the report prepared thereon.

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting approves the work of the Board of Directors it performed in the financial year of 2004 in connection with the Corporate Governance Recommendations and the report prepared thereon.

AGENDA ITEM 5 OF THE GENERAL MEETING

Approving the Rules of Procedure of the Supervisory Board.

Board Resolution No. 40 /2005

Upon the request of the Supervisory Board, the Board of Directors submits the revised Rules of Procedure for approval to the General Meeting as follows:

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting approves the modified Rules of Procedure of the Supervisory Board.

AGENDA ITEM 6 OF THE GENERAL MEETING

Recall of Board Member(s)

Board Resolution No. 26 /2005

The Board of Directors does not propose to recall any Board Members.

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting does not recall any Board Members.

AGENDA ITEM 7 OF THE BOARD MEETING

Election of new Board Member(s).

Draft resolution No. 1 to Item 7 on the Agenda

Board Resolution No. 27 /2005

The Board of Directors proposes to the General Meeting to renew the Board membership of Mr. Ferenc Márton for a period of 3 years.

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting renews the Board membership of Mr. Ferenc Márton (mother's name: Erzsébet Szabó; address: 2120 Dunakeszi, Kisfaludy út 8.), dating from the day of this present General Meeting.

Draft resolution No. 2 to Item 7 of the Agenda

Board Resolution No. 28 /2005

The Board of Directors requests that the General Meeting elect Mr. Kay Gugler as Board Member in a manner that the formerly mentioned gentleman be authorized to practice his rights and obligations attached to Board membership as of October 1, 2005, due to his other contractual commitments.

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting elects Mr. Kay Gugler a Member of the Board for a period of 3 years, dating from October 1, 2005.

AGENDA ITEM 8 OF THE GENERAL MEETING

Recall of Supervisory Board Member(s)

Board Resolution No. 29 /2005

The Board of Directors does not propose the recall of any Supervisory Board Members.

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting does not recall any Supervisory Board Members.

AGENDA ITEM 9 OF THE GENERAL MEETING

Election of new Supervisory Board Member(s)

Board Resolution No. 30 /2005

The Board of Directors proposes to the General Meeting to approve the re-election of Ms. Judit Bankó as a Member of the Supervisory Board for a period of 3 years.

Resolution of the General Meeting No. [...] /2005 (draft)

The General Meeting re-elects Ms. Judit Bankó as a Member of the Supervisory Board (mother's name: Judit Gombás; address: 1123 Budapest Ráth Gy. út 1/c.), dating from the day of this present General Meeting.

AGENDA ITEM 10 OF THE GENERAL MEETING

Determining the remuneration of the Board of Directors for the year 2005.

Board Resolution No. 41 /2005

The Board of Directors proposes that the General Meeting increase the remuneration of the members of the Board of Directors by approving the following resolution:

Resolution of the General Meeting No. [...] /2005 (draft)

The remuneration of the members of the Board of Directors for the year 2005 shall be as follows:

Non-executive Members of the Board of Directors: HUF 10,200,000 p.a. (HUF 850,000/month)

Executive Members of the Board of Directors: HUF 3,850,000 p.a. (HUF 320,833/month)

Chief Executive Officer as a Member of the Board of Directors: HUF 4,350,000 p.a. (HUF 362,500/month)

AGENDA ITEM 11 OF THE GENERAL MEETING

Determining the remuneration of the members of the Supervisory Board for the year 2005.

Board Resolution No. 42 /2005

The Board of Directors proposes that the General Meeting increase the remuneration of the members of the Supervisory Board by approving the following resolution:

Resolution of the General Meeting No. [...] /2005 (draft)

The remuneration of the members of the Supervisory Board for the year 2005 shall be as follows:

Chairman of the Supervisory Board: HUF 6,000,000 p.a. (HUF 500,000/month)

External Members of the Supervisory Board: HUF 4,800,000 p.a. (HUF 400,000/month)

Employee Representative Members of the Supervisory Board: HUF 5,160,000 p.a. (HUF 430,000/month)

AGENDA ITEM 12 OF THE GENERAL MEETING

Board Resolution No. 43/2005

By the recommendation of the Audit Committee, the Board of Directors proposes to the General Meeting to commission Deloitte Auditing and Consulting Ltd. auditing firm (head office: 1051 Budapest, Nádor u. 21.), Péter Attila Horváth partner (mother's name: Erzsébet

Horváth; address: 1025 Budapest, Zsindely u. 5/A) appointed auditor, for the period starting as of January 1, 2005 until December 31, 2006, i.e. for two financial years, to audit BorsodChem Rt.'s annual accounts prepared in accordance with Hungarian Accounting Rules, annual accounts consolidated in accordance with Hungarian Accounting Rules and to prepare and audit BorsodChem Rt.'s annual accounts prepared in accordance with IFRS. The General Meeting should empower the Board of Directors to conclude the respective agency contract with the auditor.

Resolution of the General Meeting No. [...] /2005 (draft)

By the recommendation of the Audit Committee and the proposal of the Board of Directors, the General Meeting of the Company commissions Deloitte Auditing and Consulting Ltd. auditing firm (head office: 1051 Budapest, Nádor u. 21.), Péter Attila Horváth partner (mother's name: Erzsébet Horváth; address: 1025 Budapest, Zsindely u. 5/A) appointed auditor, for the period starting as of January 1, 2005 until December 31, 2006, i.e. for two financial years, to audit BorsodChem Rt.'s annual accounts prepared in accordance with Hungarian Accounting Rules, annual accounts consolidated in accordance with Hungarian Accounting Rules and to prepare and audit BorsodChem Rt.'s annual accounts prepared in accordance with IFRS. The General Meeting should empower the Board of Directors to conclude the respective agency contract with the auditor.

AGENDA ITEM 13 OF THE GENERAL MEETING

Board Resolution No. 44/2005

By the recommendation of the Audit Committee the Board of Directors proposes to the General Meeting to approve the remuneration of the Company's registered auditor Péter Attila Horváth partner (mother's name: Erzsébet Horváth; address: 1025 Budapest, Zsindely u. 5/A) of Deloitte Auditing and Consulting Ltd. auditing firm (head office: 1051 Budapest, Nádor u. 21.) for the 2005 financial year, a remuneration of HUF 22,000,000, i.e. twenty-two million Hungarian forint.

Resolution of the General Meeting No. [...] /2005 (draft)

By the recommendation of the Audit Committee and the proposal of the Board of Directors, the General Meeting of the Company approves the remuneration of the Company's registered auditor Péter Attila Horváth partner (mother's name: Erzsébet Horváth; address: 1025 Budapest, Zsindely u. 5/A) of Deloitte Auditing and Consulting Ltd. auditing firm (head office: 1051 Budapest, Nádor u. 21.) for the 2005 financial year, a remuneration of HUF 22,000,000, i.e. twenty-two million Hungarian forint.

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 2004, which shows a balance sheet total of MHUF 170,380 and a profit for the year of MHUF 13,477, the related profit and loss account for the year then ended and the notes included in the Company's 2004 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 2003 on 12 March 2004.

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 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.

The annual financial statements have been prepared for the consideration of the forthcoming shareholders' meeting, therefore the amount of dividends of MHUF 3,657 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 31 December 2004 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 11, 2005

Ernst & Young Kft.
Registration No. 001165

Virágh Gabriella
Registered Auditor
Chamber membership No.: 004245

Report of Independent Auditors

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 2004 and the related consolidated statement of income, changes in shareholders' equity and cash flows for the years then ended and the related notes 1 to 26. 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 2004, 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 Kft.
Budapest, Hungary
29 March 2005

Regulatory announcement by BorsodChem Rt. prior to the Annual General Meeting

In compliance with its obligation to provide information concerning its Annual General Meeting on April 29, 2005, BorsodChem Rt. hereby informs its shareholders that the Company's Board of Directors has reviewed and accepted BorsodChem's financial statements for the year 2004 with the following data.

With the proposal by the Board of Directors the unconsolidated audited statement according to HAS comprises a dividend of HUF 44.30 per share. In accordance with the relevant section of the Articles of Association, dividend on treasury shares shall be distributed proportionately among shareholders. Therefore, considering the adjustment due to treasury shares, the proposal above corresponds to an actual dividend distribution of HUF 45.00 per share.

Balance Sheet

Audited according to HAS, (non consolidated)

		in HUF million	
		Previous year 31 Dec. 2003	Subject year 31 Dec. 2004
A. Fixed assets		110,114	112,911
I.	Intangible assets	2,521	2,344
II.	Tangible assets	77,333	100,274
III.	Long-term financial assets	30,260	10,293
B. Current assets		45,554	56,739
I.	Stocks	10,348	11,951
II.	Receivables	17,460	20,757
III.	Securities	0	9,619
IV.	Liquid assets	17,746	14,412
C. Prepaid expenses and accrued income		207	730
D. Amounts falling due within one year		50,109	34,150
E. Accrued expenses and deferred income		1,756	782
H. Amounts falling due and payable after more than one year		20,751	21,558
I. Provisions		506	596
J. Shareholders' equity		82,753	113,294
I.	Issued capital	12,311	16,670
III.	Capital reserve	16,538	29,243
IV.	Retained earnings/(losses)	50,315	50,987
V.	Allocated reserves	159	2,917
VII.	Profit or loss for the year	3,430	13,477

Profit and Loss Statement

Audited according to HAS (non consolidated)

		in HUF million	
		2003	2004
I.	Net sales income	107,117	115,534

II.	Direct costs of sales	80,121	88,197
IV.	Indirect costs of sales	16,197	17,713
V.	Other income	2,436	1,132
VI.	Other expenditures	3,319	2,189
A.	Operating profit	9,916	8,567
VII.	Financial revenues	2,999	12,135
VIII.	Financial expenditure	5,566	3,104
B.	Financial profit or loss	(2,567)	9,031
C.	Profit or loss of ordinary activities	7,349	17,598
D.	Extraordinary profit or loss	(664)	(291)
E.	Profit before tax	6,685	17,307
XII.	Tax payable	85	173
F.	Profit after tax	6,600	17,134
G.	Profit or loss for the year	3,430	13,477

Balance Sheet

IFRS consolidated, audited

in HUF million

	31 Dec. 2003	31 Dec. 2004
Current assets		
Cash	19,407	16,914
Accounts receivable	17,786	24,924
Inventory	14,227	16,209
Short term investments	361	7,099
Other current assets	7,119	11,156
Total current assets	58,900	76,302
Non-current assets		
Property, plant and equipment	106,866	129,237
Intangible assets	2,802	2,619
Investment in Associates	294	251
Long term investments	20,365	41
Negative goodwill	(462)	(389)
Total non-current assets	129,865	131,759
Total assets	188,765	208,061
Trade accounts payable	15,715	22,925
Other accrued liabilities	4,365	3,686
Short-term borrowings	8,809	13,693
Current portion of long-term debt	11,513	11,718
Total current liabilities	40,402	52,022
Long-term debt	32,088	27,829
Other long-term liabilities	925	1,359
Total long-term liabilities	33,013	29,188
Minority interest	3,008	3,193
Shareholders' equity:		
Share capital	15,388	15,388

Employee shares		1,282
Share premium	30,316	29,034
Treasury stock		(2,690)
Retained earnings	65,589	79,566
Cumulative translation adjustment	1,049	1,078
Total shareholders' equity	112,342	123,658
Total liabilities, shareholders' equity and minority interest	188,765	208,061

Profit and Loss Statement

IFRS consolidated, audited

in HUF million

	2003	2004
Net sales	131,635	147,673
Cost of sales	(92,943)	(107,849)
Gross profit	38,692	39,824
Distribution, administrative and other operating expenses	(24,993)	(26,579)
Total operating expenses	(591)	(1,972)
Operating income	13,108	11,273
Net value of interest gains/payables	(1,436)	578
Gain/loss on forward deals	(2,113)	4,000
Net value of foreign currency gains/losses	(3,061)	2,238
Net value of other income/expenditure	95	400
Income before income taxes and minority interest	6,593	18,489
Income tax expense	(137)	(638)
Income before minority interest	6,456	17,851
Minority interest	(90)	(704)
Net income	6,366	17,147

Kazincbarcika, April 12, 2005

The Board of Directors
of BorsodChem Rt.

REPORT OF THE BOARD OF DIRECTORS

In its report below the Board of Directors of BorsodChem Rt. gives an overview of the major events, developments and achievements relating to the Company's operation in 2004.

Milestones in 2004

January

BorsodChem moved towards mercury-free chlorine-alkali technology

As a part of the capacity expansion in the chlorine-vinyl line the Company entered into a contract with Chlorine Engineers Corp. Ltd., an affiliate of Mitsui & Co. Ltd. for the development of the basic design of a membrane-celled electrolysis plant with a capacity of 80,000 tons/year which can be increased up to 160,000 tons/year.

According to the plans of BorsodChem, the new membrane-celled chlorine plant with a capacity of 80,000 tons/years will start the test run late in 2005.

February

Admission of BorsodChem shares issued on 16 December 2003 to the stock exchange

The capital increase approved by the Board of Directors on December 16, 2003 was completed by the actual creation of the 3,047,192 registered ordinary shares by KELER Rt. on February 13, 2004 and the subsequent admission of the newly issued shares to the Budapest Stock Exchange on February 17, 2004.

Following the completion of the capital increase, CE Oil & Gas Beteiligung und Verwaltung AG held a 59.62% stake in BorsodChem Rt. while VCP Industrie Beteiligungen AG had a 31.92% shareholding in the Company.

