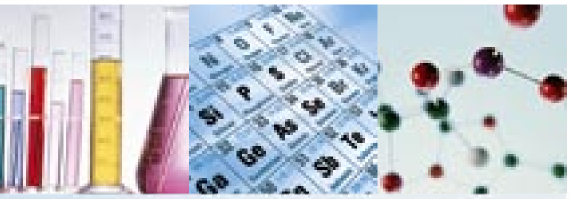
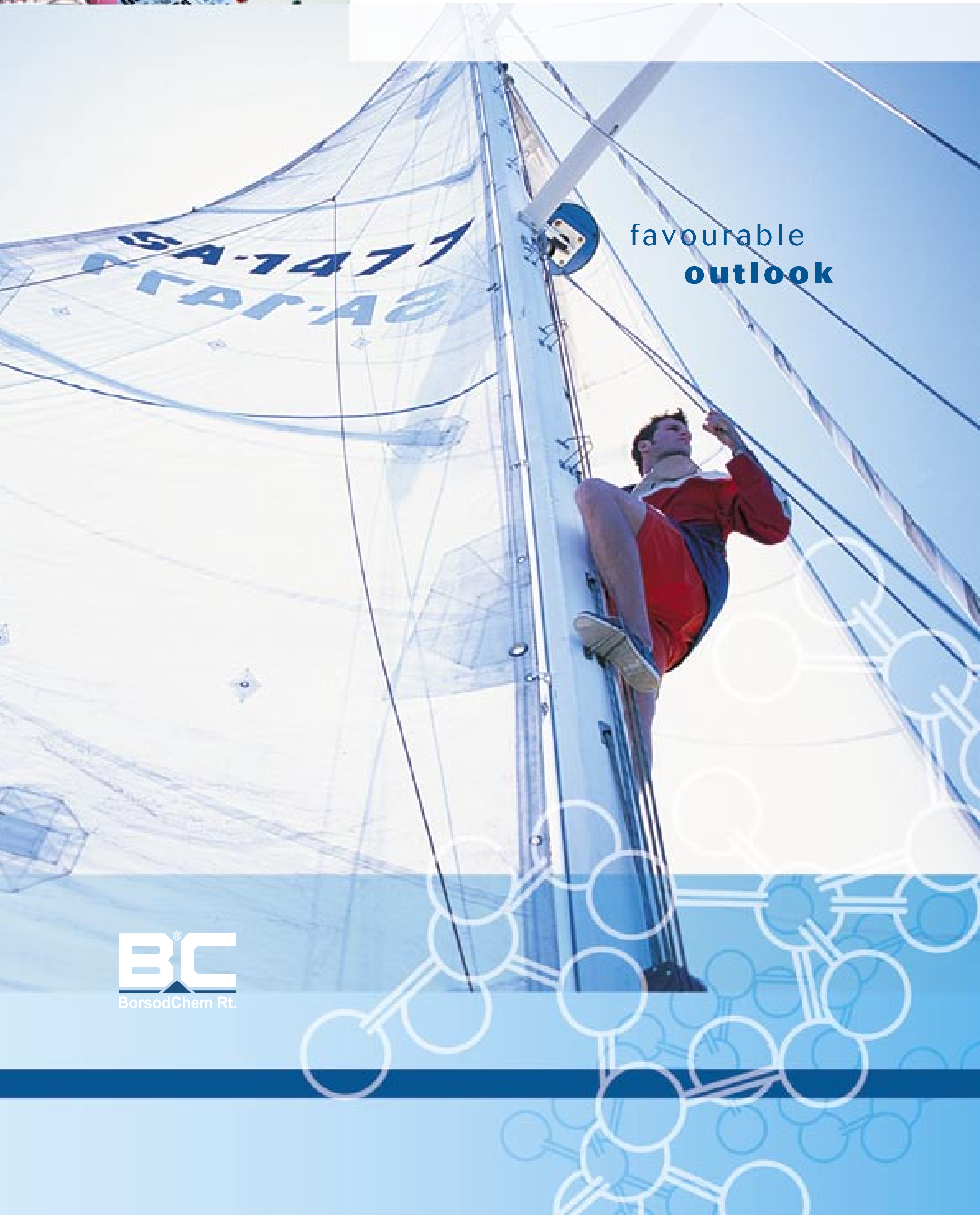


Annual Report **2004**



favourable

outlook

BorsodChem Rt.

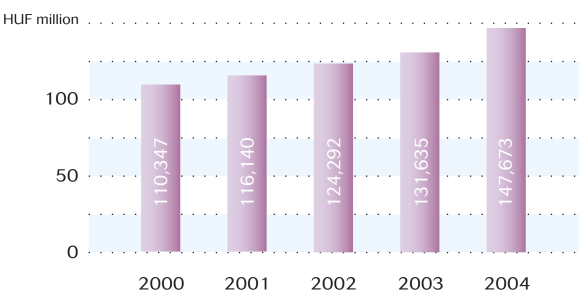
FINANCIAL HIGHLIGHTS

	2003 HUF (M)	2003 Euro (th)	2004 HUF (M)	2004 Euro (th)	Change EUR (%)
Net sales, turnover	131,635	519,291	147,673	586,726	13.0
Operating profit	13,108	51,710	11,273	44,789	-13.4
Profit before taxes and profit share	6,593	26,009	18,489	73,459	182.4
Net profit	6,366	25,113	17,147	68,127	171.3
Return on Equity (ROE) %	5.7%	5.7%	13.9%	13.9%	143,9
Earnings per share (HUF or EUR)	103	0.4	226	0.9	125.0
Dividend per share (HUF or EUR)	52	0.2	48	0.2	0.0

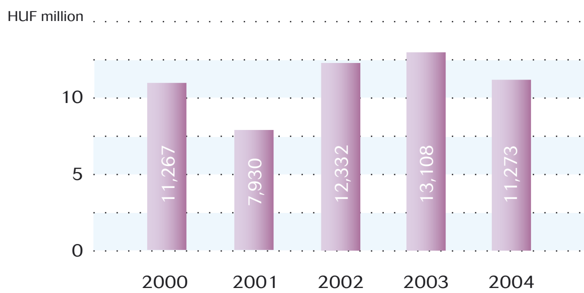
	2000	2001	2002	2003	2004
Net sales, turnover (HUF M)	110,347	116,140	124,292	131,635	147,673
Operating profit (HUF M)	11,267	7,930	12,332	13,108	11,273
Earnings per share (HUF)*	220	129	200	103	226
Dividend per share (HUF)*	32	30	24	44	52

* For comparability, figures are calculated based on the face value of share as at 2004

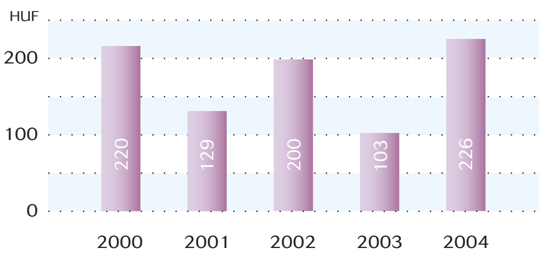
Net sales, turnover



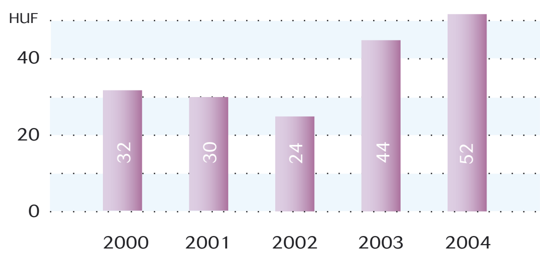
Operating profit



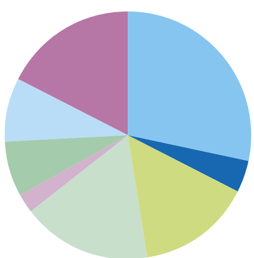
Earnings per share*



Dividend per share*

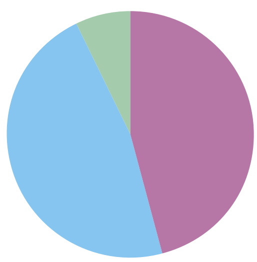


Composition of sales by product groups for 2004**



PVC resin	28.6%
Compounds	3.9%
MDI	15%
TDI	17%
Caustic Soda	2.5%
Aniline	7.2%
Plastic finished and semi-finished products	8.5%
Other production and services	17.3%

Net sales income by market relations in 2004**



Western Europe	46.0%
Domestic, Central and Eastern Europe	46.9%
Other	7.1%

** On consolidated basis

CONTENTS

Dr. Heinrich Georg Stahl
Chairman of the Board
of Directors

TO THE SHAREHOLDERS OF BORSODCHEM RT.

Dear Shareholders,

The year 2004 was characterized by exceptional growth, success and emerging opportunity for BorsodChem. The achievements the Company made through organic growth last year are now yielding profits to a diversified investor base. The efficient production of performance quality products coupled with BorsodChem's international standard of corporate governance and responsibility have secured the Company's position as a leading Central European chemicals player. In the preceding years a solid foundation was laid to accelerate shareholder value creation, which will in turn place the Company on a continuing path of growth and development.

Last year, BorsodChem achieved a record 17.2 billion after-tax profit a 270% growth compared to the same period of 2003. The record performance resulted from the Company's long-term strategy and decision on investment into further capacity expansion and full utilization. This decision was implemented under a highly skilled management team, which started yielding results from the second half of last year and further aided by a healthy demand in the global chemicals markets. The Company's year-on-year sales rose by 12.4% to HUF 147.9 billion, which was primarily driven by increasing demand for our high value added isocyanate products and commodity chemicals.

These results were achieved in spite of several negative tendencies on both international and domestic markets, such as record high crude oil prices and its derivative products coupled by a strong domestic currency. However, a strong performance in the chemicals market and increased demand for our products allowed the Company to pass through the impact of increased feedstock prices. Benefiting from a strong demand in unison with rising prices in MDI, increased PVC product prices and stable TDI pricing all ensured expanding margins for 2004. These exceptional margins compensated for the essential maintenance shutdown, which management introduced on a biannual basis. Management further took the opportunity during the shutdown to successfully increase capacity in order to minimise lost production time.

The year 2004 saw many changes for BorsodChem and for the first time Standard and Poor's initiated rating coverage with a BB stable. We expect that this rating will be further reviewed this year. The Company further put its focus and determination in complying with the Corporate Governance Recommendations of the Budapest Stock Exchange in meeting the demands, trust and faith of the investor community.

The second half of the year marked a renewed era for BorsodChem. September and October saw the Company's majority owner, Vienna Capital Partners (VCP), sell its 67.76% stake in the Company through its subsidiaries to both international and domestic institutional investors. VCP thus reduced its total holdings from 91.17% to 23.41% in October 2004. With this move BorsodChem was reopened to a vastly wider range of investors and re-established as a leading 'Blue Chip' Company on the Budapest Stock Exchange. At the same time, to diversify the shareholder base, BorsodChem's shares were listed on the Warsaw Stock Exchange, a move which further reflects the Company's vision and identity as a truly Central European Company, a region where management believes the markets will maintain strong growth trends surpassing those of Western Europe. While BorsodChem continues its primary strategy of organic growth, the Company will continue to examine further integration opportunities as they arise. Consolidation of the Central and Eastern European chemicals sector is inevitable and the Company intends to play a leading role in this process.

The capacity expansion programme, which was implemented in order to take advantage of the growing demand for chemical products and to leverage our existing production synergies, has proved to be a sound decision. The Company is well underway to completing its dynamic investment plans. Last year, nameplate capacity of PVC, TDI and VCM production were all successfully increased. With the capacity expansion of our vinyl chloride plant the Company was prepared for the increased ethylene supply from TVK, which reduces our dependence on outside purchases of VCM. At the end of our three-year HUF 70 billion capital expenditure programme, we will have further increased our production capacities both in the isocyanates and PVC lines, thereby further reducing our exposure to the cyclical characteristic of the chemical industry while at the same time maintaining resilience in earnings. The financing of the investment project is alleviated by the sale of our strategic stake in TVK, which reduces our dependence on full outside financing to complete the project.

BorsodChem believes that industrial demand will further increase, especially in the Company's key markets of Central and Eastern Europe, driven primarily by improvements in the external trade environment and capital project investments. The overall output in the European Union's chemical industry (excluding pharmaceuticals) is forecasted to grow by 2.7% in 2005. Management is certain that MDI, the core component of the expansion plan, will be BorsodChem's leading success performance material product in future years to come. The improvement in the chemical cycle is likely to make 2005 an even more prosperous year for BorsodChem.

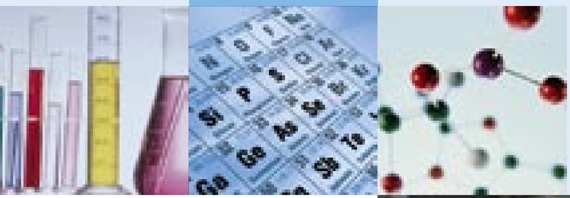
While striving to achieve greater productivity we will not neglect our commitment to environmental protection. BorsodChem's staff and environmental department follow regulatory developments with the objective that all operations comply with environmental laws. We strictly follow the Integrated Pollution Prevention and Control guidelines and in addition to a large part of our main facilities we have obtained permits for our subsidiary Company in the Czech Republic. The remainder of our facility is expected to receive IPPC permitting before the end of 2007. BorsodChem will continue to invest considerable funds in environmental initiatives to further bolster EU environmental protection measures and to protect the environment that we live and work in on a daily basis.

The Company has made great strides in improving its competitive advantage and the future holds many promises. This year's successes are a reflection of BorsodChem's workforce, whose expertise and commitment have created an environment where vision and determination will carry the Company to new heights as a leading chemical Company in the CEE region.

I would like to use this opportunity to thank and congratulate the management and all employees on a great year for BorsodChem. I am confident that the Company will further its current level of professionalism and I look forward to another year of success and growth.

Sincerely,

Dr. Heinrich Georg Stahl



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/year 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' 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 efect 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 overview 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 work which could only be carried out during a shutdown.

Office building

View

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 with 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 depositary 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 October 08, 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.

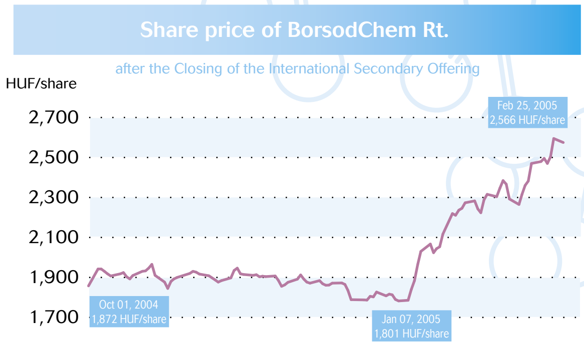
December – TVK ethylene delivery starts

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.

Introduction of BorsodChem shares to the Warsaw Stock Exchange

Investor relations and share price trend

In the Company's life the year 2004 had a special significance with regards 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:



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 roadshow. 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

Main entrance

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 depositary 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 and the receptiveness of the Company's experts who are always open minded – has started 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 provides 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 sales 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 derivates.

Cable bridge

End gas neutralization, phosgenation building in the background

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 EUR 200/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.

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 Compa-

Hydrogenation and TDA purification

TDI purification

ny 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 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.

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

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

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).

A section of the isomer separating unit

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 HUF – with the strengthening of 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.

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

Sales revenues and profits quarterly 2003 (HUF million)	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
Earnings per share	47	(59)	111	4	103

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
Earnings per share	77	58	35	56	226

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.

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

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

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

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.

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

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.

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 totaling to 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 financing 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 substantial decrease at the end of the period under review compared to the situation in the previous year. The amount approximated HUF 17 billion.

Cash flow statement	2003 HUF million	2004 HUF million
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**	**16,194**

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 exceeded 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.

Designation (HUF million)	Chlorine–Vinyl/ PVC/ Compounds	MDI/TDI/ BC-MCHZ	Plastic products	Others	Filtered /Undis-tributed	Total
Sales revenues for 2004						
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
Sales revenues for 2003						
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
Sales revenue differences						
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
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
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)
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
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
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 play 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 exists at technological universities throughout Hungary is frequently and increasingly utilized to advance such developments. The main focuses of research and development activities are:

- 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 (3,054 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 M m^3) 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% 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

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.

Trends in the production of major products	Quantity	2003 actual	2004 actual	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-chloride	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 blends	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 products	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

Site view

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 totaled HUF 31.8 billion with the performance value of core investments being HUF 22.7 billion in accordance with the following breakdown:

Core investments:	HUF million
Chlorine capacity expansion	1,257.8
VCM capacity expansion	6,231.8
PVC capacity expansion	3,691.2
MDI capacity expansion	9,340.3
TDI capacity expansion	2,191.8
Other investments	9,119.7

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, simoultaneously, the implementation work has 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 debottlenecked 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 work 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.

View of the MDI Plant

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 specialists responsible for human resource management considered the following elements as central tasks for 2004:

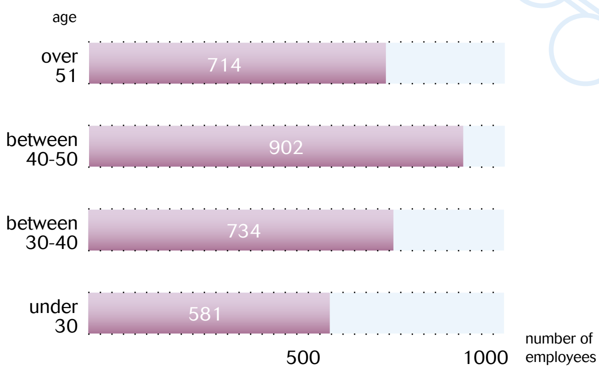
- secure proper labour force both in terms of quantity and quality so that the Company's operations and dynamic growth proceed uninterrupted,
- provide opportunities for personal development and serve the employee's satisfaction,
- ensure that the "right person" occupies the "right position", thereby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

The structure of the Company's personnel



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 with 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

Denomination of Shareholders	Total equity							
	At the beginning of the period				At the end of the period			
	Shares pcs	Nominal value HUF th	%*	%**	Shares pcs	Nominal value HUF th	%*	%**
Institutional Investors								
domestic	156,105	157,666	1.02	1.02	3,516,973	710,429	4.27	4.33
foreign	14,961,984	15,111,604	98.20	98,20	63,375,824	12,801 916	76.79	78.00
CE Oil & Gas Beteiligung und Verwaltung AG	9,047,526	9,138,001	59,.38	59,38				
VCP Industrie Beteiligungen AG	4,843,877	4,892,316	31.79	31,79	17,757,015	3,586,917	21,52	21.86
other	1,070,581	1,081,287	7.03	7.03	45,618,809	9,214,999	55.28	56.15
Private Investors								
domestic	110,345	111,448	0.72	0.72	1,559,270	314,973	1.89	1.92
foreign	2,932	2,961	0.02	0.02	14,630	2,955	0.02	0.02
Employees, Managing officials	8	8	0.00	0.00	21,040	4,250	0.03	0.03
Treasury stock	0	0	0.00	0.00	1,277,522	258,059	1.55	0.00
Employee shares***	0	0	0.00	0.00	6,346,050	1,281,902	7.69	7.81
Shareholder as part of the state budget	0	0	0.00	0.00	0	0	0.00	0.00
International Development Istitutions	0	0	0.00	0.00	0	0	0.00	0.00
Other	4,586	4,632	0.03	0.03	6,414,541	1,295,737	7.77	7.89
Total	15,235,960	15,388,320	100.00	100.00	82,525,850	16,670,222	100.00	100.00

Denomination of Shareholders	Listed Series					
	At the beginning of the period			At the end of the period		
	Shares pcs	Nominal value HUF th	%*	Shares pcs	Nominal value HUF th	%*
Institutional Investors						
domestic	156,105	157,666	1.02	3,516,973	710,429	4.62
foreign	14,961,984	15,111,604	98.20	63,375,824	12,801,916	83.19
CE Oil & Gas Beteiligung und Verwaltung AG	9,047,526	9,138,001	59.38			
VCP Industrie Beteiligungen AG	4,843,877	4,892,316	31.79	17,757,015	3,586,917	23.31
other	1,070,581	1,081,287	7.03	45,618,809	9,214,999	59.88
Private investors						
domestic	110 345	111 448	0.72	1 559 270	314 973	2.05
foreign	2,932	2,961	0.02	14,630	2,955	0.02
Employees, Managing officials	8	8	0.00	21,040	4,250	0.03
Treasury stock	0	0	0.00	1,277,522	258,059	1.68
Employee shares***	0	0	0.00	0	0	0.00
Shareholder as part of the state budget	0	0	0.00	0	0	0.00
International Development Istitutions	0	0	0.00	0	0	0.00
other	4,586	4,632	0.03	6,414,541	1,295,737	8.42
Total	15,235,960	15,388,320	100.00	76,179,800	15,388,320	100.00

* 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 September 08, 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.

List of shareholders holding over 5% of shares (to total equity)

Denomination of Shareholders	Shareholding 31-Dec-03 Share pcs	Stake %	31-Dec-04 Share pcs	Stake %	Note
CE Oil & Gas Beteiligung und Verwaltung AG	9,047,526	59.38	0	0.00	Financial Investor
VCP Industrie 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 September 08, 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 personnel 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 partially implemented or in progress at BorsodChem necessitated the transformation of the Vinyl-Chloride Business Line as dividing it into the Chlorine Business Line and Vinyl-Chloride Business Line as of January 01, 2005.

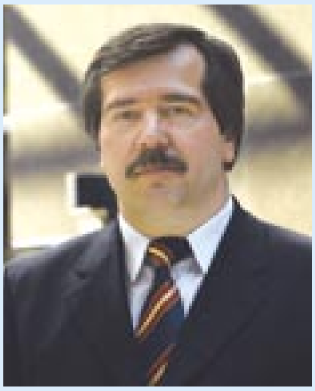
Personnel changes:

- 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 of 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 of 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 F. Kovács 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 N. Gyurácz, 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.

Dr. Heinrich Georg Stahl

László F. Kovács

Béla S. Varga



Ferenc Márton

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 April 30, 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 Heinzel, 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 April 30, 2007. He is employed by the Company based on a management contract, which shall expire on December 31, 2008. He 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,
- Sept 1991-2001 Chief Executive Officer, Chairman of the Board of the Company
- April 1991-September 1991 Commissioner of the Company
- January 1991-April 1991 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 April 30, 2007. He is employed on the basis of employment contract as the head of the Directorate for Purchasing. He qualified as a mechanical engineer from the Technical University for Heavy Industry in Miskolc in 1984. His work experience includes:

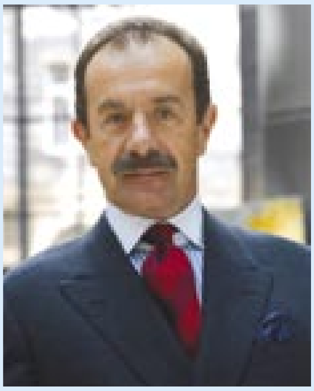
- 2003-present Directorate for Purchasing at the Company, Director;
- 1997-2003 Directorate for Purchasing and Investments at the Company, Director
- 1993-1997 Purchasing Department at the Company, Manager
- 1992-1993 Purchasing Department at the Company, Technical-Economical Advisor
- 1990-1992 Department 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 April 11, 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

Dr. János Illéssy



Heinrich Pecina

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

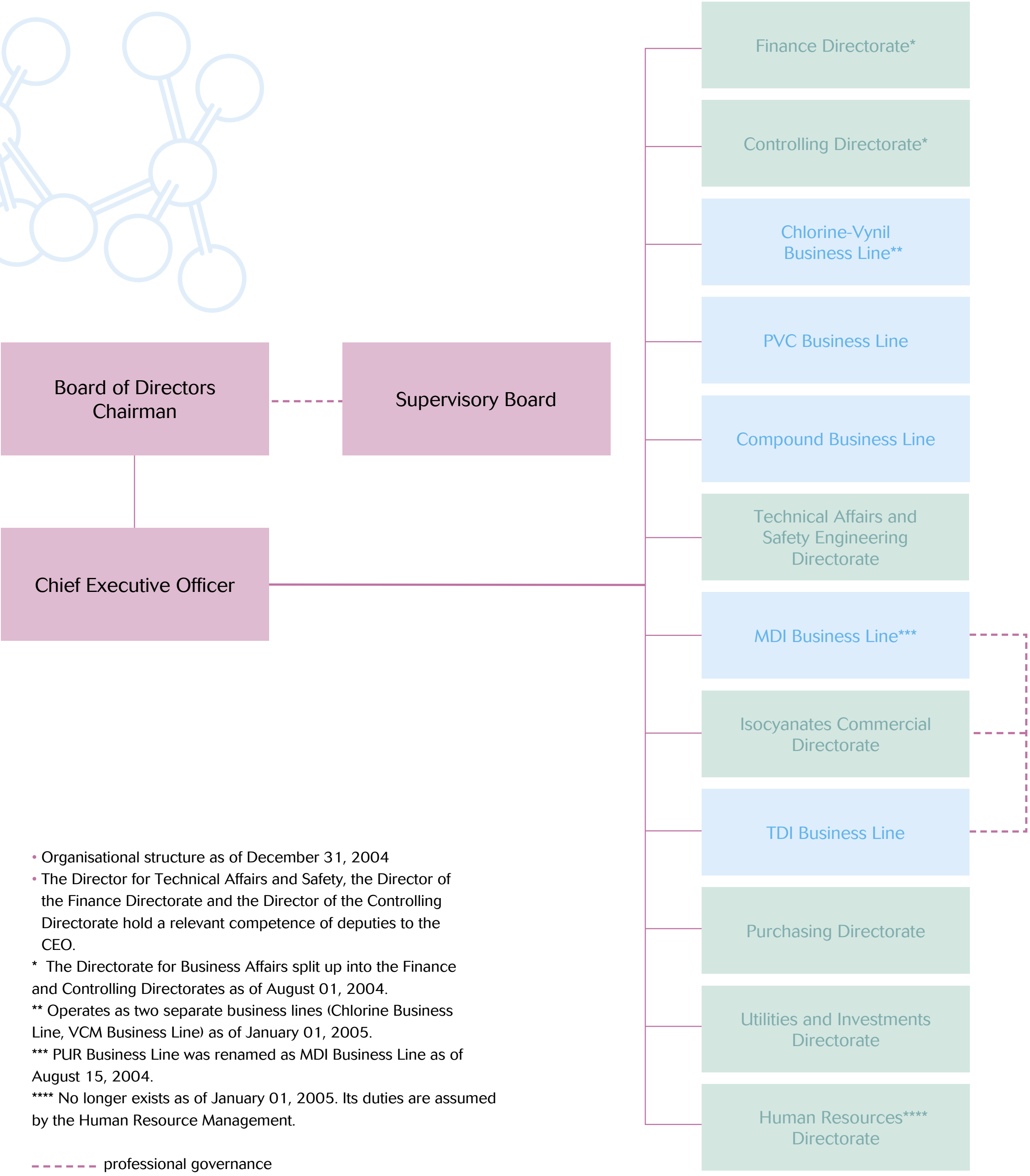
János Illéssy, PhD, 42, Member of the Board of Directors; CFO. His term of office as the member of the Board of Directors will expire on April 30, 2007. He is employed with the Company based on the employment contract concluded for unspecified period. He (CFO) holds an MSc degree in electrical engineering 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 BNP 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 April 30, 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

Organizational Structure



- Organisational structure as of December 31, 2004
- The Director for Technical Affairs and Safety, the Director of the Finance Directorate and the Director of the Controlling Directorate hold a relevant competence of deputies to the CEO.

* The Directorate for Business Affairs split up into the Finance and Controlling Directorates as of August 01, 2004.
** Operates as two separate business lines (Chlorine Business Line, VCM Business Line) as of January 01, 2005.
*** PUR Business Line was renamed as MDI Business Line as of August 15, 2004.
**** No longer exists as of January 01, 2005. Its duties are assumed by the Human Resource Management.

- - - - - - professional governance

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

Type	Name	Position	Starting date of the comission	Closing date of the comission	Equity shares pcs	Employee shares pcs
BD	Dr. Heinrich Georg Stahl	BD Chairman	01/05/2003	30/04/2006	0	0
BD	László F. Kovács	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 F. Kovács	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	01/02/2000	31/12/2007	2,000	548,304
		Business Line Manager				
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 N. Gyurácz	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 (pcs):					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 N. Gyurácz, HR Director's engagement has been terminated with the effective date of January 01, 2005, due to his retirement.

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 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 June 30, 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. 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 includes 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 September 08, 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.
Owing to the fact that BorsodChem Rt. is also listed on the Warsaw Stock Exchange (since October 08, 2004) the Company has to comply with the corporate governance recommendations of the Warsaw Stock Exchange, too. 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 are:

- 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 year 2004 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.

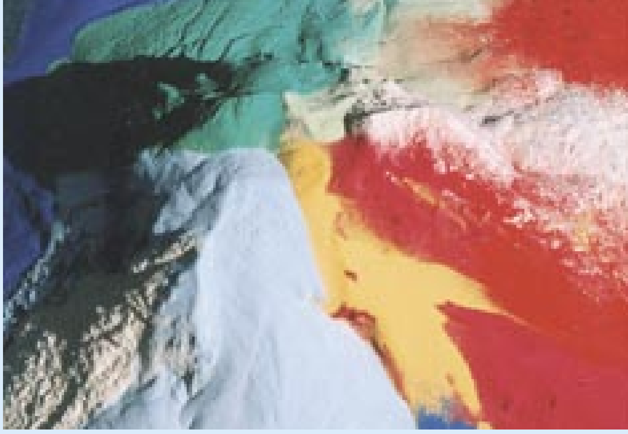
As the Company has not scheduled maintenance activities requiring general stoppage for 2005, it does not have to consider any long-term downtime in production or sales revenues and anticipates a steady level of production and operations.

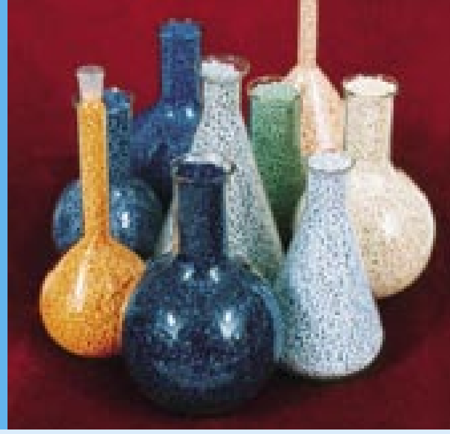
According to the Company's declared strategy, investments launched in 2004 will be continued as projected, and the targeted value for consolidated investment performance is expected to approximate HUF 42 billion.

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 its advantageous product portfolio.

PVC dry blends

PVC granules





DISTRIBUTED PRODUCTS

CHLORINE-VINYL BUSINESS LINE

Liquefied chlorine
Chlorine gas
Hydrochloric acid (technical, pharmaceutical, industrial "A")
Hypochlorite
Caustic soda
Vinyl-chloride monomer
EDC

ONGROLIT CPE granules
- for cable industry (cross-linked cable coverings)

ONGROMIX PVC dry blends
- for food packaging
- for cosmetics packaging
- technical (pipes, sheets, profiles, films)
- for window profiles

ONGRO CPE (Chlorinated polyethylene)

PVC BUSINESS LINE

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

ONGROSTYR expandable polystyrene (EPS)
ONGROVIL SH-600 PVC resin-based thermoplastic elastomers
ONGRONOX EHP 75D peroxide type initiator
ONGRONOX INP 75D peroxide type initiator
ONGROCLEAN anti-flowing additive

COMPOUNDS BUSINESS LINE

ONGROLIT PVC granules
Plasticized granules
- for cable industry
- for shoe industry
- for food packaging
- for tubes, profiles

Rigid granules
- for food packaging
- for tubes, profiles and fittings

MDI BUSINESS LINE

ONGRONAT MDI isocyanates
- CR – 30 crude MDI
- HS – 44 pure MDI
- CL – 27 modified MDI

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

*Distributed only in domestic markets

TDI BUSINESS LINE

ONGRONAT TDI isocyanates
- TDI 80/20
- TDI 65/35
- TDI 100

MDI truck tanker

EXPORT MARKETS

- Albania
- Argentina
- Australia
- Austria
- Bahrain
- Belgium
- Belarus
- Bosnia and Herzegovina
- Bulgaria
- Cyprus
- The Czech Republic
- Denmark
- South Africa
- United Arab Emirates
- Egypt
- Estonia
- Finland
- France
- Greek
- The Netherlands
- Hong-Kong
- Croatia
- Iran
- India
- Israel
- Japan
- Jordan
- Kazakhstan
- Kenya
- China
- Poland
- Lebanon
- Libya
- Liechtenstein
- Lithuania
- Macedonia
- Morocco
- Malta
- Moldova
- Great Britain
- Germany
- Nigeria
- Italy
- Russia
- Portugal
- Romania
- Spain
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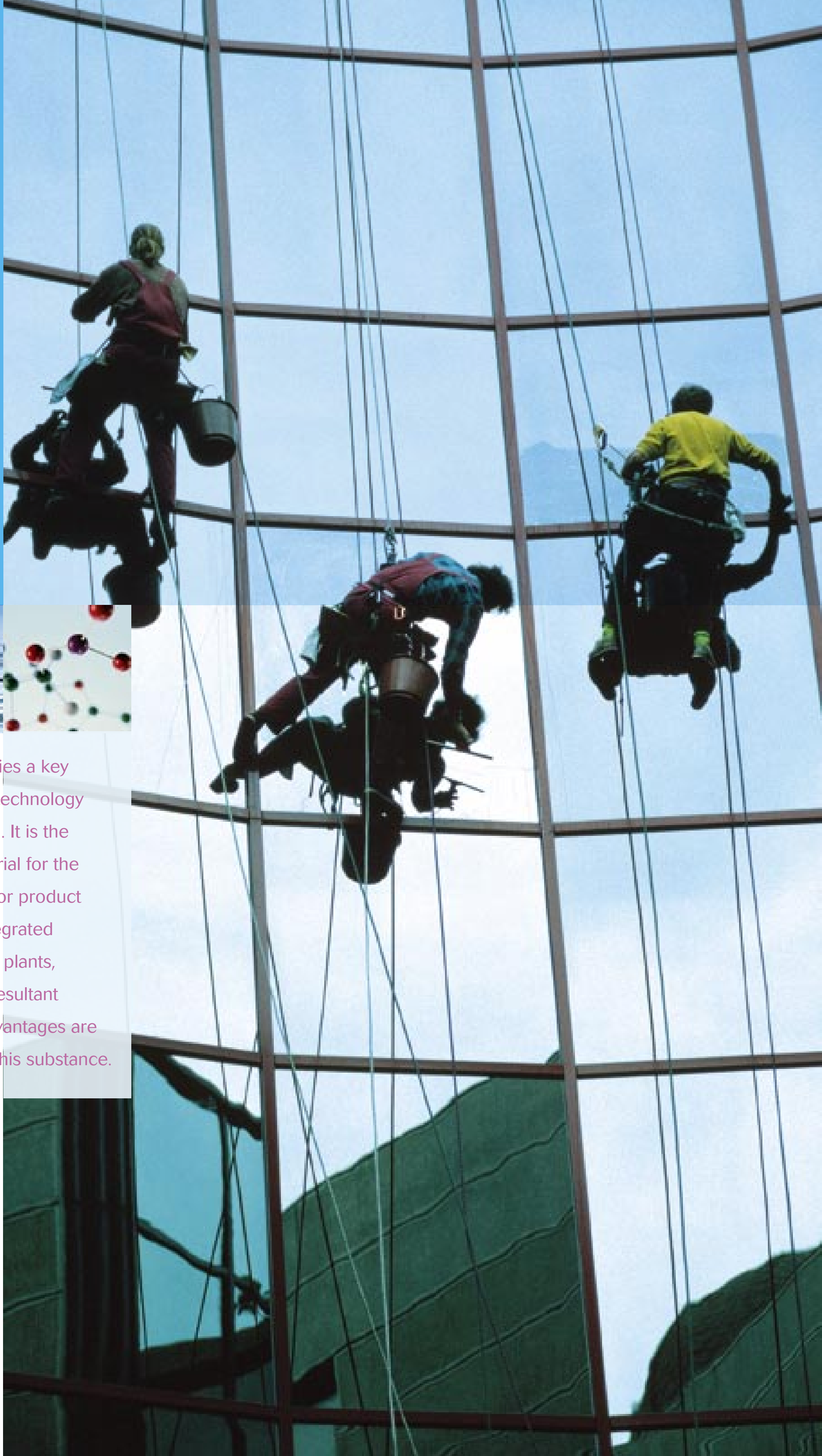
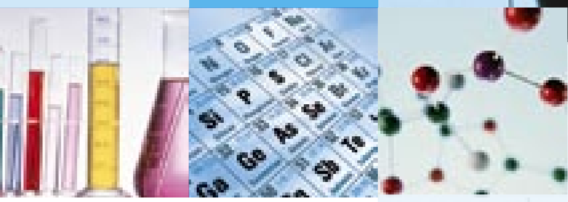
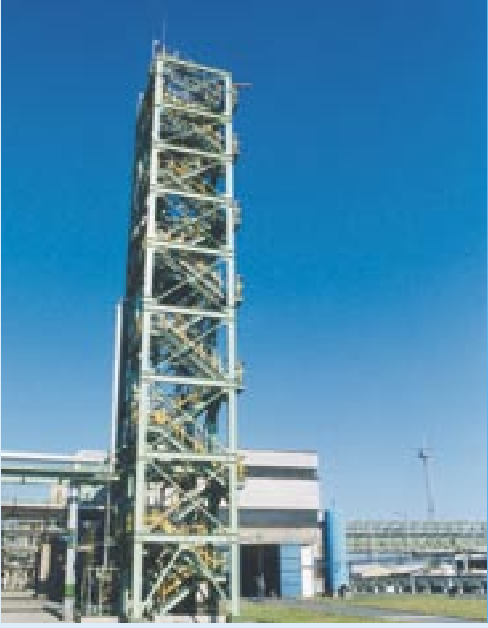
- Serbia and Montenegro
- Singapore
- Syria
- Slovakia
- Slovenia
- Taiwan
- Turkey
- Tunisia
- Uganda
- Ukraine





Chlorine occupies a key position in the technology of BorsodChem. It is the basic raw material for the company's major product groups, the integrated structure of the plants, as well as the resultant competitive advantages are also based on this substance.



Hydrochloric acid synthesis unit and a part of the unit

CHLORINE-VINYL BUSINESS LINE

Activities by the business line

Chlorine is required by VCM, MDI and TDI production, as is caustic soda a solution co-generated as a twin product – alongside with hydrogen – which is produced in the chlorine plant of the Business Line. Hydrochloric acid solutions of various quality, including sodium hypochlorite are produced in the plant process of base products. The latter one is the primary active agent of cleansing products and disinfectants. Vinyl-chloride monomer, the raw material for PVC production is generated in the other VCM plant of the Business Line by dissolving dichloroethane (DKE). As a significant part of DKE is produced by utilizing large amounts of hydrochloric acid generated as a by-product in the isocyanate plants of the Company, the plant's oxyhydrochlorination units are regarded as the key facilities of BorsodChem Rt. By applying this process, most of the required chlorine is utilized by two technologies.

Production

Due to the vertical structure, it was considered a high priority task to set in the optimal level of loading as in the previous year. 2004 was a year of transition with regards to both plants. With a view to minimizing the volume of hydrochloric acid solution generated in the isocyanate plants, VCM production capacity could not be utilized to the utmost degree. The production of the chlorine plant and of VCM had to be adjusted to the volume of hydrochloric acid solution generated in isocyanate production, as well as to the market price of the twin product of caustic soda and other external conditions. In 2004, chlorine production slightly decreased which was due to various production assumptions. The Company managed to carry out production optimization by purchasing chlorine and VCM, and by also adjusting capacity production. As a result, no restrictions were needed on the production of the Company's strategic products (PVC, MDI, TDI). The two plants efficiently contributed to the establishment of a two-year production cycle.

Investment

As a high priority task, the implementation of Phase III of VCM intensification was completed, and successful test runs were started. From an environmental point of view, the outcome of the development was that the plant would comply with regulations of the ECVM, which is the association of VCM producers and users. Therefore, the discharge parameters were in accordance with all EU and Hungarian requirements. Further, BorsodChem Rt. ensured adequate conditions for the planned expansions in VCM, PVC and isocyanate production.

Vinyl-chloride production

VCM spherical tank

Control room

Apart from maintenance work carried out during the general shutdown, intensification of the slated 2005 completion date continued with experts completing tooling of the plant, which could only be done in periods of non-operation. The basic design package for further capacity expansions (Phase IV) was completed using the expertise of the Company's engineers. It was followed by the implementation planning of the project, as well as the completion of required groundwork. In 2003, BorsodChem Rt. contracted with Chlorine Engineers for the expansion of chlorine capacity with a new membrane cell technology. In 2004, the basic engineering was completed as strictly following the principles laid down by implementation planning and simultaneously contractors for technological units were selected. In the second half of the year, terrain correction and foundation work for the equipment and other facilities commenced.

Environmental protection

A newly enlarged unit for reduced salt wastewater discharge was established on the site of the VCM plant (RO and biological treatment). With a view to minimizing air pollution, a closed system to unload hydrochloric acid solution was made available to the chlorine plant.

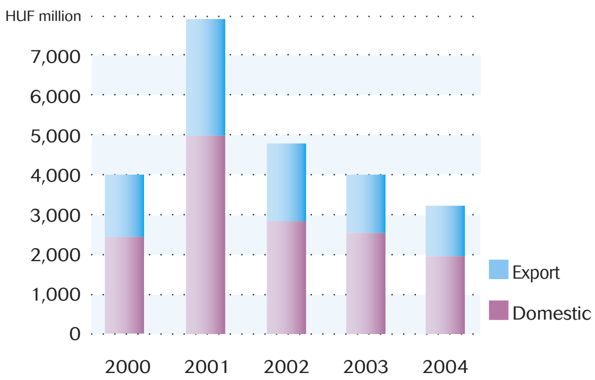
Sales

Sales revenues of the Business Line in 2004 were profoundly affected by a decrease in the volume demand in the price of caustic soda, together with a decrease in loading. As a result, sales revenues lagged behind both the plan and the base period. However, it can be regarded as a considerable achievement that fluctuation in the volume, a result of production optimization was eliminated by means of flexible sales without hindering production. There was no change in the export ratio of the Business Line, the customer base continued to be healthily diversified. The majority of caustic soda and hydrochloric acid products were sold via railway transport.

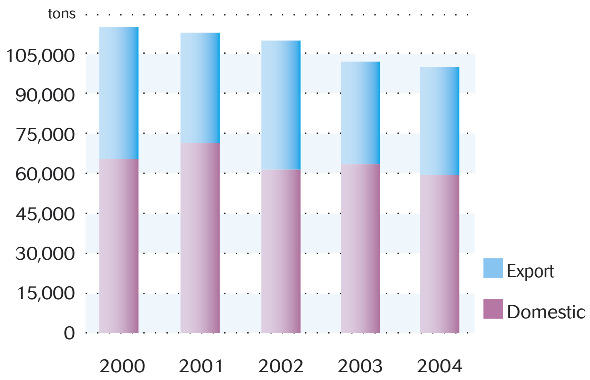
High-priority tasks for the future

Successful completion of Phase IV of the VCM capacity enlargement and that of the Q4 test runs are expected to take place in 2005. The chlorine capacity expansion continues in 2005, with the production of equipment, purchases of apparatuses and their continuous installation. The test runs of the new membrane cell plant are scheduled to be started at the end of 2005 or in early 2006. The essential project of 2005 will be the preparation of trade in excess product stocks for sale, generated by the capacity expansions. Another priority goal of the Business Line is to broaden long-term customer relations, and to achieve an increase in the volume of caustic soda sales via long-term contracts.

Sales of caustic soda



Sales of caustic soda



Vinyl-chloride extraction columns

Dryer

PVC BUSINESS LINE

PVC is one of the most widely used plastics in the world

The PVC Business Line generates and sells various types of PVC resins, expandable polystyrenes (EPS), as well as polymerization additives.

PVC resin is a central product generated in the course of a suspension procedure by the Business Line since 1963 and the related production capacity reached 330,000 tons/year which represents a significant plant size even on an international scale. Under the trademark ONGROVIL, PVC resins are used in rigid and plasticized processing, primarily in the production of films, sheets, pipes and profiles. Several consumer goods are also produced from them, elements of which without our modern day life would be absolutely unimaginable.

Trends in production and sales

In 2004, despite the nearly 4-week-long investment and maintenance stoppage period, the Business Line produced more than 272,000 tons of PVC resin.

Affected by unfavourable market conditions, the production of expandable polystyrene was to be restricted and eventually a total quantity of 6,500 tons was generated. Similarly to the previous years, production and sales of polymerization additives, such as peroxide-type initiators and anti-sticking additives were carried out at high quality standards.

The Business Line owing partly to its direct customer relations and partly to the support by the Company's foreign trading subsidiaries, sold approximately 75% of its products in export markets.

The Business Line retained its significant market positions in the logistically advantageous Central and Eastern European region, of which the destination constituted 40% of the export sales in 2004. The most significant volumes were delivered to Poland, the Ukraine, the Czech Republic, Slovakia, Serbia–Montenegro, Austria and Romania.

In 2004, the Company distributed considerable volumes of PVC resin to Western Europe, mainly in the markets of Italy, Germany and the Benelux states.

Similarly to the previous years, a part of its export sales was directed to markets outside Europe. Turkey proved to be the largest single market, though significant volumes were sold to China and the Near East region.

The Business Line considers it as a crucial trading challenge in preserving its positions gained in the logistically advantageous Central and Eastern European markets. Therefore, it intends to pay key attention to the quality of its products and to the improvement of its marketing and customer relations activities.

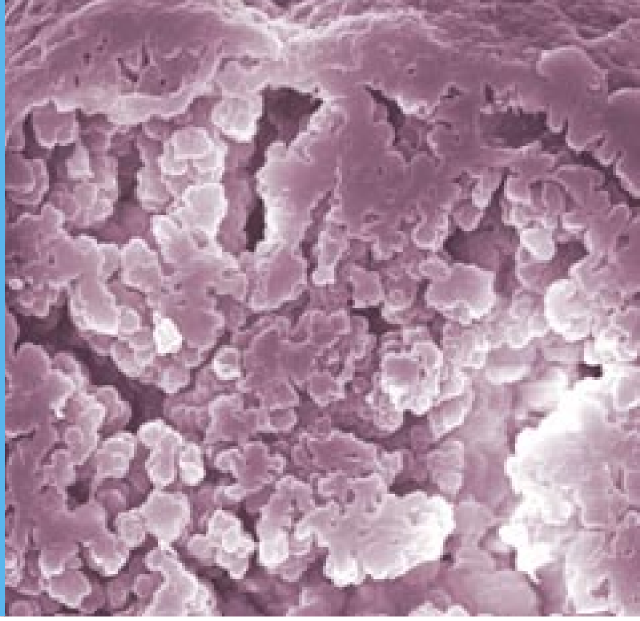
Investments

In order to satisfy the growing market demands and improve the technical standards of the PVC Plant, the Company launched a 3 year major capacity expansion project in 2003. The investment program is expected to be completed in 2006, and the plant capacity will be expanded up to 400,000 tons/year in subsequent phases.

Phase I was concluded in August 2004 and PVC resin production capacity increased from 300,000 tons/year to 330,000 tons/year. A so-called "closed reactor system" was implemented in this phase and debottlenecking took place as required in order to realize a 30,000 tons/year polymerization surplus capacity.

Polymer II Plant

Microscopic record of PVC resin



In the framework of the investment program, the Business Line expanded vinyl-chloride discharge and recovery systems and installed a new high-capacity drier line together with the accessory equipment.
In coordination with the PVC production capacity expansion, the design works of two new initiator production lines used during PVC resin production were started in the VPI Plant.

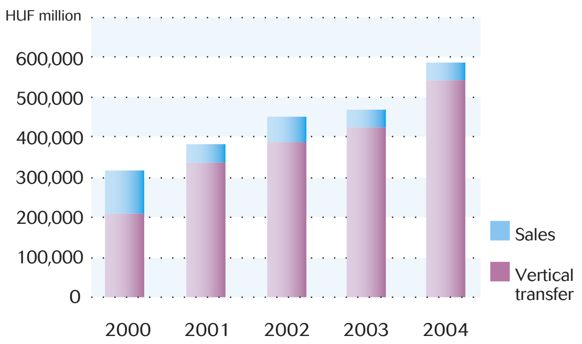
Quality control

The Business Line provided regular technical assistance to its customers. The finely tuned quality control system, the high-standard customer service, as well as professionally organized customer meetings and visits all contributed to the satisfaction of its business partners. 2004 further proved the fact that the number of customer complaints and comments in relation to products was minimal as in previous years.

Environmental protection and developments

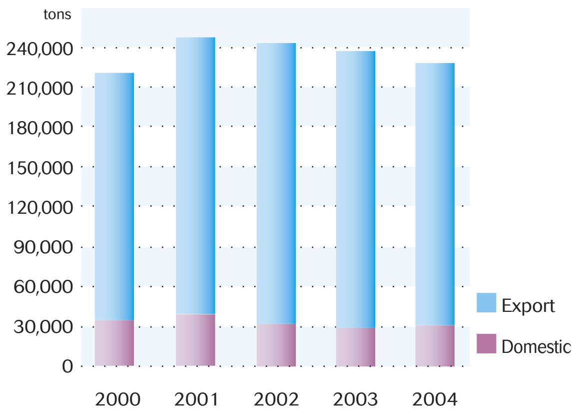
Due to continued developments, BorsodChem Rt's PVC resin production technology now complies with the stringent environmental regulations required by the industry. In the initial, preparatory period prior to European Union accession, the Company implemented considerable environmental and safety investments in the area of PVC resin production. One of the most significant projects in the field of environmental investments was the implementation of the "closed reactor technology" in 2004 by which the Business Line could comply with BAT (Best Available Technology) requirements.
In order to further improve the Business Line's environmental and safety conditions, experts studied the potentials to apply several environmentally friendly additives, as well as to continue improvements in the water dispersion of peroxide-type initiators produced in-house and used in PVC resin production.

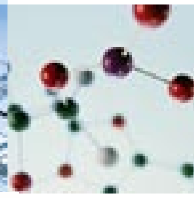
Sales of initiators



Sales of PVC resin

Sales of PVC resin





In BorsodChem's product portfolio, PVC is a product that looks back with the longest tradition, the history of its production dates back several decades.

Blending Plant

PVC granules

COMPOUNDS BUSINESS LINE

Further development

The objectives set in the 2004 plan of the Compounds Business Line has not changed in comparison to the previous years. It is to continue intensive trading activities in full possession of the expertise in PVC compounding accumulated throughout the decades, with a keen focus on the booming economies of Central and Eastern Europe. More stringent expectations in relation to environmental and safety performance was closely observed in the development processes of products and technological standards. In order to meet any demand by the users, an environment-friendly, lead-free stabilizer system was applied in an increasing number of product formulas.

The new rigid granule production line was commissioned in February 2004, thereby ensuring updated production technology. With the replacement of old plasticizer storage tanks, phthalate-based plasticizers used for the production of soft granules can now be safely stored.

Phase I of electric and control engineering reconstruction took place in the CPE (chlorinated polyethylene) Plant to improve production safety and efficiency significantly.

The Business Line sells the largest volume of dry blends to production subsidiaries fully owned by BorsodChem, whereas formulas are specificaly developed for them by a highly qualified team in order to comply with the most varied customer demands.

Increasing base material prices, plan-level performance

As an integrated producer of compounds, in the previous year the Business Line further aspired to improve, alongside increased utilisation of PVC resin, its profit-generating capacity. Material prices have increased beyond expected levels, thereby modifying the sales structure. Instead of selling to less profitable markets, priority was given to such relations and application fields where increasing cost pressure could be alliviated for.

Professional competence, customer-oriented sales policy

Plastic processing enterprises saw an extremely difficult year in 2004.

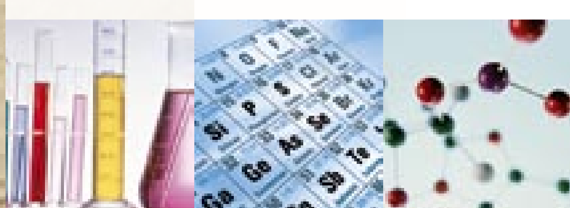
Taking into consideration the demands of business partners, experts at the Compounds Business Line worked continuously to improve the competitiveness of their products. As a result, beyond achieving savings on formulas and production lines, availability was improved at a large pace, thereby promoting the standard of customer service.