March

Corporate Governance Declaration

Following the publication of the corporate governance recommendations by the Budapest Stock Exchange on December 08, 2003, the Company's Board of Directors announced that it supported the Recommendations.

April

BorsodChem Credit Rating

Standard & Poor's International Credit Rating Agency qualified the activities of BorsodChem Rt. as being "BB stable".

May

1:5 split of BorsodChem-stocks's nominal value

With the effective date of May 13, 2004, the Court of Registration registered the decisions of the Company's Annual General Meeting held on April 27, 2004 regarding the decrease of the par value of all shares issued by the Company. The stock-split did not effect the amount of the Company's registered capital. On the basis of the foregoing on June 17, 2004 all registered ordinary shares of the Company with a par value of HUF 1,010 each were converted into registered ordinary shares with a par value of HUF 202 each with the ordinary shares constituting a single series of dematerialized securities with identical dividend rights. Upon cancellation of each ordinary share with HUF 1,010 par value the shareholders received 5 shares with a par value of HUF 202 each in return for each cancelled share.

June

Review of the Company's capital structure

BorsodChem Rt. announced that it started a review of its capital structure in connection with a general overreview of the Company's prospects.

July

Maintenance after two years

Following the operating-maintenance routine of the leading chemical companies which routine provides a competitive edge over other manufacturers in the chemical industry, BorsodChem Rt. had earlier made a decision to switch from a one-year operating cycle to a 24-month operating cycle. According to this arrangement the Company runs its production capacities for 2 years uninterrupted and only performs a general overhaul every two years.

The maintenance work due after a two-year period started in July with the successive shutdown of the plants. The specialists were able to implement the capacity expansion parallel to the completion of the maintenance tasks, as well as other maintenance works which could only be carried out during a shutdown.

August

Capacity expansions

After the shutdown period in July and August, the plants of the Company were successfully restarted. By the same time two capacity expansion projects had been implemented. PVC capacity increased from 300,000 tons p.a. to 330,000

tons p.a. , while TDI production capacity rose from 60,000 tons p.a. to 80,000 tons p.a.

September

Issue of employee shares

At the Extraordinary General Meeting held on September 08, 2004, the Company approved a decision to increase the Company's registered capital by issuing 6,346,050 dematerialized employee shares for a par value of HUF 202 each. The issue was financed out of the share premium reserves within the capital reserves of the Company. The Court of Registration registered the capital increase on December 29, 2004.

International secondary offering of shares and road-show

CE Oil & Gas Beteiligung und Verwaltung AG and VCP Industrie Beteiligungen AG, the Company's majority shareholders launched an international secondary offering aimed at the partial sale of their shareholding in BorsodChem. In connection with the launch of the international secondary offering the Company published a preliminary international offering circular. HSBC Bank acted as lead manager and global coordinator of the global offering.

October

Successful closing of the global offering

The international secondary offering of the ordinary shares issued by the Company and the global depository certificates on behalf of CE Oil & Gas Beteiligung und Verwaltung AG and VCP Industrie Beteiligungen AG closed successfully as a result of which CE Oil & Gas Beteiligung und Verwaltung AG ceased to be a shareholder of the Company while the influence of VCP Industrie Beteiligungen AG in the Company decreased to 23 % with the simultaneous increase of the free float to 77%.

Decrease of control in TVK Rt.

BorsodChem Rt. announced that pursuant to a share transfer agreement with CE Oil & Gas Beteiligung und Verwaltung AG dated September 03, 2004 the Company had transferred its ownership of 3,760,979 ordinary shares issued by Tiszai Vegyi Kombinát Rt. to CE Oil & Gas Beteiligung und Verwaltung AG on October 07, 2004. As a result of the performance of the agreement on October 07, 2004, BorsodChem Rt. lost its direct control (15.52%) over the share capital of TVK.

Admission of the Company's ordinary shares to the Warsaw Stock Exchange

Pursuant to the decision of the Polish Securities Exchange Commission and the Managing Board of the Warsaw Stock Exchange the Company's ordinary

shares were admitted to trading on the Polish capital markets. Trading in the Company's shares on the Warsaw Stock Exchange started on 8 October 2004.

November

Share buy-back programme announced

According to the decision by the Company's Extraordinary General Meeting held on September 08, 2004, the Company instructed HSBC Bank plc. as its investment adviser to buy own shares in the framework of a continuous share-purchase programme during the period from October 20, 2004 to March 31, 2005.

December

TVK ethylene delivery starts

Tiszai Vegyi Kombinát Rt. announced that following the mechanical completion monitoring the start-up tests in the Olefin-2 Project started in the course of which tests production-grade ethylene was expected to be generated.

Investor relations and share price trend

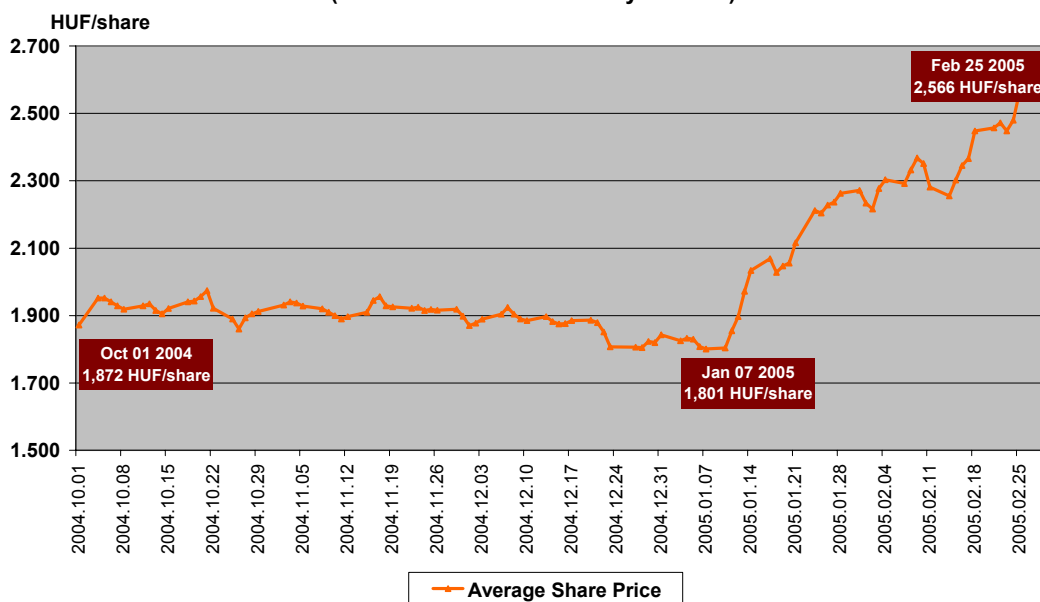
In the Company's life the year 2004 had a special significance with regard to investor relations since after the successful closing of the secondary offering of their shares by CE Oil & Gas Beteiligung und Verwaltung AG and VCP Industrie Beteiligungen AG BorsodChem became an active player of the capital markets again. Since October 2004, the ordinary shares of the Company have been listed primarily on the Budapest and the Warsaw Stock Exchanges while the global depositary receipts issued with respect to the ordinary shares are admitted to trading on the London Stock Exchange.

Active presence on the stock exchanges necessitated a reconsideration and improvement of the Company's investor relations arrangements. The Company coordinates its related activities through the Office of Investor Relations. The primary function of this Office is the effective communication of unambiguous and transparent information on the Company's performance and strategy to the participants of the capital markets through investor conferences, road-shows and analysts meetings.

In addition to regular meetings as a means of communication with the investors, the Company pays special attention to the development of information flow via the Internet. By visiting the Company's website investors have the opportunity to obtain continuously updated information with regard to the various business activities and the internal life of the Company.

The chart below shows the trend in the price of the ordinary shares issued by BorsodChem Rt. as quoted on the Budapest Stock Exchange from October 2004, when the international secondary offering was launched:

**Share Price of BorsodChem Rt. after the Closing of the International Secondary Offering
(October 01 2004 - February 28 2005)**



The trend in the share price shows well that after the secondary offering the stock market remained in a wait and see state and it needed 3–4 months to verify the product market expectations as communicated by the Company in the course of the earlier road-show. The 36% increase in the share price by March 01, 2005 was also supported by the fact that after gaining familiarity with the operation of the Company an increasing number of chemical industry analysts started to track and recommend for buy -at growing prices- the shares of the Company.

Growth strategy

During the period from October 2000 to February 2004 CE Oil & Gas Beteiligung und Verwaltung AG and VCP Industrie Beteiligungen AG, two companies belonging to the VCP Group, acquired --gradually, in subsequent stages- more than 90% of the Company's shares. During this period the free float drastically decreased and consequently, BorsodChem shares ceased to be actively traded on the London and the Budapest Stock Exchanges.

In this calm four year period on the stock exchanges when chemical industry analysts did not have an active focus on BorsodChem, the Company's internal life remained healthy. The Management and the Board of Directors quickly and unanimously agreed on a successful growth strategy and the Company started to actively work to reinforce its business fundamentals.

Since the introduction of the Company's shares and global depository receipts to the Budapest and the London Stock Exchanges in March 1996, BorsodChem has been following a growth strategy that aims at transforming the Company gradually, step by

step from being a cyclic, commodity plastic base-material producer to a company producing products of higher added value – so-called performance chemicals– thereby considerably increasing the shareholder value.

In the course of such a **transformation**, the Company intends to make maximum use of the technological advantages resulting from commodity PVC production and aromatic isocyanate production (MDI and TDI generation). With the latter belonging to the group of performance chemicals such advantages guarantee considerable **cost savings** and at the same time increase the **technical integration** of the site by the establishment of new plants operating on an appropriate **economies of scale**.

As an important element of the Company's organic growth steps have been taken towards **technological independence** which – as a result of the innovative atmosphere at BorsodChem, the receptiveness of the Company's experts who are always open minded- is becoming to bear fruits in the form of new patents and technologies.

This growth strategy was what necessitated that BorsodChem contract with Tiszai Vegyi Kombinát Rt. for the supply of ethylene for a term ending in 2013 thereby satisfying the Company's medium-term ethylene demand. It was in the spirit of this growth strategy that the Company diversified its isocyanate production from 2001 by building a TDI production facility producing the new soft-foam base material, which will be followed by the commissioning of a new MDI plant in 2005 with a capacity of 100,000 tons/year established on a proprietary technological base.

While in 2000 BorsodChem had an MDI capacity of 60,000 tons and the total capacity in PVC reached 300,000 tons, by 2006 the profitable operation of the PVC plant with capacity increased to 400,000 tons will be supported by a 240,000 ton isocyanate – MDI and TDI – capacity that will be able to produce high value added products.

In addition, the implementation of the strategy outlined above is expected to lead to the stabilization of the profit and cash generating capability of the BorsodChem Group at a high level thereby becoming more predictable, foreseeable which provide a strong financial background to the developments both those already in progress and those projected.

Economic environment

Major factors in the economic environment of the BorsodChem Group which had a material effect on the Company's operations in 2004 were as follows:

Purchase and sale prices

A characteristic trend throughout the entire period under review was the gradual increase in crude-oil prices with their levels hitting unexpected highs. This factor profoundly determined the profit generating ability of industries operating on the basis of crude-oil derivate feedstock. In the short run the drastic and fast increase in the prices of crude-oil derivate raw materials (ethylene, benzene, and toluene) inflicted temporary losses on the users of such materials in the chemical industry. However, due to the sufficient demand for plastics eventually most of the market players were able to pass the negative impact of the price increase of the inputs through to their customers.

Consequently, towards the end of the year product prices stabilized at a level which ensured a well-balanced profit margin for companies processing crude oil derivatives.

Apart from Q1 of the year, the PVC resin market witnessed a visible increase in demand which resulted in a substantial increase in the prices registered in the major markets of PVC resin. The increase in demand also led to the emergence of a healthy average spread of 200 EUR/ton between PVC and ethylene prices, offering a well-balanced profit margin for PVC producers in 2004. In the chlorine-vinyl line, caustic soda could only be marketed at depressed prices for most of the year, while in the last months of the year there was a significant increase in the price of this product which supported the profit-generation of PVC producers.

The isocyanate markets, and especially the MDI market was characterized by intensive demand, especially in the second half of the year, leading to a major price correction. In this market situation the price increase of finished products compensated -though only with certain delay- for the drastic increase in the prices of aromatic raw materials and the margin realized on this product in Q4 ensured a steady profit generation in this segment.

In the TDI market, compared to historical peak prices of the base year, the market conditions resulted in gradually diminishing prices. Nevertheless in Q4 the price level stabilized and profit margin generation remained in a healthy range.

Exchange rates

For the BorsodChem Group, as a major exporter, an important factor of the operating environment is the prevailing trends in the HUF exchange rates. Concerning the 2004 HUF exchange rate trends it can be clearly stated that apart from the first two months of the year exchange rates did not work in favour of the large exporters. This clearly limited the generation of operating profits, although allowed companies with active foreign-currency risk management (like BorsodChem) to make considerable financial profits by means of derivative transactions thereby helping improve the level of net profit.

Maintenance and capacity expansion

Pursuant to the Company's own decision in the summer of 2004, after a two-year continuous production cycle, BorsodChem carried out a three-week maintenance session on its production plants which had a material effect on the Company's operating environment. Simultaneously with the maintenance, the Company also implemented a large-scale capacity-expansion. Naturally, the shutdown time created a gap in sales revenues and profits which influenced the results for the entire year. This needs to be taken into consideration when comparisons are made to the base year.

In general it can be stated that on the whole 2004 has proved to present an upward turn for the chemical industry. In this situation BorsodChem successfully answered the

challenges posed by both internal and external factors and made steps necessary for its further growth.