Favourites in the product range

In addition to ONGROMIX dry blends produced for the subsidiaries, the product family of rigid technical granules suitable for the production of extruded profiles of high quality and pleasing appearance closed the gap in the course of the past years.

Similarly to other granules, the product is distributed under the trademark of ONGROLIT.

BorsodChem's production of compounds has long been targeting high value added overall services to customers.



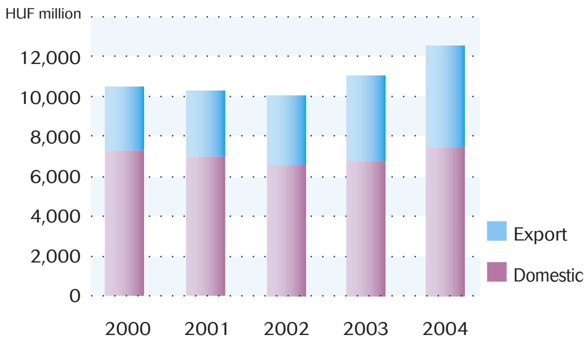
Rigid granule producing extruder in the Granulating Plant

Chlorinated polyethylene distributed under the trademark of ONGRO CPE is primarily applied to improving the impact grade of PVC-based systems.
Due to its special characteristics, the enhanced version of the product generated on the basis of an in-house technology, can also be used for producing various polymer compositions. It can be characterized by excellent resistance to weather, oil, flame and aging, accordingly it is suitable for TPE (thermoplastic elastomer) applications. The sales rate of this product approximated 50% in 2004. The considerable compatibility of the product with its various systems promises the Business Line further opportunities for growth.

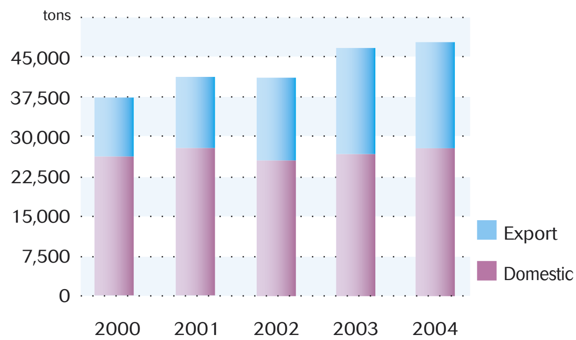
Future tasks of the business line

The future challenge is to improve the margin of the compound products. Towards this interest and in line with previous years practices, the growing demands of our partners are to be met efficiently, while the customer-oriented sales and development policy is to be carried on by further updating the related formulas. In compliance with EU regulations, stabilizers to compounds with any heavy metal content used in the automotive, electronic and electric industries should be replaced by other materials that pose neither threat to humans, nor the environment. Moreover, taking advantage of available opportunities, product competitiveness is also required to be improved. The above goals may be implemented by continued quality development and the updating of technological standards.
Relying on developments as demanded by the partners and implemented by the Business Line, strategic customer relations require reinforcement and stabilization by strengthening supplier positions.
Alongside with active marketing activities, full capacity utilization will be the main focus, keeping pace with increasing PVC resin production capacity, and employing the advantages of the vertical system.

Sales of compounds



Sales of compounds



MDI distillation equipment

Investment activities

MDI BUSINESS LINE

Modern plastic base materials

MDI variants used as base materials in polyurethane production constitute the most important products of the Business Line. Crude MDI is used mainly for producing rigid insulation foams, whereas pure and modified MDI together with pre-polymers offer a wide range of application among other things, footwear soles, adhesive agents, various elastomers and coatings are produced from them.

The Business Line also generates ammonia, which is a twin product in chlorine production, offering an ideal alternative for hydrogen utilization.

Production and safety

Based on the existing economic and environmental principles, the input side of the Business Line is closely integrated into BorsodChem's Group production structure. Considerable volumes of raw materials needed for MDI production are generated by the Company's other plants, while at the same time they utilize the valuable by-products of MDI production.

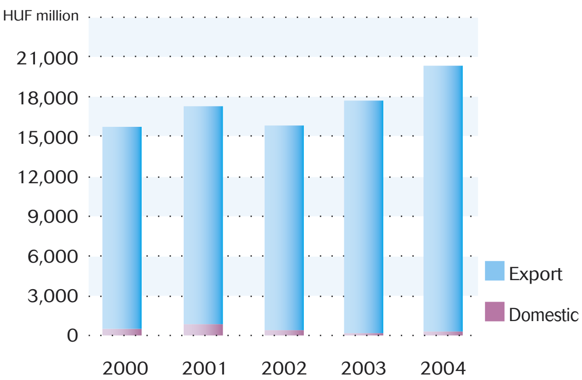
In 2004, production was accompanied by high-level capacity utilization, realizing cost-efficient and safe plant operations. The quality of the 57,500 tons MDI and nearly 20,000 tons of ammonia produced met the related customer expectations.

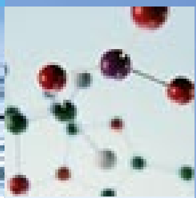
Investments to follow changing market demands

The crucial element of the two-year-long investment cycle launched by BorsodChem in 2004 was the development of a new 100 kt/year capacity MDI Plant. Implementation is due to be completed in 2005, test runs are expected to take place in Q4 of 2005. When designing and constructing the facility, experts of the Business Line utilized experience gained in the existing MDI plant for technological development.

An important aspect of the Business Line is the ability to keep up with market changes both in the long and short run. A major aspect in designing the new MDI Plant was to maintain flexibility required to satisfy market demands. Adjustments are to be supported by R&D products and simultaneously improving production profitability.

Sales of MDI





BorsodChem's isocyanates chemistry includes MDI production, which is of strategic importance. Isocyanates are special substances requiring high-level technical knowledge and at the same time are not affected by the cyclic nature of the chemical industry. They are high added value and offer opportunities for considerable synergies with the rest of the Company's product groups.

MDI Plant

Further developments for the customers

The Business Line lays great emphasis on fully satisfying customer demands; therefore it produces special products, if required, in addition to the range of basic MDI types. The product range is extended by the new generation of CR-MDI blends that properly fit special applications such as MDI-based soft and half-rigid foams, as well as rigid PUR foams with high fire resistance.

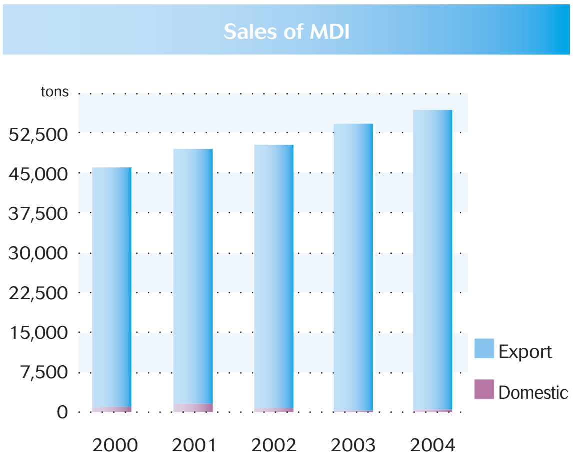
The Business Line aims at constantly improving its product quality. Therefore a new procedure serves the reduction of the acid content of CR-MDI, the European patent announcement of which has taken place this year.

Customers' interests are also reflected in the close cooperation among marketing, technology and product development, which can be particularly observed in the production of prepolymers. Despite the fact that the Business Line itself is not involved in producing and developing PUR system components, it has built up good relations with system houses and polyol producers and strives for satisfying the demands posed by the MDI isocyanates side.

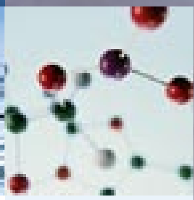
Environmental protection

In addition to the foregoing, environmental protection is a constant, pronounced challenge where the Business Line claims to have achieved significant progress in 2004. Last year, the high-standard salty waste water evaporator unit generated more than 30 thousand tons of vacuum salt from the highly salty technological water to be recycled in the Chlorine Plant.

Implementation of the new salty waste water evaporator plant was concluded in 2004 and is ready to receive highly salty waste waters from the new MDI, TDI and VCM plants. The plant to be commissioned is another huge step in the protection of water life, which is expected to be started in Q1 of 2005.





The other main pillar of BorsodChem's isocyanate chemistry and polyurethane line is based on the Company's youngest product family, TDI.
It is produced in the business line's facility commissioned at the end of 2001.

View of TDI Plant

Tail gas neutralizing columns

TDI BUSINESS LINE

A successful and universal plastic raw material

Similarly to MDI, TDI belongs to the plastic raw materials family in the global market which can be utilized in the most universal and successful way. Soft foams produced from TDI are mainly used in the automotive and furniture industries. This new product is of utmost importance for the future of the Company, since it has the potential to yield significant sales revenues and at the same time is not exposed to the cyclic nature of the chemical industry.

Capacity expansion aligned with production and quality

The main goal for the TDI Business Line in 2004, besides maintaining production safety, was the continuation of the capacity expansion started in the previous years. Most of the expansion-related work was carried out in Q3 of 2004, simultaneously with annual maintenance activities. In the last quarter of the year, the successful completion of these tasks enabled the business line to boost production by 25%, while certain benefits to product quality were also experienced. Due to the uninterrupted, high-level production, the business line was capable of generating 65 kt of TDI 80.

Parallel with capacity expansions, investments were made in maintaining and improving quality. Besides insuring higher production safety, the paralleling of gasifying system was also aimed at enhancing quality. Experiments have been performed to reduce the level of contamination by TDI recovered in the course of by-product treatment, which results in stable end product quality.

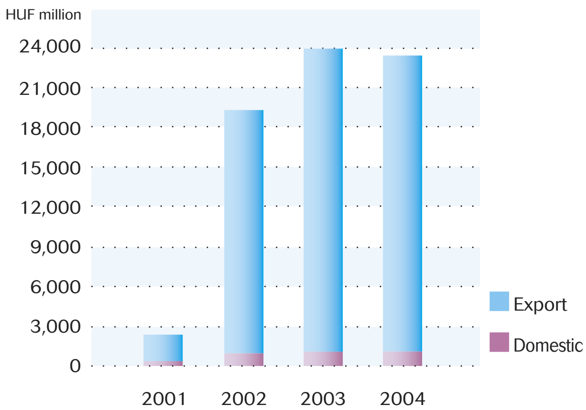
Increased demand in the global market

TDI-80 sales were in line with production. The intense demand for TDI-65 and TDI-100 is indicated by the fact that the proportion of these products within total sales volume increased to 13 %. Development of the crystallizing equipment enabled the business line to achieve a satisfactory production level in the family of TDI isomers.

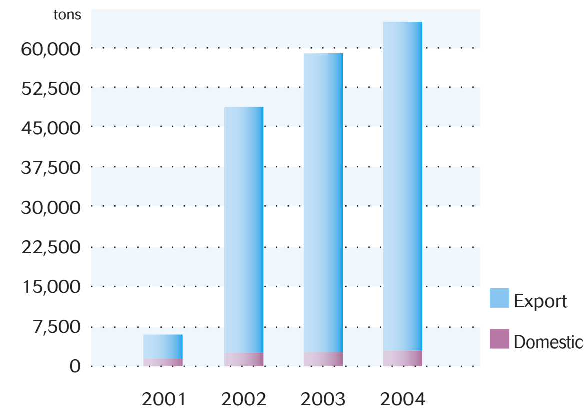
Environmental protection

In line with BorsodChem's fundamental principles, the TDI Business Line places special emphasis on the protection of the environment. In the light of this preference, the waste water pre-treatment unit was expanded during the year and will be commissioned in early 2005. The new system ensures the efficient reduction of emission. With a view to environmental protection, it seemed indispensable to reduce the hazardous material content of different gaseous emissions by their being piped into the incinerator and waste treatment system.

Sales of TDI



Sales of TDI



Panorama window

Adjusting MDI cooler for welding

INVESTMENTS – SUBSIDIARIES

By the end of 2004, BorsodChem had acquired various interests in sixteen companies. It has a majority stake in fourteen companies with a significant share of 26 per cent in one subsidiary. Fourteen of the subsidiaries are consolidated in accordance with IFRS.

Subsidiaries

Five of the fourteen majority stake subsidiaries pursue production activities. Three subsidiaries, BC-Ongropack, Panorama and BC-Ablakprofil Kft. are active in the field of plastic processing whereas BC-KC Formalin Kft.'s profile is formaldehyde production. In 2000 the group of producing subsidiaries was extended with BC-MCHZ s.r.o., a chemical company in the Czech Republic. Its main activity is the production of aniline, cyclohexylamine and other special amines. Four subsidiaries, BC-Ongromechanika, BC-Ongrobau, BC-Ongroelektro and Polimer Kft. are service provider companies. The parent company integrated the mechanic activities of BC-Ongromechanika Kft. into its rationalized maintenance activity accompanied by a capital reduction of HUF 10.6 million. In Q2 BorsodChem Rt. set up BC-Energiakereskedő Kft. as a 100 per cent subsidiary agency to carry out feedstock and fuel wholesale trade. BC Ongro Benelux B.V., BC Handelsg.m.b.H. and BC Polska Sp. z o.o. are both 100 per cent BC Rt. interest foreign trade subsidiaries. Through a buyout in 2004, BorsodChem increased its share in B.C.-M.C. s.r.l a trade subsidiary operating in Italy and originally established jointly with MOL Rt., from 50 % to 100 %. The foundation of trading subsidiaries contributes to the parent company's dynamic growth as direct customer relations ensure a good basis for the sales of increasing product volumes in their regions. After its foundation in 1998 and implementing significant capital expenditure, BC Erőmű Kft. has performed production activities as of June 2001 to supply BorsodChem Rt. with steam and a part of its required electricity consumption. According to IAS principles BorsodChem Rt. currently has total control over the operations of BC Erőmű Kft. Thus, it has become a consolidated subsidiary of BorsodChem Rt., as opposed to the minority investment accounted for with an interest of 26 per cent. Balance sheet data and profit and loss statements of majority and significant stake subsidiaries are presented in a comprehensive table. The number of the Company's minority interests decreased to two in 2004, as a consequence of the continued rationalization. In the fall of 2004, BorsodChem Rt. sold its 15.4 per cent permanent holding in TVK Rt., held since 2000, a company which is a producer of inorganic and organic chemical based materials and plastic products. Since 2003, BorsodChem Rt. has held a 2.3 per cent interest in the International Economic Development Non-Profit Co. founded in late 2002. The primary aim is the development of Hungarian and Russian economic and trade relations, and the promotion of joint Russian and Hungarian companies in third country markets.

BorsodChem Rt.'s interests not included in consolidation as per IFRS	Primary capital HUF million	BC Rt.'s interest %	Sales revenues in 2004 HUF million	Profit after taxation in 2004 HUF million	Dividend of BC Rt. in 2004 HUF million
Polimer Kft.	72.5	100.0	464.4	18.0	
NGF International Economic Development Non-Profit Co.	4.4	2.3			

Colleagues of
BC-Polska Sp. z o. o.

BORSODCHEM RT. INTERESTS

BorsodChem Rt's ownership and interests in operating companies as of December 31 2004, with the indication of shares and minority interests

BORSODCHEM RT.

ALIACHEM A.S. (CZ) 2,5 %	**BC-MCHZ s.r.o** Share capital CZK 865.1 M; BC Rt.'s share 97.5%	**BC ONGRO BENELUX B.V.** Share capital EUR 199.66 th; BC Rt.'s share 100.0%	
	BC-ONGROPACK Kft. Share capital HUF 935.0 M; BC Rt.'s share 100.0%	**BorsodChem HANDELS. G.m.b.H.** Share capital EUR 730.0 th; BC Rt.'s share 100.0%	
	BC-ABLAKPROFIL Kft. Share capital HUF 190.0 M; BC Rt.'s share 100.0%	**BorsodChem POLSKA Sp. z o.o.** Share capital PLN 2,000.0 th; BC Rt.'s share 100.0%	
	PANORAMA Kft. Share capital HUF 88.19 M; BC Rt.'s share 100.0%	**B.C. – M.C. S.R.L.** Share capital EUR 104.0 th; BC Rt.'s share 100.0%	
	BC-ONGROMECHANIKA Kft. Share capital HUF 157.1 M; BC Rt.'s share 100.0%	**BC-KC FORMALIN Kft.** Share capital HUF 338.1 M; BC Rt.'s share 66,67%	Dynea Austria GmbH (AT) 33.33 %
	BC-ONGROBAU Kft. Share capital HUF 60.0 M; BC Rt.'s share 100.0%	**BC ERŐMŰ Kft.** Share capital HUF 2,849.5 M; BC Rt.'s share 26.0%	ÉMÁSZ Rt. (H) 74 %
	BC-ONGROELEKTRO Kft. Share capital HUF 77.0 M; BC Rt.'s share 100.0%	**BC-Energiakereskedő Kft.** Share capital HUF 50 M; BC Rt.'s share 100.0%	
	POLIMER SZOLGÁLTATÓ Kft. Share capital HUF 72.5 M; BC Rt.'s share 100.0%	**NGF International Economic Development Non-Profit Co.** Share capital HUF 4.35 M; BC Rt.'s share 2.3%	

Full consolidation
Associated company consolidated at equity
Other unconsolidated investments

Reactor of the new aniline plant being installed

Site view

BC-MCHZ, S.R.O.

It is part of BorsodChem's strategy to expand its scope of activities and at the same time to establish the required production technology so that adequate availability and capacity is maintained in key raw materials stocks. A remarkably successful example of this business policy is the acquisition, restructuring and development of the Czech BC-MCHZ, which produces indispensable raw materials for MDI and TDI.

High-level capacity utilization, allocation of resources

In 2004, the enhancement of production efficiency of BC-MCHZ produced record volumes of aniline (113 kt), cyclohexylamine (19.6 kt), dycyclohexylamine (2.4 kt) and oxalic acid (5.4 kt). Parallel to the significant expansion in nitrobenzene, hydrogen and aniline plant outputs, production capacities were fully utilized. The development of a new catalyst used in the aniline production was accomplished. After favorable in-plant experiments, the use of a new and more efficient catalyst, expected to have a longer lifetime, offers technical grounds for additional peaks in production. Simultaneously, the operating isothermal and adiabatic nitrobenzene plants were run more steadily than before, thereby maintaining an economical level of internal stocks.

Apart from market expansion and the conquest of new markets, record levels of cyclohexylamine production urged the company's managers to examine the feasibility of establishing a down-stream technology on site. They are involved in negotiations with professional investors over the establishment of cyclohexylamine-based cyclamates.

The production of special amines yields steady profitability. The majority of the products are able to stand the challenges in the face of remarkably keen competition in the fine chemicals products markets in Europe and America. This is due to the introduction of a flexible production and supply chain programming called „just in time", as well as to maintaining constantly high quality.

Business management – Dynamic increase in sales revenues

Narrowing the portfolio proved to be an efficient means of focusing resources on the modernization of service activities for production (maintenance, energy supply), as well as increasing production safety and reliability of current existing technologies. In 2004, the control engineering of energy supply was modernized, and the reliability of complex systems enhanced. The related results were reflected in the considerable decrease in the number of stoppages.

With the favourable experience of "outsourcing", and in order to rationally increase productivity and cost management of both the financial and human resources, this method was applied. First, for the entire area of plant maintenance, then for the internal railway transport system and the logistical transport of material goods via roadways.

Raw material and product marketing, as well as attractive and flexible trade activities played a decisive role in sales revenues and profit generation.

The aniline line, which is the core production, has been entirely integrated into the isocyanate value chain of the Group: the company supplied BorsodChem Rt. with the needed volume of aniline sufficient to cover the total aniline demand of MDI production and 65% of total nitric acid required by TDI production. In the enlargement of aniline production capacities, alternative solutions were preferred which offered technical simplification for further capacity expansions.

Office building

Sales revenues amounted to HUF 30,164 million alongside with an operating profit of HUF 1,712 million. Over the current year, an increment of 40% was achieved in export value, which was due principally to the increase in sales to BorsodChem Rt. Trade activities to the Far East and overseas were also intensified.

Licensing of the Company's know-how

There has been no recess in work carried out in co-operation with the Japanese company in relation to the sale of the license and know-how of aniline production. The company's engineers have involved external research designers and engineers who developed the basic engineering of the customer's new aniline plant. Further, they trained the customer's staff and prepared for the test run of the aniline facility.

Increasing the capacity of the Company's aniline plant up to 150 kt/year is in progress and at the same time the enlargement of the hydrogen and nitro benzene lines was required. The designs were completed in 2004 and implementation started so that the process could be carried out at a good pace.

Preparations were made for the additional export of license and relating know-how. The Company commenced negotiations with potential partners, and surveyed markets that seemed to be favourable in this respect.

While investment activities expenditures totalled HUF 2,780 million, total Company borrowings showed a gradual decrease. Alongside the high-priority investment tasks, a medium-term program was launched for the modernization of production equipment and plants to ensure the reliability of production and adequate physical condition.

By participating in competitions and applying for state funds, the Company intends to win support for funding the demolition of the old buildings and reconditioning of the industrial areas currently not in use.

Supported by the national grant system, the production start-up of a new product was prepared so that it would utilize the EU development fund.

Although there was a reduction in headcount, the proportion of qualified employees and productivity rose. Apart from technological (aniline, nitric acid, oxalic acid) developments, cooperation with local research units and universities was to the benefit of the employees' re-training.

Quality and environmental protection still in focus

Quality assurance and environmental protection enjoyed increased attention. With a view to developing and preserving a healthy environment, the Company invested HUF 580 million in 2004. The operation of the systems required by ISO 9001:2000 and ISO 14001:1996 standards was re-audited at the end of the year, which brought the widely acknowledged title "Responsible care" to the Company. Renowned for its active participation in legal harmonization and its achievements, BC-MCHZ is regarded as a national reference with respect to the implementation of EU environmental programs and the introduction of new solutions. The Company has applied for the title „Safe Company".

Today BC-MCHZ can be considered as a significant industrial and economic potential in the region; its presence and activity exercise a positive impact on the social life of the town and its surroundings.

• Owned by:	BorsodChem Rt. 97.5 %
	ALIACHEM A.S. 2.5 %
• Share capital:	865.1 million CZK
• Net assets:	11,267.9 HUF million
• Sales revenues:	29,801.4 HUF million
• Headcount:	599 employees

Scaffolding implemented by BC-Ongrobau Kft.

The industrial shed of BC-Ablakprofil Kft.

SUBSIDIARIES

Plastic-processing Subsidiaries

BC-Ablakprofil Kft. increased its sales volumes by approximately 3% in 2004 as compared to that of the base period. Window profile sales amounted to record levels at 12 thousand tons, while related export sales increased to 37% of the total sales. Amidst increasing price competition, the subsidiary managed to retain its domestic market position. The domestic market share of panorama-system doors and windows continued to be 40-45% as a whole. Alongside PVC window profiles, the sales of pipes and other profiles amounted to approximately 2,400 tons in 2004. The subsidiary spent HUF 400 million on investments and developments. In 2004, the company unified its quality control systems, having been separately operated in its profile and pipe plants and the related certification process was carried out by the Hungarian Standards Institution. In order to upgrade stableness in the quality of profiles, quality control was introduced in a continuous four-shift cycle.

Panorama Ablakgyártó és Forgalmazó Kft. performance in 2004 can be characterized by a nearly 10% increase in production volumes as compared to the base period, having sold a volume of approximating 78,000 square meters in the year under review. The domestic market generated the primary source of

Plastic-processing subsidiaries	BC-Ablakprofilgyártó és Forgalmazó Kft.	Panorama Kft.	BC-Ongropack Kft.	BC-KC Formalin Kft.
Owned by	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 66,67 % Dynea Austria GmbH 33,33 %
Share capital	190 HUF M	88.2 HUF M	935 HUF M	338.1 HUF M
Net assets	1,960.8 HUF M	443 HUF M	2,319.5 HUF M	537 HUF M
Sales revenues	6,313.2 HUF M	1,860.4 HUF M	6,216.3 HUF M	2,085.1 HUF M
Headcount	140 persons	100 persons	132 persons	17 persons

Activities

BC-Ablakprofilgyártó és Forgalmazó Kft. Production of PVC window profiles and pipes
Panorama Kft. Production of plastic doors and windows with thermal insulation
BC-Ongropack Kft. Production of rigid and stretch PVC films as well as plain, framed and corrugated sheets
BC-KC Formalin Kft. Formaldehyde production

Hotel BorsodChem

The booth of Panorama Kft. at Construma building industry exhibition

growth, while the previous years exports sales levels could not be surpassed, despite the fact that in 2004 the subsidiary managed to maintain its foreign business relationships built up in previous years. The annual profile consumption exceeded 900 tons, and the Company was able to preserve its domestic market position despite the harsh competition in both product and prices.

BC-Ongropack Kft. outperformed its sales target in the financial year of 2004 due to the outstanding efficiency of the sheet product group, having sold a total amount of 8,554 tons from film products in addition to 7,450 tons of sheet products. In sales terms, the share of export sales did not change in 2004, surpassing 80%. Owing to the excellent sales dynamics of PVC sheets, 2003 was surpassed by approximately 25%. As a result of the increased sales to Eastern Europe, the subsidiary succeeded in preserving its former market position in the Central–Eastern European region.

BC-KC Formalin Kft. increased its formaldehyde production by 13.7% in 2004, thus reaching a production level of 64.5 thousand tons in the year under review. Of the volume produced, 75% was utilized by BorsodChem Rt.'s MDI Plant and Dynea Hungary Kft. The remaining part of production was mainly sold to neighbouring countries. Alongside the excellent product quality, formaldehyde production in 2004 could be characterized by a high safety level and low level of environmental loading. In preparation for the capacity expansion investment to be implemented in 2005, the subsidiary has obtained the required licenses from the environmental and disaster prevention authorities.

Service-provider Subsidiaries

BC-Ongromechanika Kft. fulfilled its target by realizing HUF 1 billion sales revenue in 2004. The subsidiary largely contributed to investments on the Kazincbarcika site and actively participated in performing maintenance tasks in the annual general maintenance shutdown. Alongside regular maintenance and other tasks, 48 heat exchangers and 14 tanks were manufactured in 2004. The various projects consumed a total amount of 321 tons of steel, 70,000 meters of steel piping and 2,300 meters plastic pipes in order to fulfil a total number of 1,132 orders. The subsidiary's quality control system is in accordance with ISO 9001:2000 and was successfully re-certified by TÜV Rheinland Intercert Kft.