Revenues and results

Of the Company's consolidated profit and loss account, the following details must be highlighted:

- HUF 147.7 billion sales revenues representing a 12.42% increase.
- HUF 11.3 billion operating profit in spite of the scheduled stoppage period and the unfavourable foreign exchange rates.
- As a result of effective currency risk management, HUF 2.6 billion financial profit was realized.
- EBITDA modified with the results of the foreign-exchange risk management was HUF 23.1 billion.
- Record-level net profit exceeding HUF 17 billion.

Sales revenues and results

	HUF million		
	2003	2004	Change %
Sales revenues	131,635	147,673	12.2
Gross profit	38,692	39,824	2.9
Gross profit as % of sales revenues	29.4	27.0	(2.4)
Operating profit + annual depreciation	22,247	20,477	(8.0)
Operating profit	13,108	11,273	(14.0)
Operating profit as % of sales revenues	10.0	7.6	(2.4)
Financial profit	(6,515)	7,216	
Result before taxation and minority interest	6,593	18,489	180.4
Net profit	6,366	17,147	169.4
Net profit as % of sales revenues	4.8	11.6	6.8
Earnings per share	103	226	119.4

When comparing the financial figures for the year 2004 against that for 2003 it should be taken into account that the plants of BorsodChem Rt. were in continuous operation throughout 2003. The Company adopted the system of two-year maintenance periods after 2002; thus in 2003 no maintenance work requiring complete stoppage was carried out as opposed to 2004 when production facilities were shut down for several weeks.

Revenues

In 2004 the BorsodChem Group managed to increase its revenues by 12.42% compared to the base year. The increase in revenues was due to a 8.3% and a 13% increase in the domestic and export sales, respectively.

Rising sales prices proved to be the main source of this growth since this factor was responsible for HUF 15.2 billion out of the HUF 16 billion change in sales revenues.

In comparison, the impact of changes in volumes was not significant (HUF 1.7 billion) and the influence of the strong Forint in the face of the exchange rates prevailing in the previous year was rather marginal (HUF –0.9 billion).

Of the total sales revenues the share of PVC resin increased to 28.5% from 25.9% the latter being the relevant figure for the base period. This increase in sales revenues was primarily attributable to the significant increase in the selling prices.

There was also a considerable upturn in the level of the selling price of MDI products, which saw a 16.9% increase in sales revenues.

In spite of the fact that TDI sales volumes increased by more than 11% compared to the corresponding base figure in 2003, sales revenues stagnated in this product group due to diminishing selling prices.

The sales revenue of caustic soda products represented a major downward trend with a 17.2% decrease compared to the base year. This negative outcome was mainly caused by the decrease in the average selling prices.

A significant 66% increase was registered in the sales revenues of aniline products which can be primarily attributed to the considerable increase in the selling prices which move together with the price of the relevant raw material (benzene).

Export

Export related sales revenues accounted for 83.2% of the total sales revenues. This proportion reflects a 0.6% growth compared to the base period.

The geographical breakdown of sales is as follows:

Domestic and Central Eastern Europe together:	46.9 %
Western Europe	46.0 %
Far East	3.2 %
Other	3.9 %

Overhead Costs

Distribution costs remained at the base level, while overhead and administrative costs increased by 11.3%. This was mainly the result of the rising expenses incurred in connection with a single transaction, the international secondary offering.

Operating profit

In 2004 the Company realized an operating profit of HUF 11.3 billion, which is 86.3% of the HUF 13.1 billion profit in the base period.

Main factors resulting in a reduced profit level:

- In 2004 production was characterized by higher material and energy prices, direct distribution costs increased by 16% and rising raw material prices could only be incorporated into the selling prices with a time-lag.
- The maintenance period and shutdown for capacity expansion in Q3 resulted in loss in revenues and additional costs.
- The profitability of TDI decreased to a small extent due to the normalization of supply.
- The average exchange rate of the HUF – with the strengthening of the HUF in H2 of 2004- worked to the detriment of the Company compared to the prevailing situation in 2003.

On the other hand, changing prices of certain principal products (MDI, PVC) contributed positively to the operating profit.

Financial incomes and expenses

The Company had a net interest income of HUF 578 million in 2004, while the base period was characterized by a net interest expense amounting to HUF 1,436 million. The improving balance was essentially due to the capital increase in December 2003 and the deposited cash resulting from the disposal of the TVK shareholding (registered in the books as long-term investment) in 2004.

Although the average exchange rate of the Forint did not support the Company's exports and operating profitability, favourable closing of the Company's forward positions compensated for the loss in operating profits. The aggregate exchange gains on futures transaction -including the revaluation gains of open positions- totaled to HUF 4,000 million compared to the HUF 2,113 million loss in the base period. The related financially realized outcome was HUF 2.6 billion.

Net exchange rate gains originating from the balance-sheet items amounted to HUF 2,238 million against the HUF 3,061 million net exchange rate loss in the base period.

Net profit

The profit before taxation and minority interest was HUF 18,489 million in 2004 - nearly three times higher than that in 2003. As BorsodChem Rt. complied with all conditions of the 100% corporate income tax holiday, the Company only had to pay taxes in the amount of HUF 638 million.

Minority interest (Dynea Austria GmbH, AliaChem a.s., ÉMÁSZ Rt.) had a HUF 704 million share from the profit, thus the consolidated net profit was HUF 17.1 billion, generating an attractive HUF 226 of EPS.

Sales revenues and profits quarterly 2004

HUF million

	Q1	Q2	Q3	Q4	Total
Sales revenues	35,257	37,308	34,165	40,943	147,673
Operating profit	3,549	3,219	1,249	3,256	11,273
Financial profit	2,891	1,473	1,683	1,169	7,216
Result before taxation and minority interest	6,440	4,692	2,932	4,425	18,489
Net profit	5,828	4,421	2,637	4,261	17,147
Earning per share	77	58	35	56	226

**Sales revenues and profits quarterly HUF million
2003**

	Q1	Q2	Q3	Q4	Total
Sales revenues	34,195	33,144	33,319	30,977	131,635
Operating profit	4,847	2,921	3,177	2,163	13,108
Financial profit	(1,912)	(6,811)	4,161	(1,593)	(6,515)
Result before taxation and minority interest	2,935	(3,890)	7,338	210	6,593
Net profit	2,906	(3,648)	6,866	242	6,366
Earning per share	47	(59)	111	4	103

Balance sheet

The Company's consolidated balance sheet is characterized by the following:

- More than 10% dynamic growth in the balance sheet total
- The rate of shareholders equity within liabilities exceeded 60%.
- The rate of indebtedness is favourable even at Group level. The gross debt/ shareholders equity value is 0.43, while the net debt/ shareholders equity value is 0.24.
- The assets and liabilities structure of the BorsodChem Group is strong and stable.

Assets

	2004 HUF million	2004 %	2003 HUF million	2003 %
Cash and cash equivalents	16,914	8.1	19,407	10.3
Accounts receivable	24,924	12.0	17,786	9.4
Inventory	16,209	7.8	14,227	7.5
Other current assets	18,255	8.8	7,480	4.0
Total current assets	76,302	36.7	58,900	31.2
Land and buildings, plant and machinery	129,237	62.1	106,866	56.6
Intangible assets	2,619	1.3	2,802	1.5
Long-term investments	292	0.1	20,659	10.9
Other fixed assets	(389)	(0.2)	(462)	(0.2)
Total fixed assets	131,759	63.3	129,865	68.8
Total Assets	208,061	100	188,765	100

Liabilities and shareholders equity

	2004 HUF million	2004 %	2003 HUF million	2003 %
Accounts payable – Trade	22,925	11.0	15,715	8.3
Other liabilities – deferred income and credits	3,686	1.8	4,365	2.3
Short-term credits	25,411	12.2	20,322	10.8
Total short-term liabilities	52,022	25.0	40,402	21.4
Long-term credits	27,829	13.4	32,088	17.0
Other long-term liabilities	1,359	0.6	925	0.5
Total long-term liabilities	29,188	14.0	33,013	17.5
Minority interest	3,193	1.5	3,008	1.6
Registered capital				
- listed shares	15,388	7.4	15,388	8.2
- non-listed shares	1,282	0.6		–
Share premium	29,034	14.0	30,316	16.1
Treasury stock	(2,690)	(1.3)		–
Reserves from retained earnings	79,576	38.3	65,589	34.7
Accumulated translation adjustment	1,078	0.5	1,049	0.5
Total shareholders equity	123,658	59.5	112,342	59.5
Total Liabilities and shareholders equity	208,061	100	188,765	100

The total assets of the BorsodChem Group grew dynamically by more than 10% compared to the base period and it exceeded the amount of HUF 200 billion at the end of 2004. This dynamism clearly indicates the intensifying activity that the Company showed throughout the year.

Assets

Within the balance sheet total, increase in current assets compared to the base was HUF 17.4 billion with two factors having a crucial influence thereon: the increase in receivables by HUF 7.1 billion compared to the previous year, and the HUF 6.7 billion growth of short-term investments against 2003. The 40% change of receivables was driven by rising sales revenues on the one hand and the complete consolidation of B.C.-M.C, the Company's trading subsidiary on the other hand. The increase in short-term investments was supported by the purchase of safe liquid securities which was made possible by the excess cash position of the Company at the end of the year. The HUF 4 billion change in other current assets was due to the increase in tax receivables and prepayments on tangible assets and accruals on interests.

The increase of nearly HUF 22.4 billion in tangible assets was the result of the investment programme implemented by the Company. Naturally, this figure was calculated by deducting the related depreciation. A considerable rearrangement occurred in fixed assets as a consequence of the disposal of the TVK shareholding

classified as long-term investments that was deregistered from the books at the end of 2004.

Liabilities

The increase in short-term liabilities exceeding 28.8% was primarily attributable to the HUF 7.2 billion change in trade payables. The credit portfolio of the Group in long and short-term on aggregate remained practically unchanged. Accordingly, the indebtedness index of the BorsodChem Group reflected a more favourable value at the end of 2004 than in 2003.

	2004	2003
Debt/shareholders equity:	0.43	0.47
Net debt/ shareholders equity:	0.24	0.29

The financial liquidity ratio of BorsodChem Group (total current assets/total short-term liabilities) was 1.47 in 2004 - this showed a slight improvement in the 1.46 value in 2003.

The total of the shareholders equity increased by HUF 11,316 million to HUF 123,658 million which exceeded the corresponding figure in the base period by 10.1% and represented more than 60% of the total liabilities.

The registered capital of the Company was of HUF 16,670 as of December 31, 2004. This consisted of two elements, the ordinary shares listed on the stock exchange with a total face value of HUF 15,388 million and the unlisted employee shares issued to employees with a total face value of HUF 1,282 million.

Analysis of the balance sheet of BorsodChem shows that it has a strong and balanced structure in line with the growth and development of the Group.

Cash flow

Characteristic trends in the Company's cash flow are as follows:

- High-level sales revenues from ordinary activities exceeding HUF 20 billion.
- Tangible asset acquisitions indicating intense investment activities.
- Considerable income originating from the disposal of long-term investments.
- The amount of available cash at the end of the period under review only slightly differs from the peak level registered at the start of the period.

Cash flow statement	HUF million	
	2003	2004.
Net profit	6,366	17,147
Depreciation	9,139	9,204

Other adjustments	4,279	(6,385)
Net cash provided by operating activities	19,784	19,966
Acquisitions of tangible and intangible assets	(16,165)	(31,484)
Income from the disposal of the long-term investments and tangible assets	1,070	20,953
Net value of other investments	343	(6,735)
Net cash used in investment activities	(14,752)	(17,266)
Loan repayments	(15,455)	(14,144)
Borrowings	13,863	15,344
Dividend paid	(3,189)	(3,689)
Net cash paid for treasury stock repurchased		(2,690)
Registered capital issue	17,064	
Net cash generated (used in)/by financing activities	12,283	(5,179)
Influence of exchange-rate changes on liquid assets	(19)	(14)
Net (decrease)/increase in cash	17,296	(2,493)
Cash at the beginning of period	2,111	19,407
Cash at the ending of period	19,407	16,914

Net cash provided by operating activities

Net cash income from operating activities was close to HUF 20 billion which is almost HUF 182 million more than the base amount. Naturally, a crucial role can be attributed to the record level of net profit and the depreciation write-off in excess of HUF 9.2 billion which was decreased by almost HUF 2.5 billion in items not implying cash flow. In addition, the joint effect of changes in current assets and short-term liabilities reduced net cash income from ordinary activities by HUF 3.9 billion.

Net cash used in investment activities

The acquisition of tangible assets totalling nearly HUF 31.5 billion in 2004, almost double that of the corresponding figure from the previous year, indicates dynamic investment activities. In spite of this huge expenditure, the actual change in liquid assets produced by investments and investment-related activities was HUF 17.3 billion. The disposal of TVK shareholding held as long-term investment largely compensated for the above expenditure and consequently supported BorsodChem Group's liquidity position.

Net cash flow from financial activities

Due to the steady and stable financing situation throughout the year net cash flow from financial transactions did not show significant fluctuations even in the face of the intensive investment activities. The scale of borrowings and repayments was well balanced and the slightly negative cash flow arose from dividend payments in an amount of HUF 3.7 billion and the purchase of treasury shares for HUF 2.7 billion.

As a result of the above influences, notwithstanding the dynamic growth of the company, consolidated net liquid assets did not indicate a substantial decrease at the end of the period under review compared to the situation in the previous year. The amount approximated HUF 17 billion.