BC-Ongroelektro Kft. sees 2004 as the most successful year ever with its sales revenues totalling HUF 1,200 million. In addition to the significant proportion of external orders, the subsidiary's main activities encompassed specific investment and maintenance orders placed by BorsodChem Rt. and its subsidiaries. The subsidiary continues to operate under ISO 9001:2000. Based on the resolution by the International Accreditation Council, the subsidiary runs an accredited calibration laboratory in 24 calibration procedures. Following a specific audit conducted by Danfoss, the subsidiary was granted the title "Danfoss Drives Global Service."

BC-Ongrobau Kft. realized sales revenues amounting to HUF 869 million in 2004, thereby surpassing the plan. In line with the practice of previous years and in addition to construction and maintenance projects, the subsidiary continuously joined the parent company's construction, implementation and renewal tasks. Among other things, it took part in the implementation of foundation engineering connected to BorsodChem Rt.'s MDI and VCM investments. In 2004, the subsidiary completed its projects in accordance with ISO 9001:2000 and took preparatory measures towards the introduction of the environmental control system.

BC-Energiakereskedő Kft. started its operations on July 01 2004 in order to take advantage of the free-trade market in natural gas. In the course of the incomplete business year, the subsidiary realized sales revenues of HUF 3.4 billion, and it can claim that the company operated without any major disturbances.

Polimer Szolgáltató Kft., with the three-star Hotel BorsodChem in its sixth year of operation, providing services at an unfailed standard to its ever-growing number of customers. In addition to businessmen as regular guests, more and more visitors come for group and recreational purposes, while sports activities also showed an increasing trend last year. Professional meetings, conferences and receptions were organized in the fashionable air-conditioned conference hall and private rooms.

Service-providing subsidiaries	BC-Ongromechanika Kft.	BC-Ongroelektro Kft.	BC-Ongrobau Kft.	BC-Energiakereskedő Kft.	Polimer Szolgáltató Kft.
Owned by	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %
Share capital	157.1 HUF M	77 HUF M	60 HUF M	50 HUF M	72.5 HUF M
Net assets	247 HUF M	240 HUF M	192 HUF M	82.3 HUF M	153 HUF M
Sales revenues	1,067.5 HUF M	1,197.9 HUF M	869 HUF M	3,416.5 HUF M	464 HUF M
Headcount	111 persons	109 persons	96 persons	3 persons	158 persons

Activities

BC-Ongromechanika Kft. Design, manufacture as well as maintenance of chemical apparatuses, pipe lines, machine parts and specific structures

BC-Ongroelektro Kft. Implementation and maintenance of electric and control engineering systems; repair of electric motors and electric heaters; design, implementation and maintenance of controls and transformer generator systems; maintenance of temperature and pressure meters, transmitters and gas-detection apparatuses

BC-Ongrobau Kft. Performance of construction, reconditioning and implementation- type tasks; maintenance; corrosion prevention

BC-Energiakereskedő Kft. Trading with natural gas as an energy source

Polimer Szolgáltató Kft. Catering, restaurant and hotel services, operating canteens for students and BC employees

Trading Subsidiaries

BC Ongro Benelux B.V. recorded the best-ever performance in 2004 since its establishment with sales revenues of EUR 43 million. Maintaining a stable headcount, both its sales revenues and pre-tax profit increased in comparison to the plan. In total, the company sold 12,400 tons of PVC resin, 15,600 tons of MDI, 4,700 tons of TDI and 1,250 tons of EPS, traditionally in the Benelux, English and German markets.

BC Polska Sp. z.o.o. sales revenues showed an increment of 9% compared to the base in 2004, thereby surpassing the PLN 168 million. PVC resin and TDI constituted 75% of total sales, and these two core products ensured a market share of 13% and 33%, respectively for BorsodChem Rt. in Poland. Moreover, the company can boast with a significant market share in CPE sales.

B.C.-M.C. s.r.l. closed the year 2004 with sales revenues of EUR 60 million. A decisive part, 80%, of the sales revenues was generated by the sale of the parent company's products, whereas the remaining 20% came from trading with the products of other Hungarian partners. The company sold an aggregate amount of 84 kt of goods in the Italian markets, involving a dynamic growth in TDI sales as compared to the previous years.

BorsodChem Handelsgesellschaft m.b.H. business activities, based on agreement with CE Oil and Gas Trading AG, were taken over by CETAG as of April 1, 2004 in the markets involved. The agreement remains in force for an additional period of 12 months with the first day of such renewal being January 01 2005.

Trading Subsidiaries	BC Ongro Benelux B.V.	BC Polska Sp. z o. o.	B.C.-M.C. s.r.l.	BC-Handelsg.m.b.H.
Owned by	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %	BorsodChem Rt. 100 %
Share capital	199.66 th EUR	2.0 M PLN	104 th EUR	730.0 th EUR
Net assets	187 HUF M	199 HUF M	155 HUF M	487 HUF M
Sales revenues	10,849 HUF M	9,382.8 HUF M	12,647.9 HUF M*	2,262.1 HUF M
Headcount	4 persons	7 persons	6 persons	3 persons

*Sales revenues of B.C.-M.C. s.r.l. as of the date of involvement in consolidation (02.04.2004-31.12.2003)

Activities

BC-Ongro Benelux B.V. Sales of chemical and plastic base materials, semi-finished and finished products in the markets of the Benelux countries, Scandinavia, North Germany and Great Britain

BC-Polska Sp. z o. o. Sales of chemical and plastic base materials, semi-finished and finished products in Poland

B.C.-M.C. s.r.l. Sales of chemical base materials in Italy

BC-Handelsg.m.b.H. Sales of chemical and plastic base materials in Austria and the surrounding countries

Office buildings, laboratories and control rooms of the TDI Plant

Quality Management Certificate

QUALITY MANAGEMENT

10 years of system certification

BorsodChem Rt. certified its quality management system in 1994 for the first time in accordance with the requirements of ISO 9002. Since then, the Company has been operating a continuously improving integrated management system that embraces an ever-increasing scope of its activities (ISO 9001/ISO 14001).

The management practice reaching European norms have been incorporated into everyday activities, striving for the development of QUALITY, SAFETY and ENVIRONMENTAL PROTECTION has become an organic element of work.

The Management of the Company has also confirmed its commitment to Quality, Safety and Environmental Protection by formulating a Quality Policy, Safety Policy and Environmental Policy.

As a core constituent, the integrated management system defines Quality Objectives and Environmental Objectives, and each year it renders significant financial resources for the implementation of the programmes ensuring proper achievements of these objectives.

The Company follows the evolution of such management systems, and towards the improvement of its operations, it employs the related guidance.

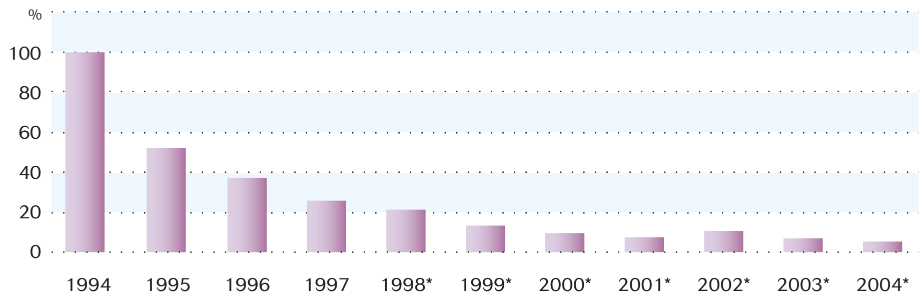
QMS/EMS audits (1994-2004)

- In defining the areas of potential improvements in the Company's activities, regular audits are useful devices.

  Highly trained internal auditors control all the processes of the integrated system.

  SGS auditors supervise the operation of the system twice a year

Trends in the rate of operational disturbances – Internal audits

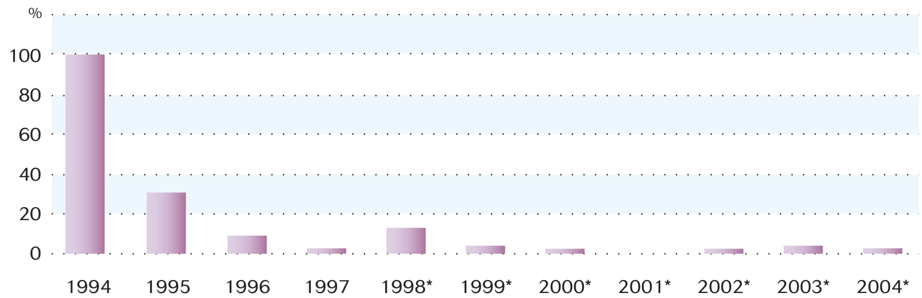


*QMS+EMS on aggregate

- Even with the significant investments in capacity expansion, the rate of operational disturbances in the management system was kept to a permanently low level.

In 2004, there were 925 internal audits that revealed a deficiency rate of 5.5%, a decrease compared to the previous year's deficiency rate of 6.2%.

Trends in the rate of operational disturbances – Audits by the certifying firms

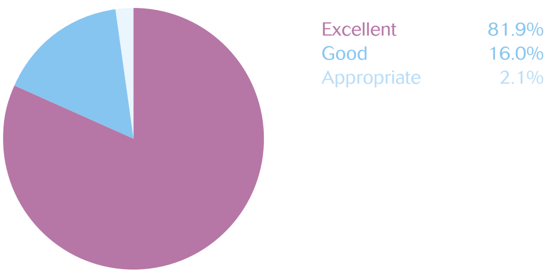


1994-2002: BSI MS, from 2003 SGS

*QMS+EMS on aggregate, "Re-certification

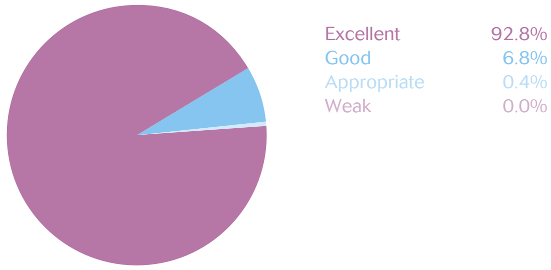
- In September 2004, the integrated MIR-KIR system was also certified for initiator production.
- In the course of the 2004 audit of the quality management and environmental systems, the auditors of the certifying firm found only a minor deficiency.

Distribution of feedbacks on BorsodChem's performance by the customers (1993–2004)



- The most important certifiers of operations are the customers themselves.
- Most of them are satisfied with BorsodChem Rt's products, as well as with the related services.
- In 2004, the loss caused by the complaints on our products as related to the sales revenues decreased compared to the previous year's figure.

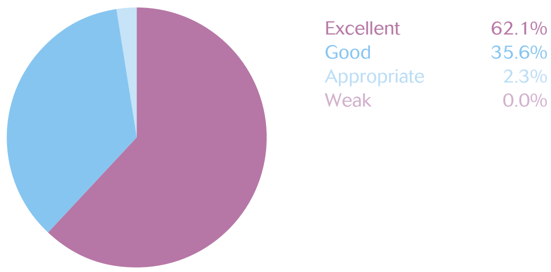
Qualification of suppliers by BorsodChem



- The essential condition of steady and reliable quality is the secure, high-standard supplier background.

- The base and auxiliary materials having a major influence on the quality of the products are purchased primarily from qualified suppliers in order to ensure steady quality in the supply of base materials.

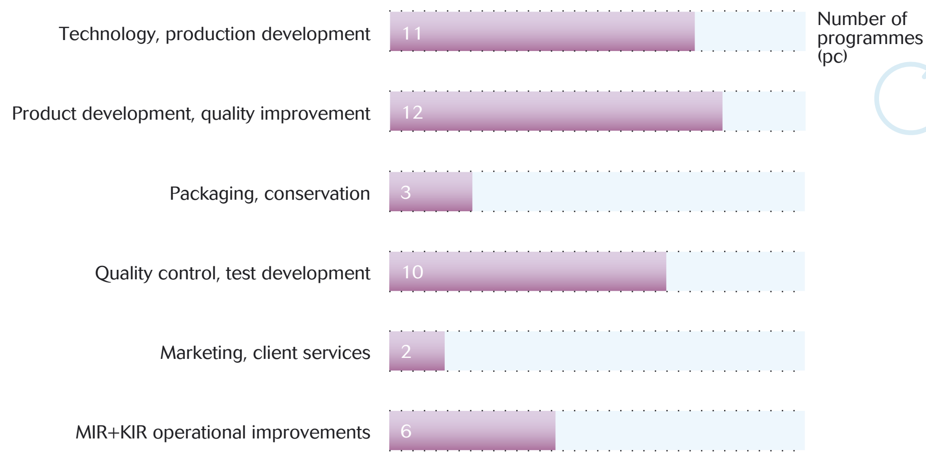
Qualification of subcontractors by BorsodChem



- BorsodChem also qualifies the performance by its subcontractors and the results are taken into consideration when placing orders.

- The subcontractors' work is controlled by BorsodChem not only for quality, but for environmental protection and strict safety aspects, as well.

Quality Action Plan for the Year of 2004



- The Company's structure and activities are regularly audited, while its performance is improved by setting and realizing certain objectives.

- 44 quality programs were approved in an aggregate value of HUF 1283 million.

- Quality programmes primarily served the improvement of product quality, as well as technological and product developments.

By purchasing new test equipment, the reliability and accuracy of laboratory analyses have increased, which contributes to the improvement of the quality of product tests, as well as to the implementation of environmental measurements in accordance with the prescribed methodology.

The majority of the measurements are carried out in laboratories accredited in accordance with MSZ EN ISO / IEC 17025.

In 2004, the computerized system of the laboratory was improved to cover MDI and TDI- product analysis data, as well as to accelerate information flow and data processing.

Cooling chlorine tanks by water cooler

New carbon-dioxide fire engine

SAFETY

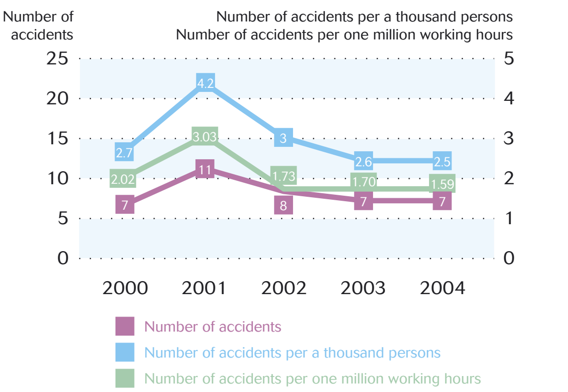
Everyday safety

The Group's Management is committed, and is willing to take responsibility for providing safe working conditions, as well as for minimizing the risks and creating a safe environment. In achieving these objectives, not only the Management, but the safety-conscious behavior and conduct of employees plays a key role. In the core of the Company's communication, there stand the necessity and the emphasized importance of observing safety engineering and fire-fighting regulations.

The two most important objectives for the year of 2004 were to have the employees of the subcontractors occupied by BorsodChem Rt. consider safety as the most important aspect in their work, as well as to urge the group companies to approach the safety level effectuated by BorsodChem Rt.

The safety engineering performance of the Group has featured proper statistical figures for a long time.

BC Rt. Accident statistics



Responsible thinking

An enterprise is safe when the positive results are recognized by the employees, as well as by the partners and the communities living in the vicinity of the Company.

To formulate a fair opinion on the Company's activities, parties concerned have to be informed about the positive or any negative effects of the operations.

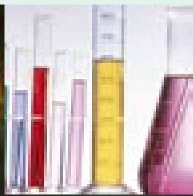
BorsodChem Rt. accepted the Responsible Thinking Program of the European Association of Chemical Industry (CEFIC) and of the Hungarian Association of Chemical Industry (MAVESZ), and recognized it as a binding set of rules.

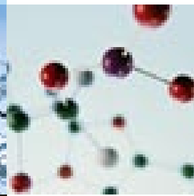
Towards maintaining good relations, the Company regularly informs those living in the surroundings of the sites, as well as their elected leaders on environmental and safety issues in the form of site visits and consultation sessions.

The Company provides regularly up-dated safety data sheets (SDS) offering sufficient information on the chemical substances distributed by the Company to all the users.

Work safety, health protection

Our companies continuously analyse job hazards. Towards the elimination of emergencies, they take actions to improve technical safety, or if such measures are not applicable, they tend to reduce risks by providing personal protection. The quality of the employees' knowledge on safety engineering is in focus of strict attention. Trainings and tests in this domain are fairly regulated, the safety engineering retraining courses are organized on the basis of annual training



Leonova
vibration analyzer

Pump vibration test

schedules. Training sessions on operating troubles and technical emergencies are regularly kept.
Concerning the field of health protection at the Company, it is rather prevention than treatment that is concentrated on. The applied health protection programme prescribes regular medical control for all the employees, while the frequency of such examinations depend on the hazards being typical of the respective job. Thus, by the early discovery of abnormalities, the occurrence of health impairments and occupational diseases may be prevented. In 2004, the companies belonging to BorsodChem witnessed neither diseases caused by chemical substances, nor intoxication.

Safety of the subcontractors

In the site of the Company, only such subcontractors can operate whose professional preparedness has been qualified, and themselves have reported on their knowledge on safety engineering and occupational health. Last year, the Company made the control of the activities by the subcontractors stricter, accurately defined the authorization procedure connected to their employment. In 2004, the number of injuries among the subcontractors significantly decreased, and there were no serious accidents reported.

Safe transport of dangerous substances

BorsodChem regularly trains all the drivers transporting dangerous substances.
The Company pays increased attention to all the stages in the transport of dangerous substances, including safe loading and unloading, charging and discharging, the handling of goods, proper documentation and labeling. The related activities are monitored by dangerous substance transport advisors as in accordance with the ADR regulations. Personal and material conditions to prevent any emergency situations in the course of transport are also available. BorsodChem is a founding member to the Alarm Information Center of Chemical Industry established for the fast elimination of the consequences in transport accidents.

Corporate fire brigade

BorsodChem Rt. and BC-MCHZ operate a full-time fire brigade in order to reduce fire hazards. In 2004, BorsodChem Rt. purchased a high-performance fire-engine using carbon dioxide for the elimination of fires, as in order to improve the fire-protection level of the isocyanate plants.

Equipment and production safety

The level of technical safety is one of the most important factors in the prevention of harmful events.
The Company employs the best available technology in the planning and manufacturing processes of the required equipment and systems. When selecting designers and manufacturers, the most important aspect is technical reliability and quality work as the basis of system safety. Alongside with the statutory quality control procedures, the experts of the Company also monitor and supervise the manufacturing and assembling processes of the equipment to be installed.
The existing technical apparatuses are regularly subjected to safety control. As an element of such examinations, diagnostic methods are also used as aided by modern intruments.
In order to improve industrial safety and the existing safety level, the past years saw the introduction of an effective vibration analyzing system to test rotary equipment.

Columns of
EDC splitting furnaces

ENVIRONMENTAL PROTECTION

Corporate and personal commitment

As in previous years, BorsodChem Rt. still considers continuous improvement in the field of environmental protection as a major responsibility. One of the tools applied is the conscious use of an environmental control system corresponding to the international standard of ISO 14001 that creates the grounds for a systematic and professional way of thinking.

Besides compliance, the ever larger number of legally related regulations and issues and their stricter provisions bind the parties involved. The Company has voluntarily committed itself to a closer and wider environmental protection policy. The primary duties include the containment of environmental loading, as well as maintaining the environment throughout the production activities on a reasonable level.

Each employee is responsible for the preservation of the environment. The outcome can be attributed to regular training and disciplined working conditions, environmentally conscious conduct which has been strengthened so that the environmental protection becomes a part of everyday working practices.

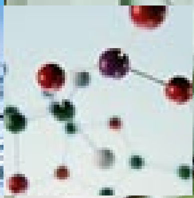
Improvements in environmental protection

The improvement of environmental performance requires the introduction of an adequate technical background, as well as the implementation of developments that occasionally involve considerable costs. In 2004, BorsodChem implemented several projects in the field of environmental protection. Most of it was connected to the capacity expansions having already been realized or currently in progress. In the course of planning, the aim was to significantly reduce or even eliminate the emission of pollutants.

2004 further saw the construction and installation of environmental technological units as a part of the capacity expansions in the VCM Plant in order to exercise positive effects in reducing environmental loading.

Of these units, the by-product incinerator was expanded involving a capital expenditure of HUF 3.2 billion. It is now able to handle not only the larger amounts of materials originating from the increase in production capacity, but also emissions to the atmosphere and is further suitable for the elimination of most of the pollutants that enter the air before development. By implementing the new by-product incinerator, the source of the company's polluting point emitter has been removed.

The other important technological unit is the treatment unit that handles highly salty technological waters, and has been implemented with a capital expenditure of HUF 800 million. The primary objective of this environmental technology is to purify the technological water that is generated in the course of vinyl chloride production. This contains a high concentration of sodium chloride, as well as other chemical pollutants and is needed in order to make the sodium chloride extracted from the water evaporator and crystallization suitable for re-use in the Chlorine Plant. The implementation of this self-developed unit is an outstanding achievement, because it has brought about a closed technology that transforms wastes into useful materials to be utilized by other producing units as base materials.




SGS
BorsodChem Rt.
ISO 14001:1996

Enviromental Management Certificate

Waste Water Treatment Plant

The MDI capacity expansion also involved environmental capital expenditures. Due to the increasing amounts of highly salty waters generated by the plant, the capacity of the salt evaporator and crystallization units needed to be upgraded. The expansion was of such scale that the unit to be started early in 2005 will receive not only the salty water originating from isocyanate production, but also the highly salty technological water pre-treated in the VCM Plant. The construction of the facility required HUF 1.2 billion investment.

Transforming the Polimer II industrial production technology into a closed system proved to be a significant improvement, as it eliminated the majority of the existing source of diffusion into the atmosphere. Vinyl chloride gas collected at different points is recycled into the production technology. The capital expenditure incurred in the construction of the system amounted to nearly HUF 700 million.

The Company's hazardous waste landfill will soon be filled, thereby a new solution needs to be found for the disposal of hazardous wastes (especially of slurry-type substances). One of the alternatives is to build a new landfill site that would be established in the slurry zone owned by BorsodChem. The licensing procedures started in 2004.

Mercury is a highly hazardous substance, thus special attention needs to be paid in reducing its emission into the environment. Its use should be terminated in line at a rate required by EU and other international agreements. To meet such requirements, BorsodChem obtained the necessary licenses and thereby started the construction of a chlorine plant based on a new mercury-free production technology. In the implementation of the plant, the selection of appropriate technology and equipment was used. The environmental protection and the principles of BAT (Best Available Techniques) play a central role.

As an acknowledgement to BorsodChem's environmental performance, the Company was given an innovation award for the biological waste water treatment technology built in 2000–2001.

Environmental protection and accession to the European Union

With EU accession, Hungary witnessed an accelerated pace of regulation activities, several new environmental legal regulations and revisions were enacted that tended to pose ever-stricter requirements on industrial companies. Two groups of such requirements are to be highlighted here.

The first group focuses on the accurate knowledge and definitions of environmental emissions. Towards the precise monitoring of atmospheric emissions, the Company installed on-line measuring instruments in an aggregate amount of HUF 65 million in 2004. Further, BorsodChem significantly improved its laboratory equipment.

The other group of requirements involves licensing procedures, (e.g. uniform license for the use of the environment, license for wastewater emission) as well as the connected information service.

The question of environmental protection has emerged as a major issue attracting outstanding social interest. The demand for environmental information seems to be strong by all the social groups and has particular importance for those living in our close surroundings. BorsodChem pays special attention to providing regular and correct information to all the stakeholders and nearby communities every year.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

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

Ernst & Young Kft.
Budapest, Hungary
29 March 2005

Consolidated Balance Sheet as at 31 December 2004 (All amounts in HUF million)	Notes	31 December 2004	31 December 2003
Assets			
Current assets			
Cash and cash equivalents	3	16,914	19,407
Accounts receivable	4	24,924	17,786
Inventory	5	16,209	14,227
Short term investments	6	7,099	361
Other current assets	7	11,156	7,119
Total current assets		76,302	58,900
Non-current assets			
Property, plant and equipment	8	129,237	106,866
Intangible assets	9	2,619	2,802
Investment in Associates and Joint Ventures	10	251	294
Investment securities	11	41	20,365
Negative goodwill	12	(389)	(462)
Total non-current assets		131,759	129,865
Total assets		**208,061**	**188,765**
Liabilities and Shareholders' Equity			
Current liabilities			
Trade accounts payable	13	22,925	15,715
Other accrued liabilities	14	3,686	4,365
Short term borrowings	15	13,693	8,809
Current portion of long term debt	16	11,718	11,513
Total current liabilities		52,022	40,402
Non-current liabilities			
Long term debt	16	27,829	32,088
Deferred income tax liabilities	21	764	437
Other non-current liabilities	17, 25.2	595	488
Total non-current liabilities		29,188	33,013
Minority interest		3,193	3,008
Shareholders' equity			
Share capital	17	15,388	15,388
Employee shares	17	1,282	-
Share premium	17	29,034	30,316
Treasury stock	17	(2,690)	-
Retained earnings	18	79,566	65,589
Cumulative translation adjustment		1,078	1,049
Total shareholders' equity		123,658	112,342
Total liabilities and shareholders' equity		**208,061**	**188,765**

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

Consolidated Statement of Income for the Year Ended 31 December 2004 (All amounts in HUF million)	Notes	31 December 2004	31 December 2003
Net sales	19	147,673	131,635
Cost of sales		(107,849)	(92,943)
Gross profit		39,824	38,692
Distribution cost		(12,373)	(12,224)
General and administrative expenses		(14,206)	(12,769)
Other operating expense	20	(1,972)	(591)
Operating income	20	11,273	13,108
Other income/(expense)			
Interest income		2,066	296
Interest expense		(1,488)	(1,732)
Income from associates		24	95
Gain from the sale of investment securities	11	376	-
Net gains/(losses) on derivatives		4,000	(2,113)
Net foreign currency gains/(losses)		2,238	(3,061)
Total other income/(expense)		7,216	(6,515)
Income before income taxes and minority interest		18,489	6,593
Income tax expense	21	(638)	(137)
Income before minority interest		17,851	6,456
Minority interest		(704)	(90)
Net income		17,147	6,366
Earnings per share			
Basic (HUF per share)	22	226	103
Fully diluted (HUF per share)	22	226	103

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

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2004 (All amounts in HUF million)	Share Capital	Employee shares	Share Premium	Treasury stock	Retained Earnings	Cumulative translation adjustment	Total
Balance at 31 December 2002	12,311	-	16,329	-	61,905	335	90,880
Net income 2003	-	-	-	-	6,366	-	6,366
Dividends for 2002	-	-	-	-	(2,682)	-	(2,682)
Capital Increase	3,077	-	13,987	-	-	-	17,064
Currency translation adjustment	-	-	-	-	-	714	714
Balance at 31 December 2003	15,388	-	30,316	-	65,589	1,049	112,342
Net income 2004	-	-	-	-	17,147	-	17,147
Dividends for 2003	-	-	-	-	(3,170)	-	(3,170)
Capital increase (Note 17)	-	1,282	(1,282)	-	-	-	-
Net treasury stock purchases (Note 17)	-	-	-	(2,690)	-	-	(2,690)
Currency translation adjustment	-	-	-	-	-	29	29
Balance at 31 December 2004	15,388	1,282	29,034	(2,690)	79,566	1,078	123,658

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

Consolidated Statement of Cash Flow for the Year Ended 31 December 2004 (All amounts in HUF million)	31 December 2004	31 December 2003
Cash flows relating to operating activities		
Net income	17,147	6,366
Adjustment for items not affecting cash		
Depreciation and amortisation expense	9,204	9,139
Increase/(decrease) in provision for accounts receivable and inventory	254	(14)
Gain on disposal of fixed assets	(462)	(532)
Interest in income of associates	(24)	(95)
Release of environmental provision	(7)	(7)
Unrealised (gains)/losses on derivatives	(1,494)	1,566
Unrealised foreign exchange (gains)/losses	(1,762)	2,898
Increase/(decrease) in deferred income tax liabilities	327	(37)
Minority interest	704	90
Other non-cash (gains)/charges net	(26)	(28)
	23,861	19,346
Changes in current assets and current liabilities		
(Increase)/decrease in accounts receivable	(3,909)	529
(Increase) in inventories	(1,999)	(2,095)
(Increase) in other assets	(3,699)	(1,933)
Increase in accounts payable and accrued liabilities	5,712	3,937
Net cash provided by operating activities	19,966	19,784
Cash flows from investing activities		
Purchase of fixed assets and intangible assets	(31,484)	(16,165)
Dividend from associates and joint ventures	-	21
Acquisition of subsidiary, net of cash acquired (Note 10)	3	-
(Increase)/decrease in short term investments	(6,738)	322
Proceeds from sale of investment securities and fixed assets	20,953	1,070
Net cash used in investing activities	(17,266)	(14,752)
Cash flows from financing activities		
Repayment of borrowings	(14,144)	(15,455)
Proceeds from borrowings	15,344	13,863
Net cash paid for treasury stock repurchased	(2,690)	-
Dividends paid	(3,170)	(2,682)
Dividends paid to minority interest	(519)	(507)
Proceeds from issue of share capital	-	17,064
Net cash generated (used in)/by financing activities	(5,179)	12,283
Effect of exchange rates changes on cash and cash equivalents	(14)	(19)
Net (decrease)/increase in cash	(2,493)	17,296
Cash at the beginning of the year	19,407	2,111
Cash at the end of the year	16,914	19,407
Supplementary information		
Cash paid for interest – financing	1,658	1,682
Cash paid for income taxes – operating	364	171
Cash from interest received – investing	1,269	197

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

1. General

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

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

The shareholders of the Company who according to the company share register hold a 10% or greater voting interest in the Company's voting share capital at 31 December 2004 are as follows:
- VCP Industrie Beteiligungen AG 21.85%

The Consolidated financial statements of BorsodChem Rt. for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 29 March 2005.

2. Significant accounting policies

2.1 Accounting convention

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

The Company maintains its official accounting records and prepares its financial statements for domestic purposes in accordance with accounting regulations in force in Hungary ("HAS"). A summary of the significant differences between IFRS and HAS as they affect these financial statements is presented in Note 26.

The International Accounting Standards Board (IASB) introduced many changes to the binding accounting standards and issued new standards during 2004 that will be valid from 1 January 2005. Therefore, it is possible that the IFRS financial statements for the year ended 31 December 2005 will contain comparative data for the year 2004 that will differ from the data presented in these financial statements. The Company is currently assessing the impact that new or revised standards will have on the Group accounting policies and financial data presented.

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

The accounts of the Group are presented in millions of Hungarian Forints (HUF million). The accounts of the individual companies, which have been included in the consolidation, are maintained in the currencies as indicated and converted into Hungarian Forints using the policy as described in Note 2.18.

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

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

2.2 Basis of consolidation

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

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

The Company has consolidated the following investments for which it has effective managerial and contractual control and/or a controlling financial interest through direct and indirect ownership of a majority ownership and voting interest at 31 December. In all cases ownership interest is equal with voting interest.

	Principle activities	Ownership (%) in 2004	Ownership (%) in 2003
BC-Ongropack Kft.	Production and sale of rigid and stretch PVC films and sheets	100.0	100.0
BC-Ongromechanika Kft.	Planning, manufacture and maintenance of chemical devices, pipelines, machine parts, tools and steel structures	100.0	100.0
BC Ongro Benelux B. V. (Netherland)	Trading of Group products	100.0	100.0
BC-Ongrobau Kft.	Maintenance, renovation and building construction works	100.0	100.0
BC-Ongroelektro Kft.	Manufacture and maintenance of electric and process control equipments	100.0	100.0
Panorama Kft.	Production and sale of insulated plastic frontal doors and windows	100.0	100.0
BC Ablakprofil Kft.	Production and sale of PVC window profiles and PVC pipes	100.0	100.0
BC Handelsgesellschaft G.m.b.H. (Austria)	Trading of Group products	100.0	100.0
BC Polska Sp. z o.o. (Poland)	Trading of Group products	100.0	100.0
BC-KC Formalin Kft.	Production and sale of formaldehyde	66.7	66.7
BC-MCHZ s.r.o. (Czech Republic) (Note 12)	Production and sale of aniline, cyclohexylamine, dycyclohexyl-amine and nitrobenzene	97.5	97.5
BC-Erőmű Kft.	Power supply	26.0	26.0
BC-Energiakereskedő Kft.	Agency wholesale of raw materials and fuels	100.0	-
BC-MC S.r.l. (Italy)	Trading of Group products	100.0	50.0

BC-Erőmű Kft. is consolidated because the Company exercises effective managerial and contractual control over BC-Erőmű Kft's operations as defined by IAS and the investment meets the criteria for classification as a special purpose entity requiring consolidation according to SIC12.

BorsodChem Rt. established BC-Energiakereskedő Kft., a 100% subsidiary of the Company on 23 April 2004 with an initial issued share capital of HUF 50 million.

On April 2, 2004 the Company entered into an agreement to buy the remaining 50% of BC-MC S.r.l for EUR 217,000 (HUF 54 million) and BC-MC S.r.l. has been consolidated as a subsidiary from that date. No goodwill or negative goodwill arose on the acquisition of this additional interest.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value with an original maturity of three months or less.

2.4 Trade receivables

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

2.5 Inventories

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

2.6 Investments in associates and joint ventures

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

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

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

2.7 Property, plant and equipment

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

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

• Buildings	2-5%
• Machinery and other equipment	5-15%
• Vehicles	15-20%
• Computer equipment	33%
• Power plant equipment	5%

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

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

2.8 Borrowing costs

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

2.9 Intangible assets

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

2.10 Investment securities

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

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

2.11 Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2.12 Derivative financial instruments

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

2.13 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life. Goodwill on all acquisitions to date has had a useful life of 5 years and is fully amortised as at 31 December 2004.

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

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

For business combinations after March 31, 2004, according to IFRS 3 (Business Combinations) goodwill is assessed for impairment on an annual basis. Any excess of fair value of acquired assets and liabilities over the cost of acquisition is recognised as income immediately. Remaining negative goodwill from business combinations before March 31, 2004 will be derecognised at the beginning of the first annual period beginning on or after March 31, 2004, with a corresponding adjustment to the opening balance of retained earnings.

2.14 Pensions

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

2.15 Taxation

Income taxes are computed on the basis of reported income in the statutory financial statements, adjusted as required by tax regulations. BorsodChem Rt. is entitled in 2004 to a tax allowance against substantially all its income as explained in Note 21.

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

2.16 Treasury stock

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

2.17 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the statement of income when the liabilities are derecognised or impaired, as well as through the amortisation process.

2.18 Foreign currency

Transactions

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

Translation of financial statements

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

2.19 Revenue recognition

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

2.20 Earnings per share

Basic earnings per share data is calculated based on the weighted average number of shares outstanding during the period excluding treasury held by the Company and employee shares. Fully diluted earnings per share is calculated based on the weighted average number of shares outstanding as calculated for basic earnings per share and as adjusted for giving effect to the assumed issuance of all potentially dilutive securities. Net income is adjusted in the fully diluted earnings per share calculation for any income or expense associated with the potentially dilutive securities. At 31 December 2004 and 2003 there were no significant potentially dilutive securities in issue.

2.21 Segment reporting

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

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

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

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

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

Geographical segment revenue is based on the geographical location of customers and geographical segment assets and capital expenditure are disclosed by the geographical location of the assets.

2.22 Impairment of Assets

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

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

2.23 Provisions

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

2.24 Environmental liabilities

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

2.25 Contingencies

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

2.26 Subsequent Events

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

2.27 Estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from those estimates.

2.28 Comparatives

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

3. Cash and cash equivalents

	31 December 2004	31 December 2003
Cash at bank and in hand	2,591	1,125
Short-term deposits	13,991	18,142
Short-term investments (Note 6)	332	140
	16,914	19,407

Short-term deposits at 31 December 2004 consist primarily of HUF based deposits at an average fixed interest rate of 9.97%.

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

4. Accounts receivable

	31 December 2004	31 December 2003
Trade accounts receivable	25,660	17,546
Receivable from associates	10	749
	25,670	18,295
Less reserve for doubtful accounts	(746)	(509)
Accounts receivable, net	24,924	17,786

5. Inventory

	31 December 2004	31 December 2003
Raw materials and other supplies	5,814	4,908
Spare parts	3,681	3,938
Work in progress	1,174	823
Finished goods	5,765	4,766
Provision for stocks	(225)	(208)
Inventory, net	16,209	14,227

6. Short term investments

	31 December 2004		31 December 2003	
	Average interest rate	Book value	Average interest rate	Book vaue
Government T-bills (maturity in the next 12 months)	10.75%	5,506	10.26%	501
Less classified to Cash and cash equivalents (maturity in the next 3 months)		(332)		(140)
Government T-bills net		5,174		361
Government T-bonds (maturity in the next 12 months)	7.75%	1,925		-
Less classified to Cash and cash equivalents (maturity in the next 3 months)		-		-
Government T-bonds net		1,925		-
Short term investments total		**7,099**		**361**

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

7. Other current assets

	31 December 2004	31 December 2003
Prepaid taxes	153	38
VAT receivables	6,236	5,381
Advance payments on capital projects, licence fees and inventories	2,787	477
Prepayments	971	451
Derivative assets	321	399
Other miscellaneous	688	373
	11,156	7,119

8. Property, plant and equipment

	Freehold land and buildings	Machinery and equipment	Construction in progress	Total
1 January 2003 net book value	36,463	54,175	8,343	98,981
Translation difference	717	504	56	1,277
Additions	2,708	7,549	5,692	15,949
Disposals and reclassifications	(373)	(294)	-	(667)
Depreciation charge	(1,588)	(7,086)	-	(8,674)
31 December, 2003 net book value	37,927	54,848	14,091	106,866
Translation difference	32	23	-	55
Acquisition of subsidiary	-	19	-	19
Additions	2,162	7,699	21,369	31,230
Disposals and reclassifications	(104)	(65)	-	(169)
Depreciation charge	(1,636)	(7,128)	-	(8,764)
31 December, 2004 net book value	38,381	55,396	35,460	129,237
At 31 December 2004 Cost	46,813	102,691	35,460	184,964
Accumulated depreciation	(8,432)	(47,295)	-	(55,727)
Net book value	**38,381**	**55,396**	**35,460**	**129,237**
At 31 December 2003 Cost	44,843	95,857	14,091	154,791
Accumulated depreciation	(6,916)	(41,009)	-	(47,925)
Net book value	**37,927**	**54,848**	**14,091**	**106,866**

Freehold land and buildings

Included within freehold land and buildings at 31 December 2004 is land at cost of HUF 1,174 million (2003: HUF 1,202)

Construction work in progress

Amounts shown as net additions for construction in progress represent the gross additions into, and transfers out of this account. Gross additions and transfers out were HUF 32,144 million and HUF 10,775 million respectively for the year ended 31 December 2004, and HUF 15,977 million and HUF 10,285 million respectively for the year ended 31 December 2003.

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

Fully depreciated assets

Included in property, plant and equipment at 31 December 2004 is machinery and equipment with a cost value of HUF 18,781 million (2003: HUF 16,347 million) which is fully depreciated, but remains in use.

Secured assets

Included in property, plant and equipment are the assets of BC-MCHZ s.r.o. – a 97.5% owned subsidiary of BorsodChem Rt. – with a net book value of HUF 4,404 million at 31 December 2004, which are used as security against loans taken by that subsidiary and the assets of BC Erőmű Kft. – a 26% owned subsidiary of BorsodChem Rt. – with a net book value of HUF 9,126 million at 31 December 2004, which are used as security against loans taken by that subsidiary. (See Notes 15 and 16)

Borrowing costs

Included in the construction in progress balance at 31 December 2004 are borrowing costs totalling HUF 892 million consisting of HUF 512 million interest expense incurred in 2004 and HUF 269 million carried forward interest from 2003 and HUF 111 million carried forward foreign exchange losses from 2003 arising on financing specifically entered into for capital expenditure programs which were not completed by the year end.

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

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 3.72% and 7.42% in 2004 and 2003 respectively.

9. Intangible assets

	31 December 2004	31 December 2003
Net book value at beginning of year	2,802	3,064
Translation difference	1	4
Acquisition of subsidiary	3	-
Additions	254	216
Disposals and reclassifications	(1)	(17)
Depreciation charge	(440)	(465)
Net book value at end of year	2,619	2,802
Cost	5,721	5,607
Accumulated depreciation	(3,102)	(2,805)
Net book value	**2,619**	**2,802**

Intangible assets primarily consist of licence fees paid for the acquisition of specialised production technology and know-how.

10. Investment in associates and joint ventures

Investment in associates and joint ventures include the following unconsolidated equity investments:

Name	Activity	Ownership (%)		31 December 2004	31 December 2003
Polimer Kft.	Catering	100.0	1	152	135
BC-MC S.r.l. (Italy)	Trading	50.0	2	-	63
SP Anfol Ltd	Clingfilm supply	50.0	3	99	96
				251	294

1. Polimer Kft. is not consolidated, as it is immaterial.
2. The investment in BC-MC S.r.l. represented a joint venture established in January 1997 in which the Company shared equal control. The investment was accounted for in accordance with the equity method. On April 2, 2004, the Company entered into an agreement to buy the remaining 50% of BC-MC S.r.l. for EUR 217,000 (HUF 54 million) and BC-MC S.r.l. has been consolidated as a subsidiary from that date.

The total assets and liabilities of this subsidiary at the date of acquisition are set out below	HUF million
Cash and cash equivalents	57
Accounts receivable	3,466
Other current assets	416
Property, plant and equipment	19
Intangible assets	3
Investment securities	1
Trade payables and other accrued liabilities	2,391
Short term borrowings	1,406
Long term debt	34
Total purchase price	54

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

Selected aggregate financial data translated at year end rates from the financial statements of SP Anfol Ltd. as at and for the years ended 31 December 2004 and 2003 is presented below:

	31 December 2004	31 December 2003
Current assets	179	201
Long-term assets	270	352
Current liabilities	(208)	(191)
Long-term liabilities	(85)	(170)
Total income	571	554
Total expenses	(559)	(543)

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

11. Investment securities

Investment securities include the following:

	31 December 2004	31 December 2003
Investment in TVK	-	20,320
Other	41	45
	41	20,365

Investment in TVK

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

On August 5, 2004 the Board of Directors authorised Company's management to enter into negotiations for the sale of 100% of the Company`s shareholding in TVK. On 3 September 2004 a sales agreement was concluded with CE Oil & Gas Beteiligung und Verwaltung AG for the sale of 100% of the Company's holding in TVK at a price of HUF 20,697 million which generated a gain on disposal of HUF 376 million.

12. Negative goodwill

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

As the fair value of the net assets acquired exceeded the net purchase price, negative goodwill in the amount of HUF 730 million was recorded and is amortised over the remaining weighted average useful life of the identified acquired depreciable assets. The negative goodwill balance net of amortisation at 31 December 2004 related to this acquisition is set out below:

	31 December 2004	31 December 2003
Net book value at 1 January	462	535
Amortisation	(73)	(73)
Net book value at 31 December	389	462

Accumulated amortisation at 31 December 2004 amounted to HUF 341 million and at 31 December 2003 HUF 268 million.

13. Trade accounts payable

	31 December 2004	31 December 2003
Trade accounts payable	22,911	15,693
Payable to associates	14	22
Accounts payable, net	22,925	15,715

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

14. Other accrued liabilities

Other accrued liabilities consist of the following:

	31 December 2004	31 December 2003
Accrued wages and other employee costs	757	603
Accrual for severance and early retirement costs	71	30
Import VAT payable	1,082	704
Derivative liabilities	17	1,589
Accrued interest	98	135
Accrued bonus	426	96
Accrued given discount	114	126
Advance receipts for sale of licence (Note 25.4)	456	231
Other accruals	665	851
	3,686	4,365

None of the above liabilities are secured.

15. Short term borrowings

	31 December 2004	31 December 2003
Bank overdrafts in HUF	940	338
Bank overdrafts in foreign currency	5,374	1,010
Bank loans denominated in foreign currency	7,379	7,461
	13,693	8,809

The short term bank loans and overdrafts bear a market rate of interest and, are unsecured, except for those taken by BC-MCHZ s.r.o. totalling HUF 7,823 million which are secured by the assets of the subsidiary (Note 8). The average effective interest rate of short term borrowings is 2.84%.

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

16. Long term debt

At 31 December 2004 and 2003, outstanding bank debt was as follows:

Company	Note	Maturity date	Interest rate	Currency	Average interest rate 2004	2004	Average interest rate 2003	2003
BorsodChem Rt.		26 Nov 2006	3 months EURIBOR+0.5%	EUR	2.60%	3,935	2.82%	5,245
BorsodChem Rt.	(1)	13 Oct 2006	3 months EURIBOR +0.6%	EUR	2.70%	6,749	2.94%	10,795
BorsodChem Rt.	(1)	13 Oct 2006	3 months LIBOR+0.6%	USD	2.15%	2,655	1.81%	4,279
BorsodChem Rt.	(2)	06 Nov 2009	3 months EURIBOR +0.75%	EUR	2.87%	8,608	2.89%	3,933
BorsodChem Rt.		01 Aug 2005	3 months BUBOR+0.45%	HUF	12.10%	-	8.49%	200
BorsodChem Rt		01 Aug 2005	3 months EURIBOR+0,65%	EUR	2.78%	984	-	-
BorsodChem Rt.		25 Feb 2005	12 months EURIBOR –0.1%	EUR	2.17%	2,951	2.17%	3,147
BorsodChem Rt.		24 Oct 2005	12 months EURIBOR –0.1%	EUR	2.17%	1,721	2.17%	1,836
BorsodChem Rt.		02 Sept 2006	3 months LIBOR+0.43%	EUR	2.03%	4,427	2.72%	4,720
BC-MCHZ s.r.o.		30 Sept 2005	3 months PRIBOR+0.875%	CZK	3.23%	-	3.15%	453
Ongropack Kft.		30 Sept 2006	3 months EURIBOR+0.3%	EUR	2.41%	76	2.63%	118
Ongropack Kft.		28 Nov 2007	3 months EURIBOR+0.85%	EUR	2.96%	148	3.18%	210
Ongropack Kft.		31 Oct 2004	EURIBOR+0.45%	EUR	2.53%	-	2.80%	24
Ongropack Kft.		20 Dec 2004	0.0%	HUF	-	-	-	15
Ongropack Kft.		16 May 2005	75% MNB+2%	HUF	10.58%	6	8.19%	17
Ongropack Kft.		20 Sept 2005	0.0%	HUF	-	29	-	70
Ongropack Kft.		31 May 2005	12 months EURIBOR	EUR	2.27%	294	2.44%	315
BC-KC Formalin Kft.		21 Apr 2004	MNB+0.25%	HUF	11.68%	-	8.50%	51
BC-KC Formalin Kft.		30 July 2004	EURIBOR+0.55%	EUR	2.63%	-	2.90%	50
BC Ablakprofil Kft.		10 May 2004	75% MNB+2%	HUF	10.58%	-	8.19%	5
BC Ablakprofil Kft.		18 Jan 2005	2.71625%	EUR	2.72%	37	2.72%	197
BC Ablakprofil Kft.		16 Nov 2005	2.91288%	EUR	2.91%	245	2.91%	261
BC-Ongroelektro Kft		21 Mar 2006	2.004%	HUF	2.00%	2	-	-
BC-Ongroelektro Kft		20 July 2007	10.39%	HUF	10.39%	4	-	-
BC-Erőmű Kft.	(3)	15 June 2014	5.71 %	EUR	5.71%	4,046	5.71%	4,642
BC-Erőmű Kft.	(4)	15 June 2014	6 months EURIBOR+1%	EUR	3.15%	2,630	3.47%	3,018
						39,547		43,601
Less: Current portion of long-term debt						(11,718)		(11,513)
						27,829		32,088

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

The scheduled maturity of debt at 31 December 2004 is set out in the table below:

2005	2006	2007	2008	2009	After 2009	Total
11,718	15,760	2,810	2,796	2,835	3,628	39,547

Borrowing facilities

(1) BorsodChem Rt. signed a syndicated loan agreement with a consortium of six banks on 13 October 1999 in order to finance the Company's three year investment plan. The EUR 100 million multicurrency term loan facility is unsecured and may be drawn in US Dollars or Euros and carries interest rates that reprice at three or six months LIBOR and EURIBOR respectively, plus a margin of 0.60% p.a. The final maturity date of the loan is 7 years from the date of signing the facility agreement. Under the terms of the agreement the Company is required to meet certain financial covenants on the basis of the unconsolidated annual financial statements prepared in accordance with HAS including a predetermined level of interest bearing debt to equity ratio (not to exceed 0.8), an annual debt service coverage ratio (not less than 1.4:1) and a liquidity ratio (not less than 1.2:1). As at 31 December 2004 EUR 27.4 million (HUF 6,749 million) and USD 14.7 million (HUF 2,655 million) remained outstanding related to this facility.

(2) BorsodChem Rt. signed a second syndicated loan facility with a consortium of eight banks on 8 November 2002 in order to finance its 2003-2005 investment program. The new loan facility totals EUR 100 million, it is unsecured and may be drawn in either US Dollars or Euros and carries interest rates that reprice at one, three or six months LIBOR and EURIBOR respectively, plus a margin of 0.75% p.a. The availability period for withdrawal is 3 years from the date of signing the contract. The final maturity of the loan is November 2009. Under the terms of the agreement the Company is required to meet certain financial covenants on the basis of unconsolidated annual financial statements prepared in accordance with HAS including a predetermined level of net debt to equity ratio (not to exceed 0.8:1), an annualised debt service coverage ratio (not less than 1.4:1) and net debt to annualised EBITDA ratio (not to exceed 3.75:1). As at 31 December 2004 EUR 35 million (HUF 8,608 million) has been drawn against this facility.

(3) BC-Erőmű Kft. signed a loan agreement on 30 September 1999 in order to finance the building of a new cogeneration power plant. The EUR 20 million loan could be drawn in Euro in up to eight instalments. The outstanding balance of any instalment bears interest at the rate specified in the Disbursement Notice relative thereto. The average interest rate on the currently outstanding balance is 5.71%. The loan is secured by mortgage set on all of the properties of BC-Erőmű Kft. and with fixed charges set on all its other material assets. The final maturity of the loan is June 2014. Under the terms of the agreement BC-Erőmű Kft. is required to meet certain financial covenants on the basis of its annual financial statements prepared in accordance with HAS including annual debt service cover ratio (not less than 1.1:1) and projected annual debt service cover ratio (not less than 1:1). The balance of the loan outstanding is EUR 16.5 million (HUF 4,046 million) as at 31 December 2004.

(4) BC-Erőmű Kft. concluded a loan agreement on 30 September 1999 in order to finance the building of a new cogeneration power plant. EUR 13 million has been drawn on this facility. The outstanding loan balance bears an interest of 6 months EURIBOR plus a margin of 1%. The loan is secured by mortgage set on all of the properties of BC-Erőmű Kft. and with fixed charges set on all its other material assets. The final maturity of the loan is June 2014. Under the terms of the agreement BC-Erőmű Kft. is required to meet certain financial covenants on the basis of its annual financial statements prepared in accordance with HAS including annual debt service cover ratio (not less than 1.1:1), projected annual debt service cover ratio (not less than 1.1:1) and loan life cover ratio (not less than 1.1:1). The balance of the loan outstanding is EUR 10.7 million (HUF 2,630 million) as at 31 December 2004.

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

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

17. Share capital and share premium

	31 December 2004	31 December 2003
Face value of ordinary shares in issue	15,388	15,388
Treasury Shares	(2,690)	-
Share capital net of treasury stock	12,698	15,388
Employee shares	1,282	-
Share premium	29,034	30,316

(i) Shares issued and outstanding

Effective 14 June 2004 the Company made a 5 for 1 share split. As a result the nominal value of Company shares decreased from HUF 1,010 to HUF 202 each.

At 31 December 2004 the Company had 76,179,800 ordinary issued shares with a nominal value of HUF 202 each. (31 December 2003 15,235,960 issued ordinary shares with a nominal value of HUF 1,010 each.)