Segmental information

When generating segmental information the Company groups its business lines and subsidiaries as follows:

- Chlorine Vinyl Business Line, PVC Business Line, Compound Business Line as a plastic raw material production segment operating in the chlorine vinyl production line.
- MDI Business Line, TDI Business Line, BC-MCHZ as a segment involved in isocyanate production.
- BC-Ablakprofilgyártó Kft., BC-Ongropack Kft., Panoráma Kft. as a segment interested in plastic processing.
- Other companies and activities not listed above as an additional segment.

On the basis of the table showing segmental information, the following main points must be highlighted.

As regards to their share in external sales there is no significant difference among the segments with respect to total sales revenues, that is the proportion of isocyanate production segment approximated 50% in both years while the chlorine vinyl line, the PVC and the compound segment represented 36–38%. It is clear from the figures that the share of non-cyclic products in total sales revenues steadily exceeded 50% in both years.

In spite of the fact that the gross profit of the isocyanate production segment slightly decreased in comparison to the base value, the contribution of this segment to the generation of total margin at the Group level exceed 50% even in 2004.

Regarding EBIT and EBITDA generation, even in the face of a decrease compared to the base, the isocyanate production segment remained the dominant segment, while the PVC line featured a perceivable shift and improvement due to more favourable output–input price rates. In the plastic production segment, profit generation declined due to high PVC resin prices and the challenge posed by strong competitors.

HUF million

Designation	Chl-Vin / PVC/ Compound	MDI/TDI/ BC-MCHZ	Plastic product.	Other	Filtered/ Undistri- buted	Total
<u>Sales revenues for 2004</u>						
External sales	55,612	67,842	13,363	10,856		147,673
Inter-segmental sales	11,599	2,133	1,027	18,412	(33,171)	
Sales total:	67,211	69,975	14,390	29,268	(33,171)	147,673
<u>Sales revenues for 2003</u>						
External sales	47,606	62,303	12,455	9,271		131,635
Inter-segmental sales	11,440	1,281	949	12,628	(26,298)	
Sales total:	59,046	63,584	13,404	21,899	(26,298)	131,635
<u>Sales revenue differences</u>						
External sales	8,006	5,539	908	1,585		16,038
Inter-segmental sales	159	852	78	5,784	(6,873)	
Sales total:	8,165	6,391	986	7,369	(6,873)	16,038
<u>Gross profit for 2004</u>						
Gross profit for 2004	16,500	20,374	2,116	1,011	(177)	39,824
Gross profit for 2003	14,028	21,699	2,518	512	(65)	38,692
Difference	2,472	(1,325)	(402)	499	(112)	1,132
<u>EBIT 2004</u>						
EBIT 2004	6,977	9,118	129	509	(5,460)	11,273
EBIT 2003	5,125	11,873	529	564	(4,983)	13,108
Difference	1,852	(2,755)	(400)	(55)	(477)	(1,835)
<u>Assets in 2004</u>						
Assets in 2004	49,223	81,231	7,496	43,492	26,619	208,061
Assets in 2003	35,081	66,791	7,370	38,301	41,222	188,765
Difference	14,142	14,440	126	5,191	(14,603)	19,296
<u>Depreciation in 2004</u>						
Depreciation in 2004	1,910	4,000	693	1,692	909	9,204
Depreciation in 2003	1,937	4,077	635	1,602	888	9,139
Difference	(27)	(77)	58	90	21	65
<u>EBITDA for 2004</u>						
EBITDA for 2004	8,887	13,118	822	2,201	(4,551)	20,477
EBITDA for 2003	7,062	15,950	1,164	2,166	(4,095)	22,247
Difference	1,825	(2,832)	(342)	35	(456)	(1,770)

Research and Development

The management of BorsodChem realized in time, already prior to the EU accession that the Company's long-term competitiveness can only be preserved if innovation at the Company penetrates into the production process. Accordingly, the Company targeted to move from being a technology follower to being a technology developer.

Research and development plays a key role in maintaining the technological competitive edge of the Group as well as in ensuring technological independence in several areas.

The medium-term objectives of R&D activities and the related schedules are generally set by the top management while operative actions are organized at the level of the business lines.

BorsodChem pools and coordinates these activities at the Group level in order to make maximum use of the possible synergies. In the case of new technology and know-how developments, development costs are allocated to the various business lines at the Group level. The intellectual potential that exist at technological universities throughout Hungary are frequently and increasingly utilized to advance such developments.

The main focuses of research and development activities:

- technological development,
- increase in operating efficiency,
- improvement in product quality,
- product and product family development.

Currently BorsodChem is involved in the development of about 20 new products and in the past five years it applied for four patents in relation to new technological solutions at the Hungarian Patent Office.

Purchasing

The purchasing activities of the Company are of crucial importance in maintaining and improving cost advantages. In 2004 the Company purchased raw materials, accessories and packaging materials in an amount of HUF 55 billion to secure operations. The table below shows the Group's five largest suppliers – each with supply values exceeding HUF 1 billion on an annual basis:

Supplier	Materials supplied
LUKOIL Neftechim/Grimpfy Capital	VCM
TVK	Ethylene
BC-MCHZ	Aniline, nitric acid
MOL Rt.	Toluene
SALROM	Industrial salt

Nearly 60% of VCM production, the primary raw material for PVC, was generated internally, by the Company's own line. The remaining 40% (108,000 tons) was purchased from Ukrainian sources pursuant to an annual supply agreement.

Of the ethylene used in the vinyl-chloride production 72,000 tons was purchased and delivered via a pipeline from TVK Rt., while a marginal proportion (8,000 tons) was obtained in liquid form from an import source. With the completion of the new ethylene cracker at TVK Rt. in December 2004, the excess ethylene supply required for the expanded VCM capacity of the BorsodChem Group became readily available.

A significant portion of the more than 40,000 tons of aniline which is needed for the Group's MDI production, as well as nitric acid which is required for TDI production were delivered to the Companies main industrial site by BC-MCHZ, a subsidiary of BorsodChem Rt. The toluene which is required for TDI production (37,000 tons in 2004) is supplied by MOL Rt. under a three-year contract valid until 2006.

The rock salt used by the Company's chlorine-production (163,000 tons annually) is purchased from a Romanian source based on a three-year supply contract.

The chlorine demand of the isocyanate production is mainly covered by internal production, while the remaining chlorine quantity (about 40,000 tons) was purchased from a Romanian source also under a long-term, three-year general agreement.

Concerning the purchase of various energy types in 2004, the following tendencies are worthy of note:

Of the electric power demand 63% (808 GWh) was purchased from external sources on the free market (Entrade Hungary Kft.), while the remaining 37% was bought under a long-term contract from BC-Erőmű Kft. situated on the Company's site.

With regard to steam purchase (3054 TJ), BC-Erőmű Kft is the main supplier with a 64% share supplying under a long-term agreement similar to that relating to electric power supply. The remaining volume is delivered by AES Borsodi Energetikai Kft. and a minor proportion is received from firms involved in various production activities on the Company's site (Linde Rt., BC-KC Formalin Kft.).

Similarly to electric power, natural gas (188 Mm³) has been purchased on the competitive, liberalized market since January 01, 2004 under a long-term natural gas supply contract concluded with MOL Rt. Since July 01, 2004, BorsodChem Rt. has been purchasing the necessary natural gas through BC-Energiakereskedő Kft., the Company's 100% wholly owned subsidiary.

Carbon monoxide and hydrogen needed for isocyanate production is supplied by Linde Gáz Magyarország Rt. situated on the Company's site via a long-term agreement, while other industrial gases (oxygen, nitrogen) are delivered by Air-Liquide Kft. also operating on the Kazincbarcika site.

Production

Trends in the production of major products.

Designation	Quantity	2003 fact	2004 fact	Index %	Difference
Caustic Soda III	T	141,278	134,923	95.5	(6,355)
Chlorine III	T	125,314	119,677	95.5	(5,637)
Recovered hydrochloric acid solution	T	62,263	59,832	96.1	(2,431)
Technological hydrochloric acid solution	T	29,365	24,203	82.4	(5,162)
Hypo	T	41,925	38,341	91.5	(3,584)
Dichloroethane	T	283,324	269,487	95.1	(13,837)
Vinyl-chlorine	T	174,215	166,411	95.5	(7,804)
PVC resin III	T	266,868	272,078	102.0	5,210
Polystyrene	T	5,972	6,523	109.2	551
Dry blend	T	25,654	28,004	109.2	2,350
Granules	T	17,147	17,475	101.9	328
CPE 100 %	T	4,288	4,412	102.9	124
MDI	T	57,975	57,558	99.3	(417)
Ammonia	T	20,328	19,928	98.0	(400)
TDI-80	T	61,071	64,903	106.3	3,832
Aniline	T	98,504	112,832	114.5	14,328
Hexahydroaniline	T	17,121	22,063	128.9	4,942
Formalin	T	56,741	64,495	113.7	7,754
Plastic final product	T	28,022	30,241	107.9	2,219
Ready-to-install doors and windows	m ²	72,769	79,080	108.7	6,311

When comparing 2004 production to the base period it must be remembered that a general overhaul in the production facilities took place which resulted in an average of 21 days stoppage of production while in 2003 no such stoppage was implemented. However, production plants were characterized by high levels of capacity utilization and of the core products the production volumes of PVC, TDI exceeded the base, while in the case of MDI only a minor difference was registered.

Apart from the stoppages for general overhaul taking longer time than in the base period, the following factors influenced production in 2004:

- Chlorine and caustic soda production was influenced by the availability of electric power on commercially reasonable terms, low alkali prices, as well as ethylene shortages in the supply from the VCM plant.
- Hypo production was in line with customer demands and own consumption in the chlorine plant.
- Production from recovered hydrochloric acid corresponded to the objectives set forth in the business policy.
- Dichloroethane and vinyl-chloride production were restricted by reduced ethylene supplies, especially in H2 of the year.
- The volume of PVC resin production was determined by the available quantities of VCM.
- Production activities for dry blends, granules, CPE and plastic final products, as well as ready-to-install doors and windows were primarily influenced by market demands.
- Output of the ammonia production was determined by the available quantities of hydrogen.

Investments

One of the challenges in 2004 was posed by the time-proportionate fulfilment of developments included in the investment programme that was commenced in September 2003 with a projected expenditure of HUF 80 billion.

Accordingly, the performance value of the investments implemented in 2004 totalled HUF 31.8 billion with the performance value of core investments being HUF 22.7 billion in accordance with the following breakdown:

Core investments:

Chlorine capacity expansion:	HUF 1,257.8 million
VCM capacity expansion:	HUF 6,231.8 million
PVC capacity expansion:	HUF 3,691.2 million
MDI capacity expansion:	HUF 9,340.3 million
TDI capacity expansion:	HUF 2,191.8 million

Other investments: HUF 9,119.7 million

The investment programme involves five production plants and the connected central utilities.

In BorsodChem's development strategy an essential role is attributed to the capacity expansion of isocyanate production. In the case of the MDI Business Line, this means the installation of a new plant with a 100,000 tons/year production capacity, while as regards the TDI Business Line the existing 60,000 tons/year production capacity will increase to 80,000 tons/year.

BorsodChem will construct its new MDI plant with a technology developed by the Company itself. In connection with the planning process well under way, the required machinery and installation accessories have already been purchased and, simultaneously, the implementation works have also been launched. In accordance with the well-paced progress, the new plant is expected to start the test runs in Q4 of 2005.

In 2004 the TDI plant of the TDI Business Line was de-bottlenecked and currently it operates with a capacity of 80,000 tons/year.

The expansion of PVC resin production capacity from 300,000 tons/year to 400,000 tons/year will be achieved in three phases. In Phase I in 2004 a closed reactor technology was implemented which resulted in a positive environmental and health effect in addition to a capacity increase of 30,000 tons/year.

In Phase III of the VCM intensification completed in 2004 under the test runs OHC capacity and DCE distillation capacity doubled. At the same time a new by-product incineration system was installed leading to the production capacity of the VCM plant reaching 250,000 tons/year. Since these expanded capacities are not sufficient for the capacity expansions to be implemented at the Company, BorsodChem commenced Phase IV of the VCM capacity intensification involving the construction of a new DCE decomposition unit with an output of 100,000 tons/year and a new VCM distillation block with a capacity of 140,000 tons/year. As a result, the VCM plant will offer a total production capacity of 350,000 tons/year and, moreover, it will be able to process the hydrochloric acid generated after the expansion of the isocyanate plants.

In the course of the capacity expansions, increases in the product volumes of both isocyanate production facilities (MDI, TDI) and the VCM plant create additional demand for chlorine that the Company decided to cover by constructing a modern, environmentally friendly, membrane-celled chlorine plant. The related preparatory work has already been launched in every professional field involved alongside with the necessary design activities. The actual site for plant has been prepared, the connected purchases and construction works are in progress.

Reliability of supply to the capacity-expansion investments, additional developments and existing utilities systems requires that the utilities systems are also developed parallel to the development of technology, and that these systems are adjusted to the related quantitative and qualitative demands also taking into account the two-year maintenance cycle.