On 16 December 2003 the Company issued by private placement a total of 3,047,192 new ordinary shares with the then nominal value of HUF 1,010 each to CE Oil & Gas Beteiligung und Verwaltung AG (1,828,315) and VCP Industrie Beteiligungen AG (1,218,877) for a price of HUF 5,600 each. The average market price of BorsodChem shares on 16 December 2003 was HUF 13,837. Due to this transaction the share capital and share premium increased by HUF 3,077,664 thousand and by HUF 13,986,611 thousand respectively. The proceeds of the new ordinary shares were received on 17 December 2003 and the shares were registered on 10 January 2004 by the Court of Registration. As these ordinary shares were not registered before the year end, they were not eligible for participation in 2003 dividends.

(ii) Treasury stock

During 2004 the Company repurchased 1,277,522 own shares at an average market price of HUF 2,106 per share. The total balance of treasury stock was HUF 2,690 million at 31 December 2004. At 31 December 2003 the Company did not hold any of its own shares.

(iii) Issue of Employee shares

The Extraordinary General Meeting in September 2004 approved the implementation of a cash settled share based payment program. On the basis of the program certain designated employees received employee shares for nil consideration. The Company issued 6,346,050 employee shares each with a nominal value of HUF 202 and a total nominal value of HUF 1,282 million from share premium. These shares are intended to have full dividend participation rights but will be non transferable and mandatorily redeemable. The repurchase of the employee shares and the repurchase value to which the employees are entitled will depend on the fulfilment of various performance criteria related to the successful capitalization and utilization of the new MDI unit. These performance criteria are expected to be fulfilled primarily during 2006 and 2007. Under the terms of the program the repurchase value can vary between 5% and 100% of the nominal value.

18. Retained earnings / Dividends

Retained earnings available for distribution are based on the financial statements of the Company prepared in accordance with Accounting Regulations in force in Hungary, as opposed to these financial statements, which are prepared under International Financial Reporting Standards. The distributable reserves were HUF 68,121 million and HUF 56,915 million at 31 December 2004 and 2003 respectively.

Dividends totalling HUF 3,657 million (HUF 45 per share) are proposed for the consideration of the Annual General Meeting, in respect of 2004.

Dividend withholding

A 20% dividend withholding tax, subject to reduction by applicable double taxation treaties, is levied on the recipient in respect of dividends, payable to a foreign legal entity. In the event of payment to domestic or foreign individuals, a personal income tax liability of 20% arises. In both cases the tax is deducted at the source. Dividend paid to a foreign legal entity after 1 May 2004 is not subject to dividend withholding tax if the party receiving the dividend had a minimum shareholding of 25% in the party paying the dividend for at least 2 years at the date of the payment.

19. Segment Information

For management purposes the Group is organised into eight major operating divisions, which comprise four major related product groups:

1) Chlor-Vinyl / PVC / Compound segment
2) MDI / TDI / BC-MCHZ segment
3) Plastic Production and
4) Other

The eight operating divisions are described below:

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

Primary reporting format – business segments	Chlor-Vinyl / PVC / Compound segment Chlor-Vinyl division	PVC division	Compound division	Elimination	Subtotal
Year ended 31 December 2004					
Segment revenues					
External sales	6,023	43,821	5,768	-	55,612
Inter-segment sales	27,602	6,486	6,902	(29,391)	11,599
Total sales	33,625	50,307	12,670	(29,391)	67,211
Gross profit	7,133	7,578	1,789	-	16,500
Other net operating allocated expense	-	-	-	-	(9,523)
Operating income by segments	-	-	-	-	6,977
Other net operating unallocated expense	-	-	-	-	-
Operating income total	-	-	-	-	-
Interest income / (expense), net	-	-	-	-	-
Income from associates	-	-	-	-	
Foreign currency (losses) / gains	-	-	-	-	-
Net gain from the sale of investment	-	-	-	-	-
Net (losses) / gains on derivatives	-	-	-	-	-
Income tax expense	-	-	-	-	-
Minority interest	-	-	-	-	-
Net income	-	-	-	-	-
Segment assets	26,341	18,185	4,697	-	49,223
Investment in associates	-	-	-	-	-
Unallocated assets	-	-	-	-	-
Consolidated total assets	-	-	-	-	-
Segment liabilities	9,223	4,259	366	-	13,848
Unallocated liabilities	-	-	-	-	-
Consolidated total liabilities	-	-	-	-	-
Capital expenditure	8,454	3,963	335	-	12,752
Depreciation allocated	1,190	544	176	-	1,910
Depreciation unallocated	-	-	-	-	-

Secondary reporting format geographical segments	Hungary	Western Europe	Central and East. Europe	Other	Elimintaion	Total
Year ended 31 December 2004						
Revenue						
Sales to external customers	24,832	67,922	44,395	10,524	-	147,673
Inter-segment sales	10,901	20,155	11,205	-	(42,261)	-
Total revenue	**35,733**	**88,077**	**55,600**	**10,524**	**(42,261)**	**147,673**
Other segment information						
Carrying amount of segment assets	143,532	5,735	23,722	-	-	172,989
Additions to property, plant and equipment and intangible assets	29,665	11	1,808	-	-	31,484

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

MDI / TDI / BC-MCHZ segment MDI division	TDI division	BC-MCHZ	Elimination	Subtotal	Plastic production	Other	Elimination	Total
23,316	24,445	20,081	-	67,842	13,363	10,856	-	147,673
1,076	846	10,831	(10,620)	2,133	1,027	18,412	(33,171)	-
24,392	25,291	30,912	(10,620)	69,975	14,390	29,268	(33,171)	147,673
6,838	7,752	5,784	-	20,374	2,116	1,011	(177)	39,824
-	-	-	-	(11,256)	(1,987)	(502)	-	(23,268)
-	-	-	-	9,118	129	509	(177)	16,556
-	-	-	-	-	-	-	-	(5,283)
-	-	-	-	-		-	-	11,273
-	-	-	-	-	-	-	-	578
-	-	-	-	-	-	-	-	24
-	-	-	-	-	-	-	-	2,238
-	-	-	-	-	-	-	-	376
-	-	-	-	-	-	-	-	4,000
-	-	-	-	-	-	-	-	(638)
-	-	-	-	-	-	-	-	(704)
-	-	-	-	-	-	-	-	17,147
21,750	35,870	23,611	-	81,231	7,496	43,492	(8,453)	172,989
-	-	-	-	-	-	-	-	251
-	-	-	-	-	-	-	-	34,821
-	-	-	-	-	-	-	-	208,061
7,958	11,157	13,482	-	32,597	3,631	34,258	(8,169)	76,165
-	-	-	-	-	-	-	-	8,238
-	-	-	-	-	-	-		84,403
10,756	2,354	1,794	-	14,904	480	3,348	-	31,484
733	2,230	1,037	-	4,000	693	1,692	-	8,295
-	-	-	-	-	-	-	-	909

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

Primary reporting format – business segments	Chlor-Vinyl division	PVC division	Compound division	Elimination	Subtotal
	Chlor-Vinyl / PVC / Compound segment				
Year ended 31 December 2003					
Segment revenues					
External sales	7,068	35,480	5,058	-	47,606
Inter-segment sales	24,110	4,815	6,109	(23,594)	11,440
Total sales	31,178	40,295	11,167	(23,594)	59,046
Gross profit	6,007	5,740	2,281	-	14,028
Other net operating allocated expense	-	-	-	-	(8,903)
Operating income by segments	-	-	-	-	5,125
Other net operating unallocated expense	-	-	-	-	-
Operating income total	-	-	-	-	-
Interest income / (expense), net	-	-	-	-	-
Income from associates	-	-	-	-	-
Foreign currency (losses) / gains	-	-	-	-	-
Net gain from the sale of investment	-	-	-	-	-
Net (losses) / gains on derivatives	-	-	-	-	-
Income tax expense	-	-	-	-	-
Minority interest	-	-	-	-	-
Net income	-	-	-	-	-
Segment assets	18,761	11,864	4,456	-	35,081
Investment in associates	-	-	-	-	-
Unallocated assets	-	-	-	-	-
Consolidated total assets	-	-	-	-	-
Segment liabilities	6,871	2,327	635	-	9,833
Unallocated liabilities	-	-	-	-	
Consolidated total liabilities	-	-	-	-	
Capital expenditure	7,756	654	774	-	9,184
Depreciation allocated	1,152	619	166	-	1,937
Depreciation unallocated	-	-	-	-	-

Secondary reporting format geographical segments	Hungary	Western Europe	Central and East. Europe	Other	Elimintaion	Total
Year ended 31 December 2003						
Revenue						
Sales to external customers	22,928	59,907	41,059	7,741	-	131,635
Inter-segment sales	8,367	5,662	15,049	-	(29,078)	-
Total revenue	31,295	65,569	56,108	7,741	(29,078)	131,635
Other segment information						
Carrying amount of segment assets	117,629	830	23,222	-	-	141,681
Additions to property, plant and equipment and intangible assets	14,217	2	1,946	-	-	16,165

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

MDI / TDI / BC-MCHZ segment								
MDI division	TDI division	BC-MCHZ	Elimination	Subtotal	Plastic production	Other	Elimination	Total
20,741	25,032	16,530	-	62,303	12,455	9,271	-	131,635
1,017	658	8,137	(8,531)	1,281	949	12,628	(26,298)	-
21,758	25,690	24,667	(8,531)	63,584	13,404	21,899	(26,298)	131,635
6,285	10,541	4,873	-	21,699	2,518	512	(65)	38,692
-	-	-	-	(9,826)	(1,989)	52	-	(20,666)
-	-	-	-	11,873	529	564	(65)	18,026
-	-	-	-	-	-	-	-	(4,918)
-	-	-	-	-	-	-	-	13,108
-	-	-	-	-	-	-	-	(1,436)
-	-	-	-	-	-	-	-	95
-	-	-	-	-	-	-	-	(3,061)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(2,113)
-	-	-	-	-	-	-	-	(137)
-	-	-	-	-	-	-	-	(90)
-	-	-	-	-	-	-	-	6,366
11,196	34,695	20,900	-	66,791	7,370	38,301	(5,862)	141,681
-	-	-	-	-	-	-	-	294
-	-	-	-	-	-	-	-	46,790
-	-	-	-	-	-	-	-	188,765
1,201	16,281	11,295	-	28,777	3,023	32,283	(5,791)	68,125
-	-	-	-	-	-	-	-	8,298
-	-	-	-	-	-	-	-	76,423
1,160	1,454	1,928	-	4,542	504	1,935	-	16,165
867	2,196	1,014	-	4,077	635	1,602	-	8,251
-	-	-	-	-	-	-	-	888

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

20. Operating income

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

	Year ended 31 December 2004	31 December 2003
Depreciation of property, plant and equipment, and amortisation of intangible assets	9,204	9,139
Costs of inventories recognised as an expense	99,263	84,858
Staff costs		
Salaries and wages	9,796	8,949
Social security	3,445	3,259
Other personnel type costs	1,125	1,462
Other recurring operating expense	11,595	10,269
Other operating income/expense	1,972	591
Total operating expense	136,400	118,527

The number of employees of the Group at 31 December 2004 was 4,203 (2003: 4,138).
Other operating income/(expense) consist of the following items:

	Year ended 31 December 2004	31 December 2003
Local taxes	(892)	(820)
Wage taxes	(332)	(299)
Early retirement and severance cost	(116)	(87)
(Increase)/decrease in bad debt provisions	(257)	7
Gain on fixed assets sold	136	121
Negative goodwill amortisation	73	73
Insurance proceeds (Note 20.1)	151	841
Sale of business line (Note 20.2)	-	411
Other miscellaneous	(735)	(838)
	(1,972)	(591)

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

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

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

21. Taxation

BorsodChem Rt. and most of its significant subsidiaries are subject to income tax at the Hungarian statutory rate of 16% on taxable income, except BC-MCHZ s.r.o., located in the Czech Republic, where the tax rate is 28%. The Hungarian statutory tax rate was reduced from 18% to 16%.

Tax Holiday

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

In 2003 and 2004 the Company is entitled to a tax holiday after investments made in excess of HUF 3 billion on qualifying capital projects. The tax holiday is calculated based on the percentage of net sales revenue deriving from the manufacturing activity compared to the total net sales revenue in those years in which the number of employees exceeds at least by 100 persons the number of the employees in the year preceding the commencement of the capital project. The Company is entitled to this tax holiday based on the TDI investment capitalised in 2002. Management believes that the Company will continue to meet the criteria for this tax allowance until 2011.

Due to these tax holidays and other tax allowances for which the Company is also eligible, the actual tax payable by BorsodChem Rt. in 2004 is 7.21% (2003 10.2%) of the total tax which would have been payable had no tax allowances been available. Management anticipates that due to the further significant investments in production facilities in 2004 and planned for 2005 (Note 25) the effective rate of tax will be minimal in future periods.

The other BorsodChem Group companies do not benefit from any significant tax holidays or allowances.

Tax Expense

The major components of tax expense are the following:

	31 December 2004	31 December 2003
Current tax expense	(311)	(174)
Deferred tax (expense)/credit	(327)	37
Total income tax	(638)	(137)

The major components of deferred tax expense are the following:

	31 December 2004	31 December 2003
Origination and reversal of temporary differences	(327)	(17)
Changes in tax rates	-	54
Total deferred tax (expense)/credit	(327)	37

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of BorsodChem Rt. is as follows:

	31 December 2004	31 December 2003
Profit before tax	18,489	6,593
Tax calculated at the parent company tax rate of 16%	2,958	1,187
Utilization of previously unrecognised tax losses	(136)	(576)
Reduction due to tax holiday effective rates	(2,318)	(929)
Impact of different tax rates in other countries	111	202
Change in tax rates	-	(54)
Expenses not tax deductible	23	307
Tax charge	638	137

Deferred taxation

Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

The Company offsets deferred tax assets and deferred tax liabilities when the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity of the Group. As a result the Group had a net deferred tax liability of HUF 764 million and HUF 437 million for the years ended 31 December 2004 and 2003 respectively, primarily relating to differences between IFRS and tax law in the timing of recognition of certain provisions for environmental liabilities, depreciation and recognition of foreign exchange translation gains.

Deferred taxes at 31 December are set out below:

	31 December 2004	31 December 2003
Deferred tax liabilities		
Differences in depreciation	2,008	1,480
Other deferred tax liabilities	24	51
Gross deferred tax liabilities	2,032	1,531
Deferred tax assets		
Tax losses	1,240	1,058
Other deferred tax assets	28	36
Gross deferred tax assets	1,268	1,094
Net deferred tax liability	764	437

Tax examinations

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to five years after the period to which they relate until examinations are finalised. Consequently, the Company may be subject to further assessments in the event of an audit by the tax authorities. The tax authorities have finalised their examinations of the Company through 2002. Management is not aware of any significant unaccrued potential tax liability, which may arise from open examinations.

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

22. Earnings per share

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

	31 December 2004	31 December 2003
Weighted average shares outstanding for		
Basic and diluted earnings per share	75,836,179	61,528,235
Net income used in calculating earnings per share for		
Basic and diluted earnings per share	17,147	6,366
Basic earnings per share	226	103
Fully diluted earnings per share	226	103

The weighted average shares outstanding at 31 December 2003 are adjusted to take account of the 5 for 1 share split which occurred on 14 June 2004 (Note 17).

23. Financial instruments

Currency management

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

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

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

The net result on derivative contracts in 2004 and 2003 is reflected under other income/(expense) in the consolidated statement of income. As at 31 December 2004 and 2003 the derivative assets were HUF 321 million and HUF 399 million respectively (Note 7). As at 31 December 2004 and 2003 the derivative liabilities were HUF 17 million and HUF 1,589 million respectively (Note 14).

Open forward contracts as at 31 December 2004 are summarized below:

Transaction	Value	Maturity date	Average contracted forward rate
EUR sale for HUF	EUR 10,000,000	various during 2005	276.14 HUF/EUR

BC-MCHZ has entered into interest rate swap transactions, which relate to the years 2005 through 2006 in a total volume of CZK 760 million. As a result market floating interest rates on its loans are fixed in the given period. The contracts were revalued to fair value as of 31 December 2004 giving rise to a HUF 17 million unrealised loss.

Short and long term foreign currency borrowings primarily consist of the syndicated loans drawn by the Company in the years 2001 to 2004. The loan facilities are available in USD, EUR, which allows the Company to match its foreign currency receivables and payables in order to minimise foreign currency risk. Borrowings of the Group and the related currencies are shown in Notes 15 and 16.

The Company enters into various long-term supply contracts to guarantee supplies of other raw materials including chlorine, salt, vinyl-chloride and toluol. These contracts generally cover quantities required for the three year period to 31 December 2006. Prices are based on either an index of related market commodity indexes which exist at the date of delivery or are subject to quarterly and/or annual agreements between the parties. In respect of ethylene the Company has entered into a supply contract for the period of 1 September 2004 to 31 December 2013 to supply a minimum 140 Kilo tonnes and a maximum 155 Kilo tonnes annually of ethylene at the ICIS LOR FD NEW Contract price plus a 3.5% percentage mark-up in the years 2004 to 2008 and at the ICIS LOR FD NEW Contract price in the years 2009 to 2013.

Credit risk

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

Interest rate risk

The Company does not have significant holdings of long term fixed rate government bonds. The Company's borrowings are provided on interest rate bases as set out in Notes 15 and 16.

Fair values

At 31 December 2004 and 2003 the carrying amounts of cash, short-term investments, accounts receivable, short term borrowings, accounts payable and accrued expenses approximated their fair values due to the short-term maturities of these assets and liabilities. Receivables are stated after making allowance for doubtful debts. The fair values of long-term borrowings are not materially different from the carrying amounts.

24. Related party transactions

Transactions with associates and joint ventures

The Company received dividends of HUF 15 million for the years ended 31 December 2003 from associates (See Note 10). This dividend was recorded as a reduction in the investment account. No dividend was received from associates in 2004. Sales to associates and joint ventures for the years ended 31 December 2004 and 2003 were HUF 3,504 million and HUF 12,559 million respectively. Purchases from associates and joint ventures for the years ended 31 December 2004 and 2003 were HUF 318 million and HUF 296 million respectively. Receivables from and payables to associates and joint ventures are set out in Notes 4 and 13 respectively.

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

Transactions with shareholders

The Company commenced trading activity in 2004 with a related company of one of its main shareholders, CETAG. The sales to CETAG were HUF 6,450 million and purchases from CETAG HUF 997 million for the period ended 31 December 2004.

As described in Note 11 a contract for the sale of 100% of the Company's investment in TVK to CE Oil & Gas Beteiligung und Verwaltung AG, was entered into on 3 September 2004 which generated a gain on disposal of HUF 376 million.

VCP Industrie Beteiligungen AG and CE Oil & Gas Beteiligung und Verwaltung AG through a Global Offering disposed of a significant percentage of the shareholding which it had held in BorsodChem Rt. During the offering process BorsodChem Rt. also listed its shares on Polish Stock Exchange. The Company incurred approximately HUF 400 million of the total issue expenses associated with this Offering and its Polish Listing.

Remuneration of the members of the Supervisory Board and Board of Directors in their capacity as members:

	2004	2003
Board of Directors	23	19
Supervisory Board	13	12
Total	36	31

25. Commitments and contingencies

25.1 Capital commitments

At 31 December 2004, the Group had authorised capital expenditures, translated at year end closing rates, of HUF 49,885 million of which binding commitments for capital expenditures in the amount of HUF 11,914 million were entered into at the year end. Included within authorised capital expenditures are the estimated project costs required to expand MDI capacity to operate with 100 thousand tonnes ("kt") capacity per year (HUF 9,655 million), to expand vinyl chloride capacity to 320 kt per year (HUF 6,710 million), to construct a new chlorine electrolysis plant to extend the capacity of its existing chlorine production facility by 80 kt (HUF 15,419 million) and to expand PVC capacity to operate with 400 kt capacity per year (HUF 3,222 million).

25.2 Environmental commitments

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

At 31 December 2004 the Company estimated that a total provision of HUF 452 million (2003: HUF 459 million) was still required in order to implement those capital and maintenance projects outstanding from the 1991 action plan and those which have been recommended by subsequent independent environmental audits which related to cleaning up past contamination issues. These costs are expected to be incurred within three years of the balance sheet date.

25.3 Guarantees

BorsodChem Rt. had guaranteed bank loan facilities for a subsidiary, BC Polska Sp- zo.o. to a limit of HUF 241 million at 31 December 2004.

25.4 Sale of aniline technology

In September 2003 BC MCHZ entered an agreement for sale of a licence for its aniline production technology. The contract is a compound of Basic Engineering Packages EUR 270 thousand and Licence Fees EUR 2,680 thousand, totalling EUR 2,950 thousand. Revenue will be generated in line with delivery of the various packages called for under the contract, which is expected to occur in 2005. As at 31 December 2004 HUF 456 million has been received as advance payment on the contract.

26. Reconciliation of statutory accounts to IFRS financial statements

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

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

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

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

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

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

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

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

(8) the valuation of open forward contracts in 2002 at market forward available rates at the balance sheet date under IFRS while under HAS these contracts were valued at forward rates at the balance-sheet preparation date,

(9) the recognition of the investment in BC-Erőmű Kft. using the full consolidation method in IFRS while under HAS consolidation principles this investment is consolidated as an associate,

(10) the recognition of deferred tax in IFRS while under HAS consolidation principles the deferred tax is not recognised, and

(11) the different classification principles under IFRS and HAS consolidation.

Notes to the consolidated financial statements (all amounts in HUF million unless otherwise noted)

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

		Equity	Profit	Assets	Liabilities
31 December 2004 Reconciliation					
31 December 2004 unaudited consolidated statutory accounts before 2004 dividend		(107,362)	(17,825)	199,661	(74,474)
Environmental provision	(1)	210	(7)	-	(203)
Investment in associates	(2)	188	(24)	(164)	-
Fixed asset adjustments	(3)	(209)	(632)	841	-
Foreign currency translation gain	(4)	(661)	1,390	(729)	-
Acquisition costs on investments	(5)	(505)	240	265	-
Investment in joint ventures	(6)	-	-	-	-
Translation of fixed assets of foreign subsidiaries	(7)	(1,099)	-	1,099	-
Open forward contracts adjustment	(8)	-	-	-	-
BC-Erőmű Kft. consolidation accounting	(9)	(236)	(122)	10,473	(10,115)
Deferred tax liability	(10)	437	327	-	(764)
Reclassification of treasury stock	(11)	2,690	-	(2,690)	-
Negative goodwill	(11)	-	-	(389)	389
Reclassification of minority interests	(11)	63	-	-	(63)
Reallocation of share capital increase	(11)	-	-	-	-
Other miscellaneous differences relating to HAS consolidation rules		(27)	(494)	(306)	827
IFRS Consolidated financial statements		(106,511)	(17,147)	208,061	(84,403)
31 December 2003 Reconciliation					
31 December 2003 unaudited consolidated statutory accounts before 2003 dividend		(83,966)	(7,470)	178,820	(87,384)
Environmental provision	(1)	466	(7)	-	(459)
Investment in associates	(2)	(184)	97	87	-
Fixed asset adjustments	(3)	33	(241)	208	-
Foreign currency translation gain	(4)	(2,533)	1,161	-	1,372
Acquisition costs on investments	(5)	(504)	-	240	264
Investment in joint ventures	(6)	43	13	(2,556)	2,500
Translation of fixed assets of foreign subsidiaries	(7)	(1,074)	27	902	145
Open forward contracts adjustment	(8)	(596)	596	-	-
BC-Erőmű Kft. consolidation accounting	(9)	(267)	31	10,127	(9,891)
Deferred tax liability	(10)	474	(37)	-	(437)
Reclassification of treasury stock	(11)	-	-	-	-
Negative goodwill	(11)	-	-	(462)	462
Reclassification of minority interests	(11)	415	-	-	(415)
Reallocation of share capital increase	(11)	(17,064)	-	-	17,064
Other miscellaneous differences relating to HAS consolidation rules		(1,219)	(536)	1,399	356
IFRS Consolidated financial statements		(105,976)	(6,366)	188,765	(76,423)

UNCONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH HAS

Independent Auditors Report on the annual financial statements presented to the shareholders' meeting for approval

To the Shareholders and Board of Directors 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 HUF 170,380 M and a profit for the year of HUF 13,477 M, 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 HUF 3,657 M disclosed in the financial statements will be regarded as final upon approval by the shareholders.

We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of BorsodChem Rt. in accordance with national audit standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion, the annual financial statements give a true and fair view of the equity and financial position of BorsodChem Rt. as at 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

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

Number (a)	Description (b)	2003 (c)	2004 (d)
01.	**A. Fixed assets**	**110,114**	**112,911**
02.	I. INTANGIBLE ASSETS	2,521	2,344
03.	Capitalised foundation/restructuring		
04.	Capitalised research and development	159	227
05.	Concessions, licenses and similar rights	4	3
06.	Trade-marks, patents and similar assets	2,358	2,114
07.	Goodwill		
08.	Advance payments for intangible assets		
09.	Adjusted value of intangible assets		
10.	II. TANGIBLE ASSETS	77,333	100,274
11.	Land and buildings and related property rights	26,952	27,614
12.	Plant, machinery, equipment and vehicles	35,098	35,909
13.	Other equipment, fixtures and fittings, vehicles	1,199	1,174
14.	Breeding stock		
15.	Assets in the course of construction	13,948	35,110
16.	Prepayments for capital expenditures	136	467
17.	Adjusted value of tangible assets		
18.	III. LONG-TERM FINANCIAL ASSETS	30,260	10,293
19.	Long-term participations in related parties	10,163	10,274
19/a.	Companies involved in consolidation	9,336	9,461
19/b.	Jointly managed enterprises	14	
19/c.	Associated enterprises	813	813
20.	Long-term loans granted to related parties	0	0
20/a.	Companies involved in consolidation		
20/b.	Jointly managed enterprises		
20/c.	Associated enterprises		
21.	Other long-term investments	20,080	0
22.	Long-term loans granted to other investments		
23.	Other long-term loans granted	17	19
24.	Long-term debt securities		
25.	Adjusted value of financial investments		
26.	Valuation difference of long-term financial assets		
27.	**B. Current assets**	**45,554**	**56,739**
28.	I. STOCKS	10,348	11,951
29.	Raw materials and consumables	6,285	6,552
30.	Work in progress and semi-finished products	488	521
31.	Animals for breeding, fattening and other livestock		
32.	Finished products	3,532	4,705
33.	Goods	10	10
34.	Advance payments for stocks	33	163
35.	II. RECEIVABLES	17,460	20,757
36.	Trade receivables	8,369	11,152
37.	Receivables from related parties	4,393	5,103
37/a.	Companies involved in consolidation	3,268	5,071
37/b.	Jointly managed enterprises	721	0
37/c.	Associated enterprises	404	32
38.	Receivables from other investments		
39.	Bills of exchange receivables		
40.	Other receivables	4,302	4,253
41.	Valuation difference of receivables		
42.	Positive valuation difference of derivative instruments	396	249
43.	III. SECURITIES	0	9,619
44.	Participations in related parties	0	0
44/a.	Companies involved in consolidation		
44/b.	Jointly managed enterprises		
44/c.	Associated enterprises		
45.	Other participations		
46.	Treasury shares and own participation		2,690
46.	Marketable debt securities		6,929
48.	Valuation difference of securities		

Number (a)	Description (b)	2003 (c)	2004 (d)
49.	IV. LIQUID ASSETS	17,746	14,412
50.	Cash, cheques	8	7
51.	Bank deposits	17,738	14,405
52.	**C. Prepaid expenses and accrued income**	**207**	**730**
53.	Accrued income	74	554
54.	Prepaid expenses	133	176
55.	Deferred expenses		
56.	**D. Amounts falling due within the year**	**50,109**	**34,150**
57.	Short-term borrowings		
58.	of which: convertible bonds		
59.	Other short-term loans	13,838	12,513
60.	Prepayments received from debtors	282	48
61.	Creditors	11,452	14,966
62.	Bills of exchange payable		
63.	Short-term debts to related parties	1,990	2,426
63/a.	Companies involved in consolidation	1,408	1,803
63/b.	Jointly managed enterprises	7	0
63/c.	Associated enterprises	575	623
64.	Short-term debts to other investments		
65.	Other current liabilities	21,028	4,197
66.	Valuation difference of liabilities		
67.	Negative valuation difference of derivative instruments	1,519	0
68.	**E. Accrued expenses and deferred income**	**1,756**	**782**
69.	Deferred income	1,372	0
70.	Accrued expenses	299	713
71.	Accrued income	85	69
72.	**F. Current assets and current liabilities (B+C-D-E)**	**-6,104**	**22,537**
73.	**G. Total assets less current liabilities (A±F)**	**104,010**	**135,448**
74.	**H. Amounts falling due and payable after more than one year**	**20,751**	**21,558**
75.	I. LONG-TERM LIABILITIES	20,751	21,558
76.	Long-term borrowings		
77.	Convertible bonds		
78.	Liabilities from the issue of bonds		
79.	Investment and development loans	13,983	13,190
80.	Other long-term loans	6,756	8,361
81.	Long-term liabilities to related parties	0	0
81/a.	Companies involved in consolidation		
81/b.	Jointly managed enterprises		
81/c.	Associated enterprises		
82.	Long-term liabilities to other investments		
83.	Other long-term liabilities	12	7
84.	II. SUBORDINATED LIABILITIES	0	0
85.	Subordinated liabilities to related parties	0	0
85/a	Companies involved in consolidation		
85/b.	Jointly managed enterprises		
85/c.	Associated enterprises		
86.	Subordinated liabilities to other investments		
87.	Subordinated liabilities to third parties		
88.	**I. Provisions**	**506**	**596**
89.	Provisions for contingent liabilities	506	596
90.	Provisions for future committments		
91.	Other provisions		
92.	**J. Shareholders' equity**	**82,753**	**113,294**
93.	I. ISSUED CAPITAL	12,311	16,670
94.	of which: treasury shares redeemed at face value		258
95.	II. ISSUED CAPITAL NOT PAID (-)		
96.	III. CAPITAL RESERVE	16,538	29,243
97.	IV. RETAINED EARNINGS/(LOSSES)	50,315	50,987
98.	V. ALLOCATED RESERVES	159	2,917
99.	VI. REVALUATION RESERVE		
100.	Valuation reserve of value adjustment		
101.	Fair value reserve		
102.	VII. PROFIT OR LOSS FOR THE YEAR	3,430	13,477

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

Number (a)	Description (b)	2003 (c)	2004 (d)
01.	Domestic sales, net	28,439	27,615
01/a.	Companies involved in consolidation	8,635	9,275
01/b.	Jointly managed enterprises		
01/c.	Associated enterprises	4,158	2,462
01/d.	Other entrepreneurs	15,646	15,878
02.	Export sales, net	78,678	87,919
02/a.	Companies involved in consolidation	20,500	30,624
02/b.	Jointly managed enterprises	12,525	3,580
02/c.	Associated enterprises		
02/d.	Other entrepreneurs	45,653	53,715
I.	Total sales, net (01+02)	107,117	115,534
03.	Movements in self-produced stocks	189	1,206
04.	Capitalised value of self-manufactured assets	908	3,641
II.	Capitalised own performance (±03+04)	1,097	4,847
III.	Other income	2,436	1,132
III/a.	Companies involved in consolidation	64	28
III/b.	Jointly managed enterprises	0	0
III/c.	Associated enterprises	0	0
III/d.	Other entrepreneurs	2,372	1,104
	of which: reversed diminution in value	33	24
05.	Material costs	64,620	79,023
06.	Services used	6,875	7,402
07.	Other services	1,153	1,189
08.	Costs of goods sold	8,879	6,277
09.	Provision of (consignment) services	134	121
IV.	Material-type expenditures (05+06+07+08+09)	81,661	94,012
10.	Wages and salaries	5,751	6,809
11.	Other payments to personnel	1,126	856
12.	Social security and similar deductions	2,149	2,422
V.	Payments to personnel (10+11+12)	9,026	10,087
VI.	Depreciation	6,728	6,658
VII.	Other expenditures	3,319	2,189
	of which: diminution in value	168	253
A.	**Operating profit / (loss) (I±II+III-IV-V-VI-VII)**	**9,916**	**8,567**
13.	Dividends and profit-sharing (received or due)	496	485
13/a.	Companies involved in consolidation	306	310
13/b.	Jointly managed enterprises	6	0
13/c.	Associated enterprises	184	175
13/d.	Other entrepreneurs		0
14.	Capital gains from disposal of shares	0	616
14/a.	Companies involved in consolidation		
14/b.	Jointly managed enterprises		
14/c.	Associated enterprises		
14/d.	Other entrepreneurs	0	616
15.	Interest and capital gains on long-term financial assets	0	0
15/a.	Companies involved in consolidation		
15/b.	Jointly managed enterprises		
15/c.	Associated enterprises		
15/d.	Other entrepreneurs		
16.	Other interests and similar income (received or due)	161	1,545
16/a.	Companies involved in consolidation	5	11
16/b.	Jointly managed enterprises		
16/c.	Associated enterprises		
16/d.	Other entrepreneurs	156	1,534
17.	Other revenues from financial transactions	2,342	9,489
	of which: valuation difference	396	249
VIII.	Financial revenues (13+14+15+16+17)	2,999	12,135

Number (a)	Description (b)	2003 (c)	2004 (d)
18.	Losses on long-term financial assets	0	0
18/a.	Companies involved in consolidation		
18/b.	Jointly managed entrprises		
18/c.	Associated enterprises		
18/d.	Other enterpreneurs		
19.	Interest payable and similar changes	1,041	901
19/a.	Companies involved in consolidation	9	11
19/b.	Jointly managed enterprises		
19/c.	Associated enterprises		
19/d.	Other entrepreneurs	1,032	890
20.	Diminution in the values of shares, securities and bank deposits	0	0
21.	Other expenditures on financial transactions	4,525	2,203
	of which: valuation difference	1,519	
IX.	Financial expenditures (18+19±20+21)	5,566	3,104
B.	**Financial profit or loss (VIII-IX)**	**-2,567**	**9,031**
C.	**Profit or loss of ordinary activities (±A±B)**	**7,349**	**17,598**
X.	Extraordinary revenues	18	31
XI.	Extraordinary expenditures	682	322
D.	**Extraordinary profit/loss (X-XI)**	**-664**	**-291**
E.	**Profit before tax (±C±D)**	**6,685**	**17,307**
XII.	Tax payable	85	173
F.	**Profit after tax (± E- XII)**	**6,600**	**17,134**
22.	Retained earnings for dividend and profit-sharing		
23.	Dividend and profit-sharing paid (payable)	3,170	3,657
23/a.	Companies involved in consolidation		
23/b.	Jointly managed enterprises		
23/c.	Associated enterprises		
23/d.	Other entrepreneurs	3,170	3,657
G.	**Profit or loss for the year (±F+22-23)**	**3,430**	**13,477**

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

Number (a)	Description (b)	2003 (c)	2004 (d)
01.	Domestic sales, net	28,439	27,615
01/a.	Companies involved in consolidation	8,635	9,275
01/b.	Jointly managed enterprises		
01/c.	Associated enterprises	4,158	2,462
01/d.	Other entrepreneurs	15,646	15,878
02.	Export sales, net	78,678	87,919
02/a.	Companies involved in consolidation	20,500	30,624
02/b.	Jointly managed enterprises	12,525	3,580
02/c.	Associated enterprises		
02/d.	Other entrepreneurs	45,653	53,715
I.	Total sales, net (01+02)	107,117	115,534
03.	Direct costs of sales	71,108	81,799
04	Costs of goods sold	8,879	6,277
05.	Provision of (consignment) services	134	121
II.	Direct costs of sales (03+04+05)	80,121	88,197
III.	Gross sales (I-II)	26,996	27,337
06.	Sales and marketing costs	5,808	5,733
07.	Administration costs	6,426	7,193
08.	Other general overheads	3,963	4,787
IV.	Indirect costs of sales (06+07+08)	16,197	17,713
V.	Other revenues	2,436	1,132
V/a.	Companies involved in consolidation	64	28
V/b.	Jointly managed enterprises	0	0
V/c.	Associated enterprises	0	0
V/d.	Other entrepreneurs	2,372	1,104
	of which: reversed diminution in value	33	24
VI.	Other expenditures	3,319	2,189
	of which: dimininution in value	168	253
A.	**Operating profit /(loss) (±III-IV+V+VI)**	**9,916**	**8,567**
09.	Dividends and profit-sharing (received or due)	496	485
09/a.	Companies involved in consolidation	306	310
09/b.	Jointly managed enterprises	6	0
09/c.	Associated enterprises	184	175
09/d.	Other entrepreneurs		
10.	Capital gains from disposal of shares	0	616
10/a.	Companies involved in consolidation		
10/b.	Jointly managed enterprises		
10/c.	Associated enterprises		
10/d.	Other entrepreneurs	0	616
11.	Interest and capital gains on long-term financial assets	0	0
11/a.	Companies involved in consolidation		
11/b.	Jointly managed enterprises		
11/c.	Associated enterprises		
11/d.	Other entrepreneurs		
12.	Other interests and similar income (received or due)	161	1,545
12/a.	Companies involved in consolidation	5	11
12/b.	Jointly managed enterprises		
12/c.	Associated enterprises		
12/d.	Other entrepreneurs	156	1,534
13.	Other revenues from financial transactions	2,342	9,489
	of which: valuation difference	396	249
VII.	Financial revenues (09+10+11+12+13)	2,999	12,135

Number (a)	Description (b)	2003 (c)	2004 (d)
14.	Losses on long-term financial assets	0	0
14/a.	Companies involved in consolidation		
14/b.	Jointly managed entrprises		
14/c.	Associated enterprises		
14/d.	Other entrepreneurs		
15.	Interest payable and similar changes	1,041	901
15/a.	Companies involved in consolidation	9	11
15/b.	Jointly managed enterprises		
15/c.	Associated enterprises		
15/d.	Other entrepreneurs	1,032	890
16.	Diminution in the values of shares, securities and bank deposits	0	0
17.	Other expenditures on financial transactions	4,525	2,203
	of which: valuation difference	1,519	0
VIII.	Financial expenditures (14+15±16+17)	5,566	3,104
B.	**Financial profit or loss (VII-VIII)**	**-2,567**	**9,031**
C.	**Profit or loss of ordinary activities (±A±B)**	**7,349**	**17,598**
IX.	Extraordinary revenues	18	31
X.	Extraordinary expenditures	682	322
D.	**Extraordinary profit/loss (IX-X)**	**-664**	**-291**
E.	**Profit before tax (±C±D)**	**6,685**	**17,307**
XI.	Tax payable	85	173
F.	**Profit after tax (± E- XI)**	**6,600**	**17,134**
18.	Retained earnings for dividend and profit-sharing		
19.	Dividend and profit-sharing paid (payable)	3,170	3,657
19/a.	Companies involved in consolidation		
19/b.	Jointly managed enterprises		
19/c.	Associated enterprises		
19/d.	Other entrepreneurs	3,170	3,657
G.	**Profit or loss for the year (±F-18-19)**	**3,430**	**13,477**

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH HAS

Independent Auditors Report

To the Shareholders of BorsodChem Rt.

We have audited the accompanying consolidated balance sheet of BorsodChem Rt. as at 31 December 2003, which shows a balance sheet total of HUF 178,820 M and a profit for the year of HUF 4,300 M the related consolidated profit and loss account for the year then ended and the notes included in the Company's 2003 consolidated annual financial statements. The consolidated annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with that presented in the consolidated financial statements.

We issued an unqualified opinion on the Company's consolidated annual financial statements as at 31 December 2002 on 21 March 2003.

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

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

Budapest, March 22, 2004

Ernst & Young Kft.
Registration No. 001165

Virágh Gabriella
Registered Auditor
Chamber membership No.: 004245

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

Number (a)	Description (b)	2002 (c)	2003 (d)
01.	**A. Fixed assets**	**113,036**	**119,490**
02.	I. INTANGIBLE ASSETS	2,837	2,589
03.	Capitalised foundation/restructuring		
04.	Capitalised research and development	130	159
05.	Concessions, licenses and similar rights	5	5
06.	Trade-marks, patents and similar assets	2,702	2,425
07.	Goodwill	0	0
08.	Advance payments for intangible assets	0	0
09.	Adjusted value of intangible assets	0	0
10.	II. TANGIBLE ASSETS	89,032	95,731
11.	Land and buildings and related property rights	34,751	35,612
12.	Plant, machinery, equipment and vehicles	43,654	44,195
13.	Other equipment, fixtures and fittings, vehicles	1,745	1,647
14.	Breeding stock	0	0
15.	Assets in the course of construction	8,498	14,141
16.	Prepayments for capital expenditures	384	136
17.	Adjusted value of tangible assets	0	0
18.	III. LONG-TERM FINANCIAL ASSETS	21,167	21,170
19.	Long-term participations in related parties	1,067	1,066
19/a.	Companies involved in consolidation	0	0
19/b.	Jointly managed companies	0	0
19/c.	Associated enterprises	1,067	1,066
20.	Long-term loans granted to related parties	0	0
20/a.	Companies involved in consolidation	0	0
20/b.	Jointly managed enterprises	0	0
20/c.	Associated enterprises	0	0
21.	Other long-term investments	20,080	20,080
22.	Long-term loans granted to other investments	0	0
23.	Other long-term loans granted	14	18
24.	Long-term debt securities	6	6
25.	Adjusted value of financial investments	0	0
26.	Valuation difference of long-term financial assets		
27.	Capital consolidation difference	0	0
	from subsidiaries	0	0
	from associated enterprises	0	0
28.	**B. Current assets**	**37,808**	**58,845**
29.	I. STOCKS	11,617	13,373
30.	Raw materials and consumables	6,445	7,856
31.	Work in progress and semi-finished products	755	823
32.	Animals for breeding, fattening and other livestock	0	0
33.	Finished products	4,098	4,357
34.	Goods	257	291
35.	Advance payments for stocks	62	46
36.	II. RECEIVABLES	23,188	25,942
37.	Trade receivables	18,639	18,799
38.	Receivables from related parties	517	404
38/a.	Companies involved in consolidation	0	0
38/b.	Jointly managed enterprises	0	0
38/c.	Associated enterprises	517	404
39.	Receivables from other investments	0	0
40.	Bills of exchange receivables	42	5
41.	Other receivables	3,956	6,290
42.	Valuation difference of receivables	0	0
43.	Positive valuation difference of derivative instruments	0	399
44.	Corporation tax claim due to consolidation (calculated)	34	45

Number (a)	Description (b)	2002 (c)	2003 (d)
45.	III. SECURITIES	0	2
46.	Participations in related parties	0	0
46/a.	Companies involved in consolidation	0	0
46/b.	Jointly managed enterprises	0	0
46/c.	Associated enterprises	0	0
47.	Other participations	0	2
48.	Treasury shares and own participation	0	0
49.	Marketable debt securities	0	0
50.	Valuation difference of securities	0	0
51.	IV. LIQUID ASSETS	3,003	19,528
52.	Cash, cheques	9	13
53.	Bank deposits	2,994	19,515
54.	**C. Prepaid expenses and accrued income**	**985**	**485**
55.	Accrued income	75	88
56.	Prepaid expenses	376	389
57.	Deferred expenses	534	8
58.	**D. Amounts falling due within the year**	**35,549**	**64,826**
59.	Short-term borrowings	55	55
60.	of which: convertible bonds	0	0
61.	Other short-term loans	18,793	25,177
62.	Prepayment received from debtors	186	621
63.	Creditors	11,624	15,096
64.	Bills of exchange payable	181	0
65.	Short-term debts to related parties	652	575
65/a.	Companies involved in consolidation	0	0
65/b.	Jointly managed enterprises	0	0
65/c.	Associated enterprises	652	575
66.	Short-term debts to other investments	0	0
67.	Other current liabilities	4,058	21,749
68.	Valuation difference of liabilities		
69.	Negative valuation difference of derivative instruments		1,553
70.	Corporation tax liabilities due to consolidation (calculated)	0	0
71.	**E. Accrued expenses and deferred income**	**3,604**	**1,977**
72.	Deferred income	2,573	1,275
73.	Accrued expenses	885	488
74.	Accrued income	146	214
75.	**F. Current assets and current liabilities (B+C-D-E)**	**-360**	**-7,473**
76.	**G. Total assets less current liabilities (A±F)**	**112,676**	**112,017**
77.	**H. Amounts falling due and payable after more than one year**	**27,893**	**22,942**
78.	I. LONG-TERM LIABILITIES	26,820	21,869
79.	Long-term borrowings	85	30
80.	Convertible bonds	0	0
81.	Liabilities from the issue of bonds	0	0
82.	Investment and development loans	14,063	14,542
83.	Other long-term loans	12,610	7,252
84.	Long-term liabilities to related parties	0	0
84/a.	Companies involved in consolidation	0	0
84/b.	Jointly managed enterprises	0	0
84/c.	Associated enterprises	0	0
85.	Long-term liabilities to other investments	0	0
86.	Other long-term liabilities	62	45
87.	II. SUBORDINATED LIABILITIES	0	0
88.	Subordinated liabilities to related parties	0	0
88/a	Companies involved in consolidation	0	0
88/b.	Jointly managed enterprises	0	0
88/c.	Associated enterprises	0	0
89.	Subordinated liabilities to other investments	0	0
90.	Subordinated liabilities to third parties	0	0
91.	Capital consolidation difference from subsidiaries	1,073	1,073

Number (a)	Description (b)	2002 (c)	2003 (d)
92.	**I. Provisions**	**864**	**808**
93.	Provisions for contingent liabilities	648	631
94.	Provisions for future commitments	7	9
95.	Other provisions	209	168
96.	**J. Shareholders' equity**	**83,919**	**88,266**
97.	I. ISSUED CAPITAL	12,311	12,311
98.	of which: treasury shares redeemed at face value	0	0
99.	II. ISSUED CAPITAL NOT PAID (-)	0	0
100.	III. CAPITAL RESERVE	16,525	16,525
101.	IV. RETAINED EARNINGS /(LOSSES)	47,406	54,384
102.	V. ALLOCATED RESERVES	159	227
103.	VI. REVALUATION RESERVE	0	0
104.	Valuation reserve of value adjustment	0	0
105.	Fair value reserve	0	0
105.	VII. PROFIT OR LOSS FOR THE YEAR	7,017	4,300
106.	VIII. CHANGE IN EQUITY OF SUBSIDIARIES (±)	29	29
107.	IX. CHANGES DUE TO CONSOLIDATION (±)	20	19
108.	from difference of debt consolidation	20	19
109.	from difference of intermediate results	0	0
110.	X. MINORITY INTERESTS	452	471

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

Number (a)	Description (b)	2002 (c)	2003 (d)
01.	Domestic sales, net	30,047	29,943
01/a.	Companies involved in consolidation	0	0
01/b.	Jointly managed enterprises	0	0
01/c.	Associated enterprises	4,344	4,160
01/d.	Other entrepreneurs	25,703	25,783
02.	Export sales, net	99,609	106,088
02/a.	Companies involved in consolidation	0	0
02/b.	Jointly managed enterprises	0	0
02/c.	Associated enterprises	0	0
02/d.	Other entrepreneurs	99,609	106,088
I.	Total sales, net (01+02)	129,656	136,031
03.	Movements in self-produced stocks	26	261
04.	Capitalised value of self-manufactured assets	2,038	1,165
II.	Capitalised own performance (±03+04)	2,064	1,426
III.	Other income	3,163	3,482
III/a.	Companies involved in consolidation	0	0
III/b.	Jointly managed enterprises	0	0
III/c.	Associated enterprises	6	0
III/d.	Other entrepreneurs	3,157	3,482
	of which: reversed diminution in value	101	290
III/A.	Consolidation elimination due to debt consolidation (increasing results)	18	10
05.	Material costs	73,181	75,580
06.	Services used	8,640	9,497
07.	Other services	962	1,490
08.	Costs of goods sold	15,333	16,127
09.	Provision of (consignment) services	420	338
IV.	Material-type expenditures (05+06+07+08+09)	98,536	103,032
10.	Wages and salaries	8,096	8,503
11.	Other payments to personnel	1,405	1,384
12.	Social security and similar deductions	3,001	3,096
V.	Payments to personnel (10+11+12)	12,502	12,983
VI.	Depreciation	7,970	8,501
VII.	Other expenditures	4,561	4,397
	of which: diminution in value	192	327
VII/A.	Consolidation elimination due to debt consolidation (decreasing results)	9	26
A.	**Operating profit / (loss) (I±II+III-IV-V-VI-VII)**	**11,323**	**12,010**
13.	Dividends and profit-sharing (received or due)	167	198
13/a.	Received dividends from associated enterprises	167	198
13/b.	Received dividends from other enterprises in interest	0	0
14.	Capital gains from disposal of shares	22	0
14/a.	Companies involved in consolidation	0	0
14/b.	Jointly managed enterprises	0	0
14/c.	Associated enterprises	0	0
14/d.	Other entrepreneurs	22	0
15.	Interest and capital gains on long-term financial assets	0	0
15/a.	Companies involved in consolidation	0	0
15/b.	Jointly managed enterprises	0	0
15/c.	Associated enterprises	0	0
15/d.	Other entrepreneurs		0
16.	Other interests and similar income (received or due)	86	212
16/a.	Companies involved in consolidation	0	0
16/b.	Jointly managed enterprises	0	0
16/c.	Associated enterprises	0	0
16/d.	Other entrepreneurs	86	212
17.	Other revenues from financial transactions	1,201	3,732
	of which: valuation difference	0	399
VIII.	Financial revenues (13+14+15+16+17)	1,476	4,142

Number (a)	Description (b)	2002 (c)	2003 (d)
18.	Losses on long-term financial assets	0	0
18/a.	Companies involved in consolidation	0	0
18/b.	Jointly managed enterprises	0	0
18/c.	Associated enterprises	0	0
18/d.	Other entrepreneurs	0	0
19.	Interest payable and similar changes	1,970	1,494
19/a.	Companies involved in consolidation	0	0
19/b.	Jointly managed enterprises	0	0
19/c.	Associated enterprises	0	0
19/d.	Other entrepreneurs	1,970	1,494
20.	Diminution in the values of shares, securities and bank deposits	68	0
21.	Other expenditures on financial transactions	721	6,328
	of which: valuation difference	0	1,553
IX.	Financial expenditures (18+19±20+21)	2,759	7,822
B.	**Financial profit or loss (VIII-IX)**	**-1,283**	**-3,680**
C.	**Profit or loss of ordinary activities (±A±B)**	**10,040**	**8,330**
X.	Extraordinary revenues	62	30
XI.	Extraordinary expenditures	260	704
D.	**Extraordinary profit/loss (X-XI)**	**-198**	**-674**
E.	**Profit before tax (±C±D)**	**9,842**	**7,656**
XII.	Tax payable	146	196
XII/A.	Corporation tax difference (±) arising from consolidation (calculated)	3	10
F.	**Profit after tax (± E-XII ± XII/A)**	**9,699**	**7,470**
22.	Dividends and profit - sharing paid (payable)	2,682	3,170
22/a.	Companies involved in consolidation	0	0
22/b.	Jointly managed enterprises	0	0
22/c.	Associated companies	0	0
22/d.	Other entrepreneurs	2,682	3,170
G.	**Profit or losses for the year (± F-,22)**	**7,017**	**4,300**

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

Number (a)	Description (b)	2002 (c)	2003 (d)
001.	Domestic sales, net	30,047	29,943
01/a.	Companies involved in consolidation	0	0
01/b.	Jointly managed enterprises	0	0
01/c.	Associated enterprises	4,344	4,160
01/d.	Other entrepreneurs	25,703	25,783
02.	Export sales, net	99,609	106,088
02/a.	Companies involved in consolidation	0	0
02/b.	Jointly managed enterprises	0	0
02/c.	Associated enterprises	0	0
02/d.	Other entrepreneurs	99,609	106,088
I.	Total sales, net (01+02)	129,656	136,031
03.	Direct costs of sales	81,429	86,729
04	Costs of goods sold	15,333	16,127
05.	Provision of (consignment) services	420	338
II.	Direct costs of sales (03+04+05)	97,182	103,194
III.	Gross sales (I-II)	32,474	32,837
06.	Sales and marketing costs	4,930	5,120
07.	Administration costs	8,497	9,062
08.	Other general overheads	6,335	5,714
IV.	Indirect costs of sales (06+07+08)	19,762	19,896
V.	Other revenues	3,163	3,482
V/a.	Companies involved in consolidation	0	0
V/b.	Jointly managed enterprises	0	0
V/c.	Associated enterprises	6	0
V/d.	Other entrepreneurs	3,157	3,482
	of which: reversed diminution in value	101	290
V/A.	Consolidation elimination due to debt consolidation (increasing results)	18	10
VI.	Other expenditures	4,561	4,397
	of which: dimininution in value	192	327
VI/A.	Consolidation elimination due to debt consolidation (decreasing results)	9	26
A.	**Operating profit /(loss) (±III-IV+V+VI+VI/A)**	**11,323**	**12,010**
09.	Dividends and profit-sharing (received or due)	167	198
09/a.	Received dividends from associated enterprises	167	198
09/b.	Received dividends from other investments	0	0
10.	Capital gains from disposal of shares	22	0
10/a.	Companies involved in consolidation	0	0
10/b.	Jointly managed enterprises	0	0
10/c.	Associated enterprises	0	0
10/d.	Other entrepreneurs	22	0
11.	Interest and capital gains on long-term financial assets	0	0
11/a.	Companies involved in consolidation	0	0
11/b.	Jointly managed enterprises	0	0
11/c.	Associated enterprises	0	0
11/d.	Other entrepreneurs		0
12.	Other interests and similar income (received or due)	86	212
12/a.	Companies involved in consolidation	0	0
12/b.	Jointly managed enterprises	0	0
12/c.	Associated enterprises	0	0
12/d.	Other entrepreneurs	86	212
13.	Other revenues from financial transactions	1,201	3,732
	of which: valuation difference	0	399
VII.	Financial revenues (09+10+11+12+13)	1,476	4,142