Human resource management

The continuous recruitment and retention of quality labour force needed for the Company's operations, the maintenance of a loyal work force understanding and supporting the Company's strategic objectives and its corporate culture are crucial preconditions for the success of BorsodChem Rt. In light of the foregoing BorsodChem's specialist responsible for human resource management considered the following elements as central tasks for 2004:

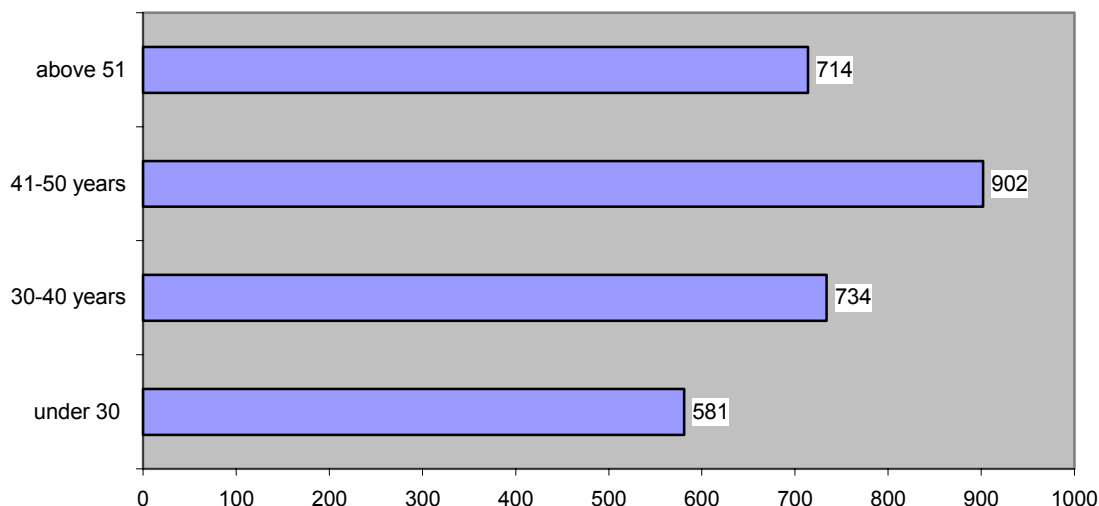
- secure proper labour force both in terms of quantity and quality so that the Company's operations and dynamic growth proceed uninterrupted,
- provide opportunities for personal development and serve the employee's satisfaction,
- ensure that the "right person" occupies the "right position", thereby maximizing efficiency of the available human resources,
- provide -on a continuous basis- training and re-training courses responding to the relevant needs of the various units of the Company.

The opening headcount of BorsodChem Rt.'s full-time employees on January 01, 2004 was 2,823, which increased to 2,931 by December 31. The reason behind the increase was the growing demand for labour in light of the implemented capacity expansions and preparation for new investments to be started in 2005.

The consolidated headcount increased from the opening figure of 4,162 at the beginning of the year to 4,203 by the end of the year mainly due to the increase at the parent company's level.

Analysis of the structure of the Company's personnel shows that BorsodChem employs highly qualified experts with 17% of them being graduate employees, while within those employees who have secondary education the proportion of employees with technician qualifications is on the increase.

In order to provide a sufficient supply of experts and managers, and in order to have a larger proportion of younger personnel, BorsodChem Rt. has been continuously recruiting younger people without previous job experience. As a result, the ratio of young specialists employed by the Company is on the increase.



Changes in registered capital and shares

The Extraordinary General Meeting of the Company held on September 08, 2004 approved an increase of the Company's registered capital by issuing 6,346,050 dematerialized shares to employees for a par value of HUF 202 each. The increase of the share capital was implemented by issuing shares to employees with no consideration payable by the employees and proving the necessary funds from the Company's share premium reserve. The capital increase was registered by the Court of Registration on December 29, 2004.

In accordance with the above, the registered capital of the Company amounted to HUF 16,670 million on December 31, 2004, and was represented by two classes of shares: ordinary shares with a total nominal value of HUF 15,388 million listed on the stock exchange and employee shares with a total nominal value of HUF 1,282 not listed on the stock exchange.

Changes in ownership structure and company management

Changes in ownership structure

Denomination of Shareholders	Total Equity								Listed Series					
	At the beginning of the period				At the end of the period				At the beginning of the period			At the end of the period		
	Shares (pcs)	Nominal value (HUF thousand)	%*	%**	Shares (pcs)	Nominal value (HUF thousand)	%*	%**	Shares (pcs)	Nominal value (HUF thousand)	%*	Shares (pcs)	Nominal value (HUF thousand)	
Institutional investors														
domestic	156.105	157.666	1.02	1.02	3.516.973	710.429	4.27	4.33	156.105	157.666	1.02	3.516.973	710.429	
foreign	14.961.984	15.111.604	98.20	98.20	63.375.824	12.801.916	76.79	78.00	14.961.984	15.111.604	98.20	63.375.824	12.801.916	
CE Oil & Gas Beteiligung und Verwaltung AG	9.047.526	9.138.001	59.38	59.38					9.047.526	9.138.001	59.38			
VCPIndustrie Beteiligungen AG	4.843.877	4.892.316	31.79	31.79	17.757.015	3.586.917	21.52	21.86	4.843.877	4.892.316	31.79	17.757.015	3.586.917	
other	1.070.581	1.081.287	7.03	7.03	45.618.809	9.214.999	55.28	56.15	1.070.581	1.081.287	7.03	45.618.809	9.214.999	
Private investors														
domestic	110.345	111.448	0.72	0.72	1.559.270	314.973	1.89	1.92	110.345	111.448	0.72	1.559.270	314.973	
foreign	2.932	2.961	0.02	0.02	14.630	2.955	0.02	0.02	2.932	2.961	0.02	14.630	2.955	
Employees, Managing officials	8	8	0.00	0.00	21.040	4.250	0.03	0.03	8	8	0.00	21.040	4.250	
Treasury stock	0	0	0.00	0.00	1.277.522	258.059	1.55	0.00	0	0	0.00	1.277.522	258.059	
Employee shares***	0	0	0.00	0.00	6.346.050	1.281.902	7.69	7.81	0	0	0.00	0	0	
Shareholder as part of the state budget	0	0	0.00	0.00	0	0	0.00	0.00	0	0	0.00	0	0	
International Development Institutions	0	0	0.00	0.00	0	0	0.00	0.00	0	0	0.00	0	0	
Other	4.586	4.632	0.03	0.03	6.414.541	1.295.737	7.77	7.99	4.586	4.632	0.03	6.414.541	1.295.737	
Total:	15.235.960	15.388.320	100,00	100,00	82.525.850	16.670.222	100,00	100,00	15.235.960	15.388.320	100,00	76.179.800	15.388.320	

* Stake

** Voting right providing the participation in the decision making process at the General meeting of BorsodChem

*** Based on tripartite agreement concluded with BorsodChem Rt. and employees of BorsodChem Rt. on 8 September 2004 (Annex of Resolution No. 20/2004 of the General Meeting), HSBC Bank plc. holds a right of usufruct 6,346,050 dematerialised employee shares with a face value of HUF 202 each, carrying voting rights and issued by BorsodChem Rt. HSBC Bank plc. thereby obtaining an unconditional direct controlling interest of 7.81% in BorsodChem Rt.

List of owners with shareholdings over 5%

List of Shareholders Holding Over 5% of Shares (to total equity)

Denominatoin of shareholders	Shareholding				Note
	31.dec.03		31.dec.04		
	Share (pcs)	Stake (%)	Share (pcs)	Stake (%)	
CE Oil & Gas Beteiligung und Verwaltung AG	9.047.526	59,38	0	0,00	Financial Investor
VCPIndustrie Beteiligungen AG	4.843.877	31,79	17.757.015	21,52	Financial Investor
HSBC Bank plc.*	0	0,00	6.346.050	7,69	n.a.

* Based on tripartite agreement concluded with BorsodChem Rt. and employees of BorsodChem Rt. on 8 September 2004 (Annex of Resolution No. 20/2004 of the General Meeting), HSBC Bank plc. holds a right of usufruct over 6,346,050 dematerialised employee shares with a face value of HUF 202 each, carrying voting rights and issued by BorsodChem Rt. HSBC Bank plc. thereby obtaining an unconditional direct controlling interest of 7.81% in BorsodChem Rt.

Organizational and personal changes

In 2004 the Company's auditor remained Ernst & Young.

The following changes took place in the Company's Board of Directors and Supervisory Board:

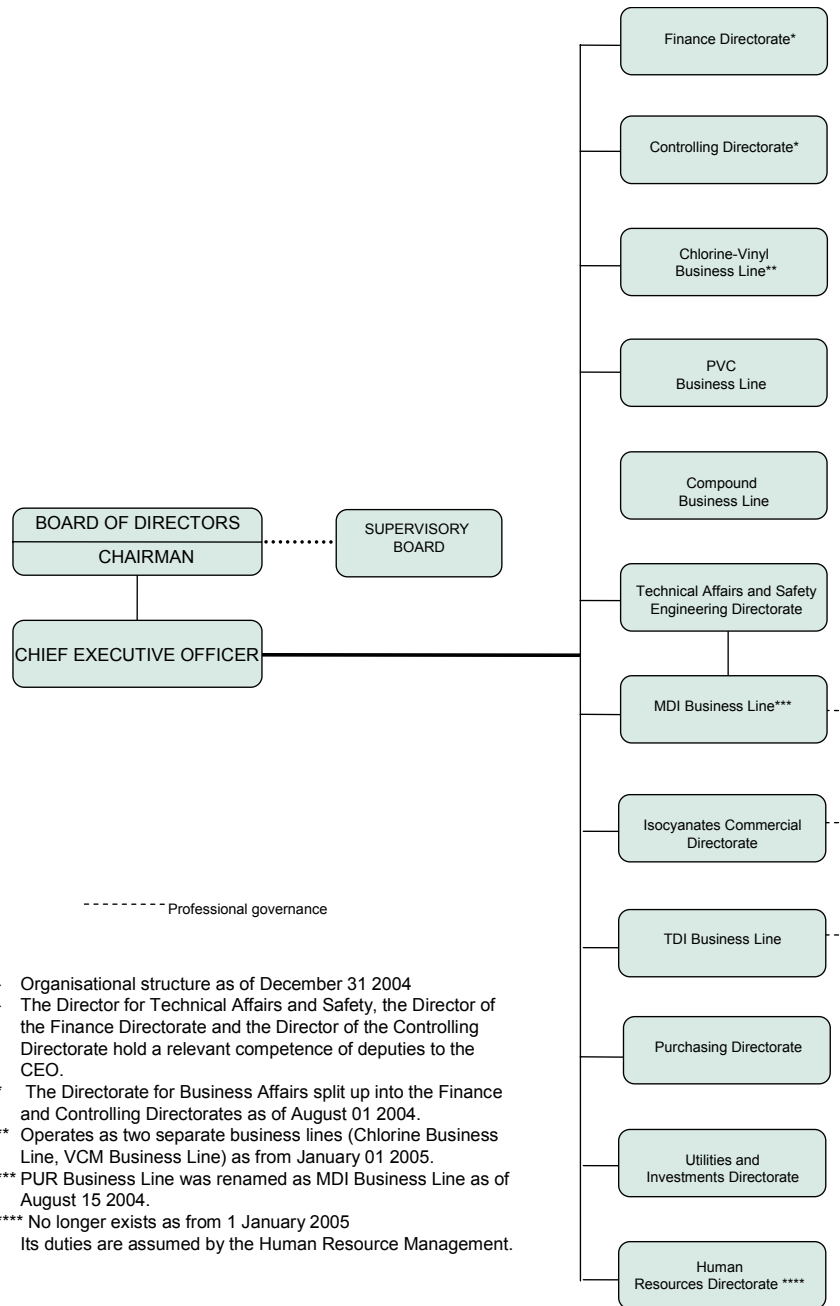
Organizational changes:

- With the effective date of August 01, 2004, the Economic Directorate of the Company was split into the Finance Directorate and the Controlling Directorate.
- The capacity expansions already implemented and those in progress at BorsodChem necessitated the division of the Vinyl-Chlorine Business Line into the Chlorine Business Line and Vinyl-Chlorine Business Line as of January 01, 2005.

Personal changes:

- the General Meeting re-elected Dr. Iván Nyíri to the Board of Directors for a term from April 28, 2004 to April 20, 2007, but not later than the date of the Annual ordinary General Meeting from the year of 2006.
- The General Meeting held on September 08, 2004 accepted the resignation by Dr. Iván Nyíri and Dr. Christoph Herbst from the Board of Directors, and at the same time the General Meeting elected Dr. Christoph Herbst to the Supervisory Board of the Company from September 08, 2004 to April 30, 2007.
- The General Meeting accepted the resignation by Heinrich Pecina, from the Supervisory Board on September 08, 2004 with the effective date of the announcement thereof and at the same time the General Meeting elected Heinrich Pecina to the Board of Directors from September 08, 2004 to April 30, 2007.
- The General Meeting elected Dr. János Illéssy to the Board of Directors from September 08, 2004 to April 30, 2007.
- The General Meeting re-elected László Kovács F. and Béla S. Varga to the Board of Directors from September 08, 2004 to April 30, 2007.
- With the effective date of August 01, 2004, the Company appointed Dr. János Illéssy to be Finance Director and Deputy CEO. Dr. János Illéssy is responsible for the management of the finance and accounting fields, as well as the coordination of all activities related to financial management. Dr. Zoltán Gazdik, the former Finance Director remained a member of BorsodChem's finance management as Controlling Director. His main responsibility is the management of BorsodChem Rt.'s controlling activities at the Group level. Both managers are directly accountable to the Chief Executive Officer.
- The employment of Gergely Gyurácz N., Human Resources Director was terminated from January 01, 2005 due to his retirement.
- Since January 01, 2005, the former Director of the Chlorine-Vinyl Business Line, András Seres has been in the position of the Director of the Chlorine Business Line. Overseeing of the newly formed Vinyl-Chloride Business Line has been entrusted to Dr. István Szakállas, the former Director of the Compound Business Line.
- Since January 01, 2005, István Szilágyi has been acting as the Director of the Compound Business Line.

Organizational Structure



Board of Directors

Dr. Heinrich Georg Stahl, 58 years old, Chairman of the Board of Directors, his term of office as Chairman of the Board of Directors will expire on 30 April 2006. He is not an employee of the Company for the purposes of labour law.

He received his PhD in Law from the University of Vienna in 1970.

His work experience includes:

2003 - present Heinzl, Bunzl Service GmbH, Director-CFO

2003 - present	Heinzel, Bunzl Immobilien GmbH, Director-CFO
2002 - present	TVK CE Holding AG, Director,
2001 - present	CEE Oil & Gas Beteiligung und Verwaltung GmbH, Director
2000 - present	CE Oil & Gas Beteiligung und Verwaltung AG, Director
2000 - present	Heinzel Holding GesmbH, Director-CFO,
1996 - 2000	OMV AG, CFO
1992 - 1995	Austria Metall AG, CFO
1989 - 1991	SCA Laakirchen AG, SCA Ortmann AG, CFO
1980 - 1988	Papierfabrik Laakirchen AG, CFO
1976 - 1988	Bunzel&Biach AG, CFO
1970 - 1975	Zellstoffabrik Frantschach AG, employee

László F. Kovács, 62, Member of the Board of Directors, CEO, his term of office as the member of the Board of Directors will expire on 30 April 2007.

He is employed by the Company based on a management contract, which shall expire on 31 December 2008.

He is qualified as a chemical engineer from the Chemical University of Veszprém in 1967 and then gained a further qualification in economics from the University of Economics, Budapest in 1988.

His work experience includes:

- 2001 - present	Chief Executive Officer of the Company,
- Sept1991 – 2001	Chief Executive Officer, Chairman of the Board of the Company
- Apr1991 - Sept1991	Commissioner of the Company
- Jan 1991 - Apr1991	Műanyagfeldolgozó Kft., Managing Director
- 1981 - 1990	Borsodi Vegyi Kombinát, Commercial Director
- 1971 - 1981	Borsodi Vegyi Kombinát, Investment Manager
- 1968 - 1970	Leuna Works in Germany, Production Engineer
- 1967 - 1968	Hungarian Crude Oil and Natural Gas Research Institute, Research Engineer

Béla S. Varga, 43, Member of the Board of Directors; Director of Purchasing.

His term of office as the member of the Board of Directors will expire on 30 April 2007.

He is employed on the basis of employment contract as the head of the Directorate for Purchasing.

He is qualified as a mechanical engineer from the Technical University for Heavy Industry in Miskolc in 1984.

His work experience includes:

- 2003 - present Directorate for Purchasing at the Company, Director;
- 1997 - 2003 Directorate for Purchasing and Investments at the
Company, Director
- 1993 - 1997 Purchasing Department at the Company, Manager
- 1992 - 1993 Purchasing Department at the Company, Technical-
Economical Advisor
- 1990 - 1992 Department for Design of Chemical Equipments at the
Company, Group Leader
- 1986 - 1990 Department for Design of Chemical Equipments at the
Company, Designer

Ferenc Márton, 46, Member of the Board of Directors, his term of office as the member of the Board of Directors will expire on 11 April 2005.

He holds the position of the member of the Board of Directors based on the election by virtue of resolution of the General Meeting for three years term of office; he does not hold this position based on any agreement with the Company.

He holds a degree in economics from the University of Economics, Merseburg, Germany, which he received in 1982.

He works at the General Banking and Trust Co. Ltd., Budapest. His work experience includes:

- 1999 – until present Retail Banking, Chief Operating Officer;
- 1998 - 1999 Branch Network, Managing Director
- 1995 - 1998 Branch Network, Head of Branch Network
- 1992 - 1995 Branch No. 6 (the head-office branch), Branch Manager
- 1991 - 1992 Branch No. 4, Branch Manager
- 1990 - 1991 FX Branch, Head of Department.

Ferenc Bartha, 61, Member of the Board of Directors, his term of office as the member of the Board of Directors will expire on 30 April 2006.

He was educated at the Budapest University of Economics, within the Faculty of Foreign Trade in 1965, and at the Central European University, Nancy, where he studied European integration between 1968 and 1969.

His work experience includes:

- 2003 - until present TriGránit Holding Ltd., Chairman
- 2002 - until present Inter-Europa Bank Ltd., Chairman of the Board of
Directors
- 2001 - until present Bartha Financial Services Ltd., Chief Executive Officer
- 1999 - 2003 TriGránit Development Co., Chairman
- 1997 - 1998 Raiffeisen Unicbank, Chairman of the Board
- 1997 - 1999 TriGránit Development Co., Chief Executive Officer
- 1996 - 1998 Granit Plus Investment and Development Company, Chief
Executive Officer

- 1995 - 1998 Bartha Financial Services, Ltd., Managing Director
- 1994 - 1995 State Property Agency, Government Commissioner for Privatization, President of the Board of Directors of the State Property Agency
- 1992 - 1994 Banque Indosuez Hungary, Chairman of the Board
- 1990 - 1992 Indosuez Fianzierungsberatungs GmbH, Managing Director Vienna Indosuez Financial Services LLC, Managing Director
- 1988 - 1990 National Bank of Hungary, President
- 1987 - 1988 Ministry of Trade, Secretary of State
- 1980 - 1987 Council of Minister, Head of the Sekretariat for International Economic Relations of the Government
- 1970 - 1980 Ministry of Foreign Trade, Deputy Head of Department on Prices, Foreign Exchange and Finance
- 1965 - 1970 Hungarian Academy of Sciences, Economic Research Institute, Research fellow

János Illéssy, PhD, 42, Member of the Board of Directors; CFO.

His term of office as the member of the Board of Directors will expire on 30 April 2007.

He is employed with the Company based on the employment contract concluded for unspecified period.

He (CFO) holds an MSc degree in electrical engineering from the Technical University of Budapest (1987), and an MBA degree (1991) and a PhD degree in financial economics (1998), both from the University of Pittsburgh, USA (doctoral studies between 1992 and 1996).

His work experience includes:

- 2004 - present CFO of the Company, Member of the Board of Directors
- 2003 - 2004 Pannonplast, Chairman and CEO,
- 2001 - 2003 BPN Paribas Hungaria Bank, CFO
- 1996 - 2001 Pannonplast, CFO
- 1991 - 1992 Pannonplast, Controller, Senior Privatization Manager
- 1987 - 1991 Pannonplast, Project Engineer

Heinrich Pecina, 54, Member of the Board of Directors, his term of office as the member of the Board of Directors will expire on 30 April 2007.

He holds the position of the member of the Board of Directors based on the election by virtue of resolution of the General Meeting for three years term of office; he does not hold this position based on any agreement with the Company.

He graduated from the University of Economics, Vienna in 1974.

His work experience includes:

- 1998 - Present VCP Capital Partners, Founder and Chairman
- 1998 Advisor to the Union Bank of Switzerland
- 1990 - 1997 Creditanstalt Investment Bank, Vienna, Austria, Managing Director
- 1979 -1990 Girocentrale, Vienna, Austria, since 1988 Director
- 1977 - 1979 Private Company Contractor of large Industrial Plants in the Middle East, Project Manager
- 1976 - 1977 Carrier USA/Austria, Associate for projects in Kuwait and Saudi Arabia
- 1974 - 1976 Austrian Banking Society, University of Economics, Assistant Professor

Managing positions and (strategic) positions controlling share-issue operations with their respective shareholdings

Type 1	Name	Position	Starting date of the commission	Closing date of the commission	Equity shares pc	Employee shares pc
BD	Dr. Heinrich Georg Stahl	BD Chairman	01/05/2003	30/04/2006	0	0
BD	László Kovács F.	BD member	08/09/2004	30/04/2007	6,000	1,306,605
BD	Béla S. Varga	BD member	08/09/2004	30/04/2007	0	373,362
BD	Dr. János Illéssy	BD member	08/09/2004	30/04/2007	1,000	0
BD	Ferenc Márton	BD member	11/04/2002	11/04/2005	1,000	0
BD	Heinrich Pecina	BD member	08/09/2004	30/04/2007	0	0
BD	Ferenc Bartha	BD member	01/05/2003	30/04/2006	0	0
SB	Dr. Zoltán Varga	SB Chairman	01/05/2003	30/04/2006	0	0
SB	Dr. Christian Riener	SB member	01/05/2003	30/04/2006	0	0
SB	Dr. Christoph Herbst	SB member	08/09/2004	30/04/200	0	0
SB	Judit Bankó	SB member	11/04/2002	11/04/2005	0	0
SB	Attila Balázs	SB member	01/05/2003	30/04/2006	0	0
SB	Bertalan Fejes	SB member	01/05/2003	30/04/2006	0	0
SP	László Kovács F.	Chief Executive Officer	15/04/1991	31/12/2008	6,000	1,306,605
SP	Dr. János Illéssy	Finance Director, Deputy CEO	01/08/2004	Indefinite	1,000	0
SP	Dr. Zoltán Gazdik	Controlling Director, Deputy CEO	01/05/2001	31/12/2006	1,000	125,000
SP	Tamás Purzsa	Technical Director, Deputy CEO Business Line Manager	01/02/2000	31/12/2007	2,000	548,304
SP	Gyula Gaál	Business Line Manager	01/10/1999	31/12/2007	5,000	273,321
SP	Dr. István Szakállas	Business Line Manager	01/01/1998	31/12/2007	1,010	250,000
SP	András Seres	Business Line Manager	01/04/1998	31/12/2007	525	314,983
SP	László Szentmiklóssy	Business Line Manager	01/04/1998	31/12/2007	1,000	349,981
SP*	István Szilágyi	Business Line Manager	01/01/2005	31/12/2005	0	69,996
SP	Béla S. Varga	Purchase Director	01/09/1997	31/12/2007	0	373,362
SP	János Szabó	Services and Investment Director	01/01/2003	31/12/2007	1,005	250,000
SP**	Gergely Gyurácz N.	HR Director	01/09/1991	31/12/2004	1,000	250,000
SP	László Kézdi	Isocyanate Sales Director	01/05/2002	31/12/2006	500	116,660
Own share on aggregate (pc):					21,040	4,228,212

* Since January 01 2005, István Szilágyi has been occupying a position as the Manager of the Compound Business Unit.

** Gergely Gyurácz N., HR Director's engagement has been terminated with the effective date of January 01 2005 due to his retirement.

¹ Strategic position (SP), Board of Directors (BD), member of the Supervisory Board (SB)

Corporate Governance

In 2004 the Budapest Stock Exchange ("BSE") published a document entitled "Corporate Governance Recommendations" in which it laid down best practice guidelines for issuers listed on the BSE.

On 29 March 2004 the Company issued – on a voluntary basis- a corporate governance declaration in which it expressed its intention to comply with the aforementioned recommendations (Resolution of the Board of Directors No. 11/2004).

By passing Resolution of the Board of Directors No. 30/2004 (dated 30 June 2004) BorsodChem made a disclosure on its corporate governance arrangements.

In order to improve the Company's corporate governance system and to meet the expectations of the BSE the Board of Directors, with contribution from the management, made a task list which aimed to achieve full compliance with the above recommendations by 31 December 2004. By now the Board can declare that the Company's governance system has been improved so that today it is almost fully in compliance with the recommendations. This development include the following elements.

By passing Resolution No. 54/2004, the Board of Directors established an audit, a nomination, a remuneration and a strategy committee of the Board of Directors.

By passing Resolution No. 55/2004, the Board of Directors preliminarily and unanimously approved the rules of procedure of each committee, requesting that members make proposals for amendments following a deeper analysis. The rules will take their final form by utilizing the experience gained during the operation of the committees.

By Resolution No. 56/2004 the Guidelines for Disclosure by the Company were approved, and by Resolution No. 57/2004 the Guidelines on Insider Dealings were also accepted.

On 8 September 2004 BorsodChem's General Meeting amended the Company's Articles of Association in order to incorporate all material provisions of the corporate governance recommendations of the Budapest Stock Exchange relating to the conduct of general meetings. Further, the Company's Board of Directors approved the detailed Rules of Procedure of the General Meetings in a separate document which includes all provisions of the recommendation of the Budapest Stock Exchange relating to the general meeting with its Resolution No. 64/2004.

In its Resolution No. 63/2204 the Board of Directors approved BorsodChem's Code of Ethics. The document contains basic principles concerning the ethical standards of

both the senior executives of the Company and Management and employees as well as the relations of the Company as a legal entity.

Owing to the fact that BorsodChem Rt. is also listed on the Warsaw Stock Exchange (since 8 October, 2004) the Company has to comply with the corporate governance recommendations of the Warsaw Stock Exchange. Accordingly, the Company made a corporate governance declaration for the Warsaw Stock Exchange pursuant to Resolution of the Board of Directors No. 67/2004.

BorsodChem Rt. makes every effort to comply with all relevant legal regulations as well as all rules and expectations set forth by the Stock Exchanges on which its shares are listed which are reasonable and justified in light of the Company's status as a company with multi-jurisdictional operation the country of registration of which is Hungary.

Foreign exchange risk

A major part of BorsodChem Group's sales revenues and costs are either generated in foreign currencies or priced in foreign currency. As a result, the current exchange rate has an influence on the Company's profit as well as on its cash flow.

Since the Company is aware of the related risks foreign exchange exposure is assessed on a continuous basis and actively managed in accordance with the risk management guidelines approved by the Board of Directors.

Main elements of the guidelines approved by the Board of Directors and implemented by the Management:

- Foreign-exchange risk management is basically cash-flow-oriented, meaning that the subject of risk management is the resultant of cash flows in operations, investments and debt service.
- The time scale of means that may be applied in risk management is a maximum of one year.
- The types of derivative financial means that may be applied are specified in the guidelines.
- The value of business transactions that can be entered at the various levels of the management is limited, 60% of the exposure falls within the competence of the Management, while the remaining part is in the competence of the Board of Directors.
- The Company may use derivative financial products exclusively for the purposes of risk management, expressly excluding any speculative transaction.
- The actual situation of open functional and financial positions, as well as measures and concepts projected for the future are reported to the Board of Directors on a monthly basis.

Since 2001, the year when the Hungarian Forint band was expanded, the BorsodChem Group has been using foreign-exchange risk management to abate the unpredictable impact of the exchange rate movements on the operating profit.

Concerning the 2004 year the BorsodChem Group -continuously analyzing trends in the Forint exchange rate- started the year with considerable open forward positions (EUR 139.5 million). Since March 2004, the gradual strengthening of the Forint has not been beneficial to the profit generating capacity at the operating level, yet at the same time offered certain compensating opportunities through the closing of open forward positions. In 2004, a consolidated financial (cash) profit of HUF 2.6 billion was realized with accounting earnings generated by revaluation which significantly improved both the pre-tax and net profit of the Company.

The Company's express aim is to increase natural coverage that is to channel Forint-based purchases into EURO and USD base. Applying this purchase policy, the Group's foreign-exchange exposure can be mitigated with no additional risk, the size of the area which has to be brought into the process of risk management. Further, the purchase policy of the Company consciously aims at finding alternative suppliers for the base materials of strategic importance and keeping several contractual options open.. In accordance with this approach in 2004 the Company worked with three suppliers of ethylene, three suppliers of liquefied chlorine and four sources of nitric acid.

As the Company has a long position in EURO, that is the majority of its sales revenues are EURO-based, when taking out loans it prefers facilities in EURO. At the same time, the Company does not employ financial derivatives on the foreign-exchange exposure of the balance sheet, nor on interest-rate risks.

Naturally, in order to protect its production facilities, BorsodChem Group holds high-standard property insurance as can be expected from a company involved in the chemical industry which covers these facilities at their new values at the group level.

Closely connected with the above property insurance, security is further ensured by shut-down insurance, covering 24 months altogether, this offers the potential to maximally compensate for lost profit of any period occurring as a consequence of any insurance incident and for the fixed expenses incurred in such a period, including the costs of labour and the related charges.

Prospects

For 2005 the Management anticipates a peak in the chemical industry cycle, and thus expects healthier price rates despite relatively high raw materials prices and consequently a more stable profit generation. Further, the conditions underlying the financial year of 2005 will differ from the previous year as the new production capacity expansions implemented in the TDI, VCM and PVC lines will influence sales revenues and profit generation throughout the year.

2005 will be the first year when two oxyhydrochlorination units, as a part of the VCM capacity expansion programme, will be jointly operated at the Company significantly enhancing the safety of the plant operations thereby.

After many years, 2005 will be the first year when BorsodChem will have the opportunity to secure the whole of its ethylene demand by way of pipeline transport - thus VCM production will not be hindered by periodical ethylene shortages.

As the Company has not scheduled maintenance activities requiring general stoppage for 2005, it does not have to consider any long-term downtime in production or sales revenues and anticipates a steady level of production and operations.

According to the Company's declared strategy, investments launched in 2004 will be continued as projected, and the targeted value for consolidated investment performance is expected to approximate HUF 42 billion.

Overall, the BorsodChem Group expects to operate in 2005 under well-balanced, healthy conditions in supply and demand achieving greater sales revenues and margins owing to the its advantageous product portfolio.

Report of the Supervisory Board of BORSODCHEM RT.

The Supervisory Board has finalized its report on the meeting held on 07 April 2005, according to the followings.

In line with the obligations determined by the company law the Supervisory Board checked continuously the activity of the management of the Company during the year. Within the frame of this, beside the oral information with the help of the received written materials, the SB paid attention to the occurrent problems, efforts made for solution thereof. Through the reports of the Audit and Organisational Office the SB controlled the implementation of the internal regulations and orders. Chairman of the Supervisory Board, as a constant invitee, took regularly part in the meetings of the Board of Directors. Also Members of the Supervisory Board visited the meetings of the Board several times.

High level work of the Board of Directors and the management contributed significantly to the achieved results. In 2004 the Board of Directors held meeting 7 times and carried altogether 77 resolutions.

Increase of the Company's wealth, the investment and development plans founding market efficiency in the future, following the investments in progress, as well as the evaluation of the completed project have strongly been emphasized on the meetings. Surveys on the investment opportunities were also part of work of the Board of Directors.

Issues in connection with environmental protection, participation in the decontrolled energy market, innovation activities as well as own patents were among the items of the agenda.

The conservative and rational management provided a well-balanced liquidity for the Company during the year. Characteristics of the management of the Company are consciousness and demand for high standards, its operation was carried out in accordance with the approved conception.

The activity of the Audit and Organisational Office helped the work of the Supervisory Board. The examinations, which were determined in the annual

work plan of the Office, contributed to the elimination of the lacks in the management, to the implementation of the internal regulations and orders as well as to the strengthening of the discipline in the documentation and work. The conditions, regarding both personnel and assets, were given so that the office could operate.

BorsodChem Rt. was managed successfully. According to the statements of the independent audit report, Report of BorsodChem for 2004 has been compiled in compliance with the Accountancy Law.

Based on the above the Supervisory Board, agreeing with the clause of the independent auditor, considers the annual report to be in line with the Accountancy Law and to the general accounting standards and suggests the General Meeting to approve it.

The Supervisory Board suggests furthermore the approval of the Report of Board of Directors and the proposal regarding the profit allocation.

In course of the year 2004 the Board of Directors made significant arrangements in field of the development of the corporate governance system of the Company. The Board, in compliance with the recommendations of the Budapest Stock Exchange Co. Ltd. on the corporate governance, established its Audit, Nomination, Remuneration and Strategy committees at the end of 2004. These committees operate as work committees of the Board of Directors, their tasks are the controlling, decision preparation for the Board of Directors, as well as to encourage the successful operation of the Board, serving the shareholders' interest, through initiating suggestions. The committees did not hold any meeting yet in 2004. Considering that Chairman of the Supervisory Board take also part in the operation of the committees, with the establishment of the committees it can be expected that controlling function of the Supervisory Board shall also be stronger.

It has to be stressed among the steps taken by the Board of Directors regarding the corporate governance, that in 2004 the Board of Directors approved the Company's regulations on the publication and the insider trading as well as approved the rules of procedure of the General Meeting and the Company's ethic codes.

Budapest, 07 April 2005

Dr. Zoltán Varga
Chairman of the Supervisory Board

BORSODCHEM RT.

RULES OF PROCEDURES OF THE SUPERVISORY BOARD

APRIL 29, 2005

RULES OF PROCEDURES OF THE SUPERVISORY BOARD OF BORSODCHEM RT.

I.

RESPONSIBILITIES OF THE SUPERVISORY BOARD

1/ The Supervisory Board (or “SB”) oversees the work of the Company’s Board of Directors and the operation of the Company on behalf of the General Meeting.

2/ The Supervisory Board performs its functions as a collective body in accordance with the Companies Act, the Articles of Association, the resolutions of the General Meeting and the provisions of these rules of procedure.

3/ Responsibilities of the Supervisory Board

3.1 Responsibilities of the Supervisory Board include amongst others

- to review the annual balance sheet, the profit and loss statement of the Company and the proposal regarding the payment of dividend and to prepare a written report on the foregoing for the General Meeting,
- to review the interim balance sheet of the Company prepared in connection with acquisition of treasury shares, payment of interim dividend or increase of the registered capital out of the capital reserves of the Company and to prepare a written report on the foregoing for the General Meeting, and/or the Board of Directors,
- to review all major commercial policy reports on the agenda of the General Meeting, and all proposals relating to issues which fall within the exclusive scope of competence of the General Meeting and to prepare a written report on the foregoing for the General Meeting,
- to initiate the prompt convocation of the General Meeting if it discovers any act or abuse which infringes the applicable laws, the Articles of Association or the resolutions of the General Meeting or which materially harms the interests of the Company,
- to report on the findings of its operation, including its experiences gained in connection with the operation of the committees of the Board of Directors- at least once a year to the General Meeting with a simultaneous provision of information on the foregoing to the Board of Directors.

3.2 The Chairman of the Supervisory Board shall attend the General Meetings of the Company and he shall procure that such a number of the Supervisory Board are present at the General Meetings as is necessary for the due passing of resolutions by the SB in order to respond to the issues raised at the General Meeting.

The Chairman of the SB or the person designated by him (for a specific case or for a given period) shall attend the meeting of the Board of Directors with a right to speak.

3.3 If the General Meeting is convened by the Board of Directors, the proposed agenda of the General Meeting must be communicated to the Supervisory Board prior to the publication of the notice on the convocation of the General Meeting. The Supervisory Board shall be entitled to propose the amendment of the agenda within 8 days of the foregoing attaching the draft resolution of the General Meeting relating to its proposed amendment.

II.

MEMBERS OF THE SUPERVISORY BOARD

- 1/ Members of the Supervisory Board shall be elected by the General Meeting –in the case of the employee representatives upon the nomination by the works council- in such numbers and for such terms as prescribed in the Articles of Association.
- 2/ On the date of these rules of procedure according to the Articles of Association the Supervisory Board has 3-6 members 1/3rd of whom (currently 2 members) are employee representatives. The term of office of the members of the Supervisory Board shall be 3 years from the date of their election unless the applicable resolution of the General Meeting provides otherwise. The members shall accept their election in a written statement in which they declare that no statutory disqualification applies to them.

Prior to their election the members of the Supervisory Board shall notify the Board of Directors of their membership held in other Supervisory Boards. Subsequent to their election to the SB of the Company the members shall give notice to the Board of Directors within 15 days of their election to a Board of Directors or Supervisory Board of other companies.

- 3/ In accordance with Act CXLIV of 1997 On Business Associations, a person may not become a member of the Supervisory Board if he
 - has been sentenced to imprisonment by a final court judgment due to the commission of a crime until such person is relieved from the legal consequences of his criminal record,
 - has been barred from a certain profession by a final court judgment if the Company pursues the activity indicated in such judgment during the force of such sentence,
 - or one of his close relatives is a member of the Board of Directors of the Company,
 - is an executive officer or a member of the Supervisory Board of a business association with a business line which is also pursued by the Company unless the Articles of Association of the Company allows or if the General Meeting consents to the foregoing.
- 4/ The member whose membership on the Supervisory Board may not be maintained due to a change in his personal circumstances – including if he is prevented from performing his duties for a prolonged period- shall report the foregoing in writing promptly to the SB and to resign from his position.
- 5/ The membership of SB members shall terminate upon
 - the expiry of their term of office;
 - their removal (employee representatives may only be removed upon the initiative by the works council);
 - resignation,
 - the occurrence of a disqualifying event described in the companies act,
 - their death.
- 6/ Members of the SB may resign from their office at any time, however, if the operation of the Company so requires, the resignation shall only become effective on the 60th day following the declaration of resignation unless the General Meeting elects a new member to the SB prior to that

date. Until the effective date of the resignation, the member of the Supervisory Board shall take part in the making of urgent decisions and the performance of such duties.

7/ Each member of the Supervisory Board shall be entitled/required to

- take part in the work of the Supervisory Board and through his active involvement to advance the successful operation of the Company,
- take part in the investigations and reviews scheduled or conducted by the SB,
- attend the meetings of the SB and to make proposals for the agenda of the meetings relating to any issues regarding the Company,
- request the recording in writing his dissenting opinion in the minutes of the meeting of if he disagrees with a proposal at the meeting of the SB and he maintains his position even after the discussion of that issue,
- propose the convocation of the meeting of the Supervisory Board if he thinks such convocation necessary,
- inform the Supervisory Board of any fact he learns and which has a detrimental effect on the operation of the Company, the management of its assets or administration,
- represent the SB at the request of the Chairman of the Supervisory Board or the SB on events or at meetings organized by the Company.

8/ Members of the SB shall maintain the confidentiality of all information they learn in connection with the performance of their tasks; this obligation shall survive the termination of their membership on the Supervisory Board.

9/ The employee representative participating in the work of the Supervisory Board shall inform the employees of his work performed as a member of the Supervisory Board without infringing any business secrets. The scope of business secrets shall be defined by the Chairperson of the SB in accordance with the applicable laws.

The employee representative members of the Supervisory Board shall have the same rights and shall be subject to the same obligations as the other members of the Supervisory Board.

If the opinion of the employee representatives unanimously diverges from the majority opinion of the Supervisory Board the opinion of the employee representatives must be disclosed at the General Meeting.

10/ Members of the Supervisory Board may only exercise their rights and discharge their obligations in person, it is not possible to attend the meeting of the SB via a proxy.

11/ Members of the SB may not be given instructions either by the shareholders or the Board of Directors of the Company in their capacity as members of the SB.

12/ Members of the Supervisory Board shall carry out their supervisory tasks with an increased care. The members of the SB shall bear joint, several and unlimited liability for the damage caused to the Company by a breach of their duties.

13/ Members of the Supervisory Board shall receive monthly compensation in an amount set by the General Meeting which shall be due and payable by the 10th day of the next month via bank transfer to the bank account designated by the members of the SB.

14/ Members of the SB shall be entitled to request the reimbursement of the reasonable costs they incurred in connection with the operation of the SB (travel expenses, accommodation, petty expenses, other justified costs) within a maximum of 30 days from the date of their maturity in accordance with the financial and accounting rules of the Company. The payment of the aforementioned amounts shall be approved by the Chairman of the SB, and in the case of the Chairman of the SB by the Chairman of the Board of Directors. In case of a dispute the payments shall be approved by the Board of Directors.

III.

SUPERVISORY POWERS OF THE SUPERVISORY BOARD

- 1/ The Supervisory Board performs its functions on the basis of an annual work plan which is prepared for the business year of the Company.
- 2/ The supervisory powers of the SB includes the supervision of the operation of the Company and the Board of Directors from a legal as well as an efficiency perspective, however, the Supervisory Board shall not be involved in the operative management of the Company and it shall not be entitled to issue instructions to the Board of Directors.
- 3/ The SB may assign the performance of certain of its monitoring tasks to any of its members and it may also divide these responsibilities between its members on a permanent basis. Such a division of responsibilities, however, shall not affect the liability of the members of the SB or the right of the members to extend their monitoring to other areas falling within the scope of the SB's supervisory powers.
- 4/ The SB shall be entitled to engage outside advisors at the expense of the Company to perform its functions if it is justified.
- 5/ The Supervisory Board shall be entitled to request information or report from the members of the Board of Directors or the executive employees of the Company and it may inspect the books and other documents of the Company. If the Supervisory Board is of the view that that the operation of the Board of Directors is in breach of the applicable laws, the Articles of Association or the resolutions of the General Meeting or otherwise harmful to the interest of the Company or its shareholders, the Supervisory Board shall be entitled to convene the General Meeting and make a proposal for its agenda.
- 6/ The Supervisory Board conducts *scheduled investigations* on the basis of its annual work plan and *targeted investigations* if so required during the business year. The scheduled and the targeted investigations shall be carried out either by the SB itself or the Controlling Office of the Company. The Controlling Office of the Company shall send its written reports prepared on the investigations it conducted to the Chairman of the SB.

The head of the organizational unit subject to an upcoming investigation shall be informed in due time of the investigation.

On the targeted investigations of the Supervisory Board outside the scope of the scheduled investigations minutes must be taken or a report must be prepared which must be communicated to the persons affected and it must also be delivered to the Board of Directors. Interested persons may comment the content and conclusion of the investigation.

The head of the organizational unit affected by the investigation may be present at the investigation/review and may comment the conclusions drawn from the investigations.

Investigations must be scheduled and carried out in such a way that they may be discussed at the next ordinary meeting of the SB following their closing. An extraordinary meeting of the SB must be initiated if the conclusions of the investigations so necessitate.

- 7/ While the Audit Committee of the Board of Directors is a body responsible for the overseeing of the operation, the systems of internal controls and the management of the Company on behalf of the Board of Directors, the responsibility of the Supervisory Board is the monitoring of the work of the Board of Directors on behalf of the General Meeting.

In order to avoid any potential parallel activity by the Audit Committee of the Board of Directors and the Supervisory Board owing to their respective responsibilities the Chairman of the Supervisory Board shall attend the meetings of the Audit Committee with a right to speak and the Audit Committee shall provide a written report on the experiences of its work to the Supervisory Board at least quarterly. In order to avoid overlaps, the Board of Directors and the Supervisory Board shall touch base in setting up their annual work plan as well as throughout the business year regarding their planned investigations to be carried out via the internal control system of the Company.

IV.

OPERATION OF THE SUPERVISORY BOARD

- 1/ At the first meeting of the Supervisory Board when no Chairman is elected yet the members of the SB shall elect a Chairman from among its members. The responsibility of the Chairman shall include amongst others:

- coordination and direction of the work of the Supervisory Board as a collective body,
- representation of the standpoint of the Supervisory Board at the General Meetings and vis-à-vis third parties; the Chairman of the Supervisory Board shall designate a member of the SB to represent and communicate the views of the SB at the General Meeting and the meetings of the Board of Directors in case he were unable to attend the foregoing,
- convocation of the SB, securing the technical conditions of the meetings, chairing the meetings; if the Chairman does not attend a meeting he shall designate a member of the SB to chair the meeting in his absence,
- administration of circular resolutions (voting in writing),
- safekeeping of the documents of the SB with the assistance of the Secretary of the SB,
- participation in the work of the Committees of the Board of Directors in accordance with the applicable rules of procedures,
- taking any and all acts which are necessary to secure the continuous and lawful operation of the Supervisory Board in accordance with the applicable laws.

In case the Chairman is hindered in performing his duties, his duties shall be performed by an SB member designated by the Chairman (whether for a specific case or for a certain period of time). If is possible the Chairman should provide prior written notice of his being prevented from discharging his duties also indicating the cause and duration thereof, to the Chairman of the Board of Directors and the members of the Supervisory Board.

- 2/ The meetings of the Supervisory Board shall be held as required but at least four times a year.

The Supervisory Board shall hold its meeting within 30 days but at least 16 days prior to the Annual General Meeting and in other cases quarterly.

3/ At its meetings the SB shall discuss:

- the summary reports of the Board of Directors prepared on the operation and financial position of the Company and delivered to the SB,
- the report of the Chairman regarding issues relating to the tasks of the SB which have arisen since the last meeting of the SB including the experiences of the Chairman regarding the work of the Committees of the Board of Directors,
- the reports on investigations,
- the proposal made by the members of the SB.

4/ Meetings of the Supervisory Board shall be convened by the Chairman of the SB via sending written invitation thereto. Further, any member of the SB shall also be entitled to initiate the convocation of the meeting of the SB in writing specifying the reason and the aim of the proposed meeting. The Chairman shall arrange for the convocation of the meeting within 8 days for a date within 30 days. If the Chairman fails to comply with his aforementioned duty the member initiating the convocation of the meeting shall himself be entitled to convene the meeting.

5/ The invitation must set out the date and time, place and agenda of the meeting. The member proposing a given item of the agenda must prepare a detailed written – or in expressly justified situation verbal- proposal regarding the relevant item on the agenda. The member making a proposal shall be required to submit the related written documents in such time that it do not hinder the decision-making by the Supervisory Board.

Apart from extraordinary cases the invitation must be sent to the members of the SB in a documented form (e.g. letter, e-mail or fax) and delivered to the members at least 8 days prior to the proposed date of the meeting.

6/ In extraordinary cases the meeting of the Supervisory Board may also be convened by telephone or any other means of telecommunication without complying with the 8-day deadline requirement set out in the preceding paragraph. However, such a meeting of the Supervisory Board will only have a quorum if (i) it can be established by appropriate evidence (e.g. fax or e-mail return receipt notice) that all members of the Supervisory Board have been notified of the date and time and the agenda of the meeting of the Supervisory Board, and (ii) the majority of the members of the Supervisory Board attend such a meeting and none of the members present object the holding of a meeting.

The place and venue of the meetings of the Supervisory Board shall be set by the Chairman of the Supervisory Board.

7/ Meetings of the Supervisory Board may be attended by any person with a right to speak whose attendance of the meeting is considered necessary by the Chairman of the Supervisory Board and who are invited thereto accordingly.

8/ In specific cases the Chairman of the Supervisory Board may order a closed meeting which may be attended by the members of the Supervisory Board only.

9/ The meeting of the Supervisory Board shall have a quorum if at least 2/3 of its members but at least 3 members are present at the meeting.

For the purpose of the quorum requirements a member of the Supervisory Board shall also be regarded as being present if he takes part in the meeting by way of such telecommunication means (telephone, video, etc.) which enables him to follow the meeting continuously and simultaneously as well as to expose his opinion relating to the meeting immediately. In these cases the member chairing the relevant meeting of the Supervisory Board shall verify the identity of the members attending the meeting as described above as necessary.

If the meeting in inquorate, the meeting shall be reconvened for a date at least 3 days after the original date. The repeated meeting of the Supervisory Board shall have a quorum if at least 2/3 of its members but at least 3 members are present at the meeting.

10/ Each members of the Supervisory Board shall have one vote and the members may only vote in person. Voting at the meetings shall take place in open voting. The Chairman may order secret voting if a member proposes it. In the case of a tie vote the proposal shall be considered rejected.

11/Minutes must be taken of the meetings of the Supervisory Board. The minutes shall set out:

- the place, date and time of the meeting of the Supervisory Board and the names of those present at the meeting with an indication of their respective functions,
- items on the agenda,
- a summary of the comments, amendments and proposals relating to the items on the agenda,
- the outcome of voting,
- the resolutions passed,
- the signature of the keeper of the minutes and the Chairman of the Supervisory Board as attestors of the minutes.

If a member so requests, the reasons of his abstention or vote against a proposal must be recorded in the minutes of the meeting of the Supervisory Board. The minutes shall be sent by the Chairman to the members of the members of the Supervisory Board, the Chairman of the Board of Directors and the auditor.

The minutes of the meeting of the SB mst be signed by the Chairman and the keeper of the minutes.

12/ To assist the work of the Supervisory Board a Secretary will help its operation who will be employed by the Company on the basis of a labour law relationship. The Secretary shall be responsible for the management of the administrative aspects of the work of the Supervisory Board, including convocation of the meetings of the Supervisory Board, preparation of the minutes of the Supervisory Board and the related documents. The Secretary of the Supervisory Board shall also be responsible for the document management of the Supervisory Board - as a part of the foregoing it shall affix to the documents an identification number and date (year, month and date) and organize and file them accordingly.

The Secretary shall be designated by the Chief Executive Officer of the Company after having requested a proposal from the Chairman of the Supervisory Board. The availability of the Secretary and the technical conditions of the operation of the Supervisory Board shall be secured by the head of the Secretariat of the Board of Directors.

13/ Passing resolutions by the Supervisory Board without holding a formal meeting

- 13.1 The Supervisory Board shall also be allowed to pass resolutions without holding a formal meeting provided that a majority of the members of the Supervisory Board cast their votes. In such cases a resolution will be validly passed if it receives a simple majority of the votes cast. In the case of a tie vote the proposal shall be considered rejected.
- 13.2 Draft resolutions proposed to be approved without holding a formal meeting must be communicated to the members of the Supervisory Board in writing by setting an eight-day deadline to cast their votes in writing (e.g. via post or fax).
- 13.3 It is not necessary to wait until the receipt of all votes if (i) it can be established by appropriate evidence (e.g. fax or e-mail return receipt notice) that the draft of the resolution proposed to be approved has been delivered to all members of the Supervisory Board, and (ii) if following receipt of 50% + 1 vote the approval or rejection of the proposal may be clearly established which result may not possibly change even after all votes are received. The Chairman of the Supervisory Board shall inform the members of Supervisory Board of the result of such voting in writing.
- 13.4 If in connection with a voting relating to a proposal proposed to be approved without holding a formal meeting a member of the Supervisory Board so requests the meeting of the Supervisory Board must be convened in accordance with the general rules set out above. The requested meeting of the Supervisory Board must be held even if a resolution has already been validly approved in accordance with 13.3 above meanwhile without the participation of the member of the Supervisory Board initiating the holding of a formal meeting in the voting which has resulted the approval of the said resolution.
- 14/ If the number of the members of the Supervisory Board falls below the number set out in the Articles of Association (3) or if there is not anybody who could convene the meeting of the Supervisory Board, the Board of Directors shall convene the General Meeting in order to restore the lawful operation of the Supervisory Board.

V.

MISCELLANEOUS

- 1/ These rules of procedure and their amendments shall be approved by the General Meeting and they will enter into force on the day following the aforementioned approval by the General Meeting.
- 2/ For the purposes of these rules of procedures the contact details of the members of the Supervisory Board are set out in Schedule 1 attached hereto. These contact details may be modified by a notice to the Chairman of the Supervisory Board by the relevant person.
- 3/ As of the approval of these rules of procedures the rules of procedures of the Supervisory Board dated 2 April 2001 shall be repealed.

Budapest, April 29, 2005

Dr. Zoltán Varga Chairman of the Supervisory Board	[*] Secretary of the Supervisory Board

Members:

.....
Attila Balázs	Dr. Zoltán Varga
.....
Bertalan Fejes	Judit Bankó
.....
Dr. Christian Riener	Dr. Christoph Herbst

These rules of procedures were approved by:

Resultion of the Supervisory Board No. 10/2005 (April 07, 2005)

Resolution of the General Meeting No. [*]/2005

Schedule 1

Members of the Supervisory Board

Name	Date of election/re-election of the member of the SB	Postal address (Home address)	Phone number(s)	Fax number(s)	E-mail address
Dr. Zoltán Varga	01.24. 2001 (01.05.2003)	Budapest, Pf. 394 1537 Budapest		457-6833 212-1429	 zovarga@cib.hu
Mr. Attila Balázs	01.05.2003	3700 Kazincbarcika, Bartók B. u. 46.		48/511-467	Balazs.Attila@borsodchem.hu
Ms. Judit Bankó	11.04.2002 (01.05.2003)	1126 Budapest, Szendrő köz 3/B		462-7773	jbanko@gbt.hu
Mr. Bertalan Fejes	01.05.2003	3700 Kazincbarcika, Ságvári tér 3 I/5.		48/511-109	Fejes.Bertalan@borsodchem.hu
Dr. Christoph Herbst	08.09.2004	Franz-Josefs-Kai 3. A-1010 Vienna Austria		43-1-513-9540 43-1-513-9540-12	christoph.herbst@hww.at
Dr. Christian Riener	01.05.2003	Annagasse 6 A-1010 Vienna Austria		43-1-514-17142 43-1-514-17300	riener.c@vcpag.com