Number (a)	Description (b)	2002 (c)	2003 (d)
14.	Losses on long-term financial assets	0	0
14/a.	Companies involved in consolidation	0	0
14/b.	Jointly managed enterprises	0	0
14/c.	Associated enterprises	0	0
14/d.	Other entrepreneurs	0	0
15.	Interest payable and similar changes	1,970	1,494
15/a.	Companies involved in consolidation	0	0
15/b.	Jointly managed enterprises	0	0
15/c.	Associated enterprises	0	0
15/d.	Other entrepreneurs	1,970	1,494
16.	Diminution in the values of shares, securities and bank deposits	68	0
17.	Other expenditures on financial transactions	721	6,328
	of which: valuation difference	0	1,553
VIII.	Financial expenditures (14+15±16+17)	2,759	7,822
B.	**Financial profit or loss (VII-VIII)**	**-1,283**	**-3,680**
C.	**Profit or loss of ordinary activities (±A±B)**	**10,040**	**8,330**
IX.	Extraordinary revenues	62	30
X.	Extraordinary expenditures	260	704
D.	**Extraordinary profit/loss (IX-X)**	**-198**	**-674**
E.	**Profit before tax (±C±D)**	**9,842**	**7,656**
XI.	Tax payable	146	196
XI/A.	Corporation tax difference arising from consolidation (calculated) (±)	3	10
F.	**Profit after tax (± E - XI ± XI/A)**	**9,699**	**7,470**
18.	Dividend and profit-sharing paid (payable)	2,682	3,170
18/a.	Companies involved in consolidation	0	0
18/b.	Jointly managed enterprises	0	0
18/c.	Associated enterprises	0	0
18/d.	Other entrepreneurs	2,682	3,170
G.	**Profit or loss for the year (±F-18)**	**7,017**	**4,300**

BALANCE SHEET DATA AND STATEMENT OF INCOME FOR MAJORITY INTERESTS

Balance sheet data for BorsodChem Rt.'s majority interests

Manufacturing subsidiaries (all amounts in HUF million)

Description	BC-MCHZ s.r.o.		BC-Ongropack Kft.		BC-Ablakprofil Kft.		Panorama Ablak-gyártó Kft.		BC-KC Formalin Kft.	
	31/12/03	31/12/04	31/12/03	31/12/04	31/12/03	31/12/04	31/12/03	31/12/04	31/12/03	31/12/04
A. Fixed assets	**15,437.4**	**17,284.3**	**1,367.0**	**1,180.4**	**1,610.8**	**1,585.5**	**196.7**	**190.8**	**523.7**	**441.1**
I. Intangible assets	51.9	42.2	6.6	3.6	5.4	23.0	3.0	2.2	0.6	0.0
II. Tangible assets	15,385.6	17,242.1	1,339.5	1,158.7	1,605.4	1,562.5	188.3	183.1	522.8	440.8
III. Long-term financial assets	0.0	0.0	20.9	18.0	0.0	0.0	5.5	5.5	0.2	0.3
B. Current assets	**5,760.5**	**7,786.2**	**2,530.8**	**2,802.1**	**1,803.2**	**2,143.0**	**575.1**	**664.0**	**362.7**	**447.7**
I. Stocks	1,788.6	2,208.1	787.1	764.2	446.0	513.9	149.9	136.7	74.6	94.3
II. Receivables	3,726.1	5,575.1	1,678.5	1,941.4	1,231.6	1,589.2	408.4	514.8	258.9	273.8
Among them:										
trade debtors	1,809.5	2,891.1	1,386.3	1,304.2	946.7	1,206.7	391.1	498.6	167.5	174.9
receivables from consolidated companies	1,014.9	1,476.0	24.6	19.0	93.6	116.7	0.4	0.3	85.1	87.0
III. Securities	0.0	0.0	0.0	0.0	2.1	2.4	0.0	0.0	0.0	0.0
IV. Liquid assets	245.8	3.0	65.2	96.5	123.5	37.5	16.8	12.5	29.2	79.5
C. Prepaid expenses and accrued income	**181.8**	**160.7**	**4.3**	**10.5**	**12.9**	**4.0**	**1.2**	**1.7**	**1.4**	**0.9**
D. Liabilities outstanding within one year	**10,698.3**	**13,689.9**	**1,099.3**	**1,448.3**	**978.0**	**1,725.3**	**328.9**	**409.9**	**444.9**	**350.0**
among them:										
borrowings and loans	7,489.5	7,823.1	258.2	488.1	327.9	1,032.6	41.6	66.5	231.8	123.4
accounts payable	2,678.7	4,806.1	207.1	211.4	171.0	102.3	180.5	217.8	10.0	67.6
current liabilities for consol. companies	70.8	63.2	570.2	721.6	446.8	557.9	48.3	77.6	180.6	139.3
E. Accrued expenses and differed income	**137.2**	**85.7**	**76.8**	**84.9**	**55.9**	**46.3**	**0.1**	**0.1**	**14.4**	**3.0**
F. Difference of current assets and short-term liabilities	**-4,893.3**	**-5,828.7**	**1,359.1**	**1,279.3**	**782.2**	**375.4**	**247.3**	**255.7**	**-95.2**	**95.6**
G. Total assets excluding liabilities due within one year	**10,544.2**	**11,455.6**	**2,726.1**	**2,459.7**	**2,393.0**	**1,960.8**	**444.0**	**446.5**	**428.4**	**536.7**
H. Liabilities due over one year	**211.0**	**187.4**	**588.9**	**140.2**	**301.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
I. Long-term liabilities	211.0	187.4	588.9	140.2	301.6	0.0	0.0	0.0	0.0	0.0
Among them:										
borrowings and loans	194.3	0.0	588.9	140.2	301.6					
II. Subordinated debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Provisions	**57.5**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**0.5**	**0.0**	**0.0**
J. Shareholders' equity	**10,275.7**	**11,267.9**	**2,137.2**	**2,319.5**	**2,091.4**	**1,960.8**	**443.7**	**446.1**	**428.4**	**536.7**
I. Issued capital	6,190.7	6,190.7	935.0	935.0	190.0	190.0	88.2	88.2	338.1	338.1
II. Issued capital not paid (-)										
III. Capital reserve					0.5	0.5				
IV. Retained earnings/(losses)	1,100.2	3,115.9	1,238.1	1,156.6	1,811.3	1,901.0	304.2	355.5	64.3	57.1
V. Allocated reserves			0.5	45.6	43.7		11.6		13.0	33.3
VI. Revaluation reserves	969.2	1,026.1								
VII. Profit or loss for the year	2,015.7	935.4	-36.3	182.3	46.0	-130.6	39.6	2.4	13.0	108.3

Note: before payment of dividend of 2004

Balance sheet data for BorsodChem Rt.'s majority interests

Service-provider subsidiaries (all amounts in HUF million)

Description	BC-Ongro-elektro Kft. 31/12/03	BC-Ongro-elektro Kft. 31/12/04	BC-Ongro-mechanika Kft. 31/12/03	BC-Ongro-mechanika Kft. 31/12/04	BC-Ongrobau Kft. 31/12/03	BC-Ongrobau Kft. 31/12/04	BC-Erőmű Kft. 31/12/03	BC-Erőmű Kft. 31/12/04	BC-Energia-kereskedő Kft. 31/12/04
A. Fixed assets	**39.3**	**40.0**	**43.2**	**31.7**	**50.3**	**42.6**	**9,860.7**	**9,336.1**	**0.2**
I. Intangible assets	0.9	0.8	0.5	0.2	0.0	0.0	222.7	209.9	0.0
II. Tangible assets	38.3	39.2	42.6	31.3	50.3	42.6	9,638.0	9,126.3	0.2
III. Long-term financial assets	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0
B. Current assets	**283.0**	**311.8**	**344.7**	**380.2**	**178.7**	**194.7**	**2,188.2**	**2,169.7**	**1,341.1**
I. Stocks	105.0	151.5	122.4	299.7	102.0	103.5	291.8	266.0	1.0
II. Receivables	177.6	160.0	221.0	79.1	76.3	90.6	607.1	819.5	927.1
Among them:									
trade debtors	34.1	11.7	68.6	0.6	3.9	1.2	0.0	0.0	222.8
receivables from consolidated companies	138.5	139.0	146.5	50.6	69.7	82.6	561.2	609.3	632.2
III. Securities	0.0	0.0	0.0	0.0	0.0	0.0	501.3	500.0	0.0
IV. Liquid assets	0.5	0.4	1.4	1.5	0.5	0.6	788.1	584.2	413.0
C. Prepaid expenses and accrued income	**0.7**	**0.7**	**2.9**	**1.9**	**1.3**	**1.0**	**32.4**	**51.9**	**0.5**
D. Liabilities outstanding within one year	**148.5**	**106.7**	**166.3**	**150.2**	**73.1**	**34.1**	**1,769.7**	**1,716.9**	**1,258.8**
among them:									
borrowings and loans		2.0		0.7		0.0	542.6	539.7	0.0
accounts payable	80.4	73.3	56.2	108.4	12.9	8.2	45.1	17.4	1,123.7
current liabilities for consol. companies	38.7	9.6	68.1	17.6	37.0	7.3	1,082.9	1,053.0	49.7
E. Accrued expenses and differed income	**4.5**	**0.0**	**4.7**	**9.3**	**6.0**	**12.7**	**211.0**	**182.9**	**0.6**
F. Difference of current assets and short-term liabilities	**130.6**	**205.8**	**176.7**	**222.6**	**101.0**	**148.9**	**239.9**	**321.8**	**82.2**
G. Total assets excluding liabilities due within one year	**169.9**	**245.9**	**219.9**	**254.3**	**151.3**	**191.5**	**10,100.5**	**9,657.9**	**82.3**
H. Liabilities due over one year	**0.0**	**2.2**	**0.0**	**0.0**	**0.0**	**0.0**	**7,117.6**	**6,135.5**	**0.0**
I. Long-term liabilities	0.0	2.2	0.0	0.0	0.0	0.0	7,117.6	6,135.5	0.0
Among them:									
borrowings and loans		2.2					7,117.6	6,135.5	
II. Subordinated debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Provisions	**3.6**	**3.5**	**0.0**	**7.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
J. Shareholders' equity	**166.3**	**240.2**	**219.9**	**246.9**	**151.3**	**191.5**	**2,983.0**	**3,522.4**	**82.3**
I. Issued capital	77.0	77.0	167.7	157.1	60.0	60.0	2,849.5	2,849.5	50.0
II. Issued capital not paid (-)									
III. Capital reserve									
IV. Retained earnings/(losses)	84.6	69.3	48.7	52.2	90.3	91.3	133.5	133.5	0.0
V. Allocated reserves		20.0							
VI. Revaluation reserves									
VII. Profit or loss for the year	4.6	73.9	3.5	37.6	1.0	40.2	0.0	539.5	32.3

Note: before payment of dividend of 2004, with the exception of BC-Erőmű Kft.

Balance sheet data for BorsodChem Rt.'s majority interests

Trading subsidiaries (all amount in HUF million)

Description	BC-Ongro Benelux B.V. 03/12/31	BC-Ongro Benelux B.V. 04/12/31	BC-Handels-gesellschaft m.b.H 03/12/31	BC-Handels-gesellschaft m.b.H 04/12/31	BC Polska Sp. z o.o. 03/12/31	BC Polska Sp. z o.o. 04/12/31	B.C.-M.C. s.r.l. 04/12/31
A. Fixed assets	**42.5**	**37.5**	**74.1**	**60.3**	**6.4**	**10.9**	**22.9**
I. Intangible assets	0.0	0.0	1.0	0.0	0.0	0.2	8.6
II. Tangible assets	42.5	37.5	66.2	60.3	6.4	10.7	13.7
III. Long-term financial assets	0.0	0.0	6.9	0.0	0.0	0.0	0.6
B. Current assets	**818.6**	**1,379.1**	**1,707.7**	**489.6**	**1,740.9**	**1,754.7**	**5,070.5**
I. Stocks	32.9	12.9	0.0	0.0	10.5	28.8	0.0
II. Receivables	681.9	1,345.9	1,629.8	30.0	1,708.6	1,724.4	4,821.2
Among them:							
trade debtors	672.8	1,345.9	1,605.4	0.0	1,587.9	1,691.1	4,317.8
receivables from consolidated companies	6.8	0.0	23.4	0.4	46.3	14.3	2.0
III. Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV. Liquid assets	103.9	20.4	77.9	459.5	21.7	1.4	249.3
C. Prepaid expenses and accrued income	**0.0**	**3.7**	**2.9**	**0.1**	**1.0**	**1.2**	**1.4**
D. Liabilities outstanding within one year	**725.1**	**1,226.3**	**1,185.2**	**5.4**	**1,611.3**	**1,565.5**	**4,86.0**
among them:							
borrowings and loans	209.8	350.9	529.9	0.0	0.0	163.2	2,306.8
accounts payable	6.0	8.2	109.3	0.2	64.6	20.5	331.4
current liabilities for consol. companies	351.4	720.6	406.6	0.0	1,544.1	1,242.1	1,595.0
E. Accrued expenses and differed income	**0.0**	**6.7**	**22.5**	**1.5**	**8.3**	**0.0**	**14.7**
F. Difference of current assets and short-term liabilities	**93.5**	**149.8**	**503.0**	**482.7**	**122.3**	**190.5**	**171.3**
G. Total assets excluding liabilities due within one year	**136.0**	**187.3**	**577.1**	**543.0**	**128.6**	**201.4**	**194.2**
H. Liabilities due over one year	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
I. Long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Among them:							
borrowings and loans							
II. Subordinated debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Provisions	**1.3**	**0.0**	**124.9**	**55.7**	**1.0**	**2.1**	**39.0**
J. Shareholders' equity	**134.7**	**187.3**	**452.2**	**487.2**	**127.6**	**199.3**	**155.2**
I. Issued capital	28.1	28.1	147.6	147.6	119.2	119.2	25.5
II. Issued capital not paid (-)							
III. Capital reserve					52.0	52.0	
IV. Retained earnings/(losses)	42.0	53.3	213.7	244.1	-54.7	-28.7	104.1
V. Allocated reserves							
VI. Revaluation reserves	53.3	42.9	60.5	29.1	-14.8	1.3	-1.8
VII. Profit or loss for the year	11.3	63.0	30.4	66.3	25.9	55.6	27.5

Note: before payment of dividend of 2004

Statement of income for BorsodChem Rt.'s majority interests (Sales cost method)

Manufacturing subsidiaries (all amounts in HUF million)

Description	BC-MCHZ s.r.o.		BC-Ongropack Kft.		BC-Ablakprofil Kft.		Panorama Ablak-gyártó Kft.		BC-KC Formalin Kft.	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Domestic sales, net	0.0	0.0	1,355.1	1,290.6	4,041.2	4,159.8	1,527.2	1,635.1	1,693.9	1,702.1
* Companies involved in consolidation			84.9	62.6	498.3	484.4	21.4	26.6	787.8	785.8
* Jointly managed enterprises										
* Associated enterprises			0.1	0.1		0.0		0.0		0.0
* Other entrepreneurs			1,270.0	1,227.9	3,542.9	3,675.4	1,505.8	1,608.5	906.1	916.3
Export sales. net	23,730	29,801.4	4,255.7	4,925.7	1,989.1	2,153.4	236.5	225.3	166.1	383.0
* Companies involved in consolidation	8,061.6	10,874.6	110.0	126.6	234.7	326.9			37.1	0.4
*Jointly managed enterprises	127.2									
*Associated enterprises										
* Other entrepreneurs	15,541.1	18,926.8	4,145.7	4,799.0	1,754.4	1,826.5	236.5	225.3	129.0	382.6
Total sales. net	**23,730.0**	**29,801.4**	**5,610.7**	**6,216.3**	**6,030.3**	**6,313.2**	**1,763.7**	**1,860.4**	**1,860.0**	**2,085.1**
Direct costs of sales	18,548.4	24,277.8	4,614.1	5,301.9	4,086.0	4,584.1	1,222.7	1,338.4	1,583.0	1,744.7
Costs of goods sold	1,378.7	1,019.6	78.9	75.7	898.1	969.3	118.4	126.9		
Provision of (consignment) services			0.2	0.0	0.0	0.0	13.4	17.8		
Direct costs of sales	19,927.1	25,297.4	4,693.2	5,377.6	4,984.1	5,553.4	1,354.6	1,483.2	1,583.0	1,744.7
Gross sales	3,802.9	4,504.0	917.6	838.7	1,046.2	759.8	409.1	377.2	277.0	340.4
Selling and marketing costs	876.1	922.0	227.5	186.0	185.4	188.7	58.5	57.9	19.4	22.4
Administration costs	724.1	716.7	302.1	322.8	178.7	183.7	224.0	213.8	117.7	115.0
Other general overheads	1,158.0	1,121.8	209.1	235.7	235.7	225.6	73.7	86.5	27.3	30.3
Indirect costs of sales (06+07+08)	**2,758.2**	**2,760.5**	**738.7**	**744.6**	**599.8**	**598.0**	**356.2**	**358.1**	**164.3**	**167.7**
Other revenues	1,512.6	328.3	35.1	78.8	16.0	5.6	34.6	26.3	1.4	2.0
of which: diminution value			2.6	2.1			2.5			
Other expenditures	593.5	305.0	92.4	139.4	251.2	235.3	37.4	37.7	45.6	46.7
of which: diminution value			19.4	23.5	11.4	50.5	12.2	13.7		
Operating profit/(loss)	1,963.8	1,766.9	121.6	33.6	211.1	-67.9	50.0	7.6	68.5	128.0
Dividends and profit-sharing (received or due)	0.0	0.0	0.0	0.0	0.0	0.0	6.1	3.3	0.0	0.0
of which: from consolidated companies										
Exchange gains from disposal of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies										
Interests and capital gains on long-term financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies										
Other interests and similar income (received or due)	30.2	46.6	1.5	3.4	1.5	0.7	0.7	1.5	1.0	0.8
of which: from consolidated companies			0.4	2.4						
Other revenues from financial transactions	1,134.2	284.1	125.3	262.1	56.3	52.0	7.8	3.5	7.8	10.9
Financial revenues	1,164.4	330.7	126.8	265.5	57.8	52.7	14.5	8.2	8.8	11.7
Exchange losses on long-term financial assets		0.0		0.0		0.0		0.0		0.0
of which: from consolidated companies										
Interest payable. similar changes	311.6	327.8	32.7	28.7	29.1	82.3	3.7	5.5	17.7	14.7
of which: from consolidated companies			5.7	8.8						
Diminution in values of shares.securities and bank deposits										
Other expenses on financial transactions	789.2	650.3	257.1	93.1	62.1	45.1	13.5	4.6	6.2	5.3
Financial expenditures	1,100.8	978.1	289.8	121.8	91.2	127.4	17.3	10.2	23.9	20.0
Financial profit or loss	**63.6**	**-647.5**	**-163.0**	**143.7**	**-33.4**	**-74.7**	**-2.7**	**-1.9**	**-15.1**	**-8.3**
Profit or loss on operation and financial transactions	**2,027.4**	**1,119.4**	**-41.4**	**177.3**	**177.7**	**-142.6**	**47.3**	**5.7**	**53.4**	**119.7**
Extraordinary revenues			5.7	5.7	5.1	12.1				
Extraordinary expenditures	11.7	8.4	0.6	0.6	8.0	0.0	0.7	1.2		
Extraordinary profit/loss	**-11.7**	**-8.4**	**5.0**	**5.1**	**-2.9**	**12.0**	**-0.7**	**-1.2**	**0.0**	**0.0**
Profit before tax	**2,015.7**	**1,111.1**	**-36.3**	**182.3**	**174.8**	**-130.6**	**46.6**	**4.4**	**53.4**	**119.7**
Tax payable	0.0	175.7		0.0	28.8	0.0	7.0	2.0	6.0	11.4
Profit after tax	**2,015.7**	**935.4**	**-36.3**	**182.3**	**146.0**	**-130.6**	**39.6**	**2.4**	**47.4**	**108.3**
Dividends and profit-sharing paid from retained earnings			50.0							
Dividends and profit-sharing paid (payable)			50.0		100.0				34.4	
of which: from consolidated companies			50.0		100.0				22.9	
Profit or loss for the year	**2,015.7**	**935.4**	**-36.3**	**182.3**	**46.0**	**-130.6**	**39.6**	**2.4**	**13.0**	**108.3**

Note: before payment of dividend of 2004

Statement of income for BorsodChem Rt.'s majority interests (Sales cost method)
Service-provider subsidiaries (all amounts in HUF million)

Description	BC-Ongro-elektro Kft. 2003	BC-Ongro-elektro Kft. 2004	BC-Ongro-mechanika Kft. 2003	BC-Ongro-mechanika Kft. 2004	BC-Ongrobau Kft. 2003	BC-Ongrobau Kft. 2004	BC-Erőmű Kft. 2003	BC-Erőmű Kft. 2004	BC-Energia-kereskedő Kft. 2004
Domestic sales, net	757.2	1,197.9	1,014.3	1,067.5	682.8	869.2	6,297.6	6,566.1	3,416.5
* Companies involved in consolidation	652.5	1,063.5	925.9	1,024.9	670.1	849.1	6,297.6	6,566.1	413.8
* Jointly managed enterprises									
* Associated enterprises	0.1	0.1	0.2	0.0	1.3	1.1			1,930.4
* Other entrepreneurs	104.6	134.3	88.2	42.6	11.3	19.1			1,072.3
Export sales. net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
* Companies involved in consolidation									
* Jointly managed enterprises									
* Associated enterprises									
* Other entrepreneurs									
Total sales. net	**757.2**	**1,197.9**	**1,014.3**	**1,067.5**	**682.8**	**869.2**	**6,297.6**	**6,566.1**	**3,416.5**
Direct costs of sales	453.8	667.4	692.0	748.7	257.2	355.9	5,094.1	5,518.1	0.0
Costs of goods sold	68.1	210.1	1.5	11.0	0.3	2.1			3,379.0
Provision of (consignment) services	8.0	3.4	0.3	0.1	183.2	244.4			
Direct costs of sales	529.9	880.8	693.8	759.7	440.6	602.4	5,094.1	5,518.1	3,379.0
Gross sales	227.3	317.1	320.5	307.8	242.2	266.9	1,203.5	1,048.1	37.4
Selling and marketing costs	13.3	15.0	33.1	32.7	139.0	139.1			
Administration costs	153.4	188.8	211.6	188.3	56.8	70.9	139.8	128.6	57.3
Other general overheads	14.3	16.7	24.5	22.3	5.2	3.6			
Indirect costs of sales (06+07+08)	**181.0**	**220.5**	**269.2**	**243.3**	**201.0**	**213.5**	**139.8**	**128.6**	**57.3**
Other revenues	8.1	4.3	1.8	1.7	2.2	0.5	0.3	0.2	0.0
of which: diminution value									
Other expenditures	14.4	17.1	16.0	24.9	7.7	10.4	5.4	52.4	0.8
of which: diminution value	1.5		1.8	1.0					
Operating profit/(loss)	40.0	83.7	37.2	41.3	35.6	43.5	1,058.6	867.3	-20.6
Dividends and profit-sharing (received or due)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies									
Exchange gains from disposal of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies									
Interests and capital gains on long-term financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies									
Other interests and similar income (received or due)	2.1	2.0	4.2	2.7	2.3	4.0	59.3	83.6	5.0
of which: from consolidated companies	2.1	2.0	4.2	2.7	2.3	4.0			
Other revenues from financial transactions		0.0	0.0	0.4		0.0	761.9	474.2	94.9
Financial revenues	2.1	2.0	4.2	3.0	2.3	4.0	821.2	557.8	99.9
Exchange losses on long-term financial assets		0.0		0.0		0.0		0.0	0.0
of which: from consolidated companies									
Interest payable. similar changes	0.0	1.9	0.0	0.4	0.0	0.0	378.0	340.9	0.1
of which: from consolidated companies		1.7		0.4					
Diminution in values of shares.securities and bank deposits									
Other expenses on financial transactions		0.0	0.6	0.1		0.0	819.6	42.8	40.8
Financial expenditures	0.0	1.9	0.6	0.5	0.0	0.0	1,197.6	383.7	40.8
Financial profit or loss	**2.1**	**0.1**	**3.6**	**2.6**	**2.2**	**4.0**	**-376.4**	**174.1**	**59.1**
Profit or loss on operation and financial transactions	**42.1**	**83.9**	**40.7**	**43.8**	**37.9**	**47.5**	**682.2**	**1,041.4**	**38.4**
Extraordinary revenues		0.1	0.6	11.1				0.1	
Extraordinary expenditures	0.1	0.2	0.1	9.2				0.0	
Extraordinary profit/loss	**-0.1**	**-0.2**	**0.5**	**1.8**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**
Profit before tax	**42.0**	**83.7**	**41.2**	**45.6**	**37.9**	**47.5**	**682.2**	**1,041.5**	**38.4**
Tax payable	7.4	9.8	7.7	8.0	6.9	7.3	0.0	0.0	6.1
Profit after tax	**34.6**	**73.9**	**33.5**	**37.6**	**31.0**	**40.2**	**682.2**	**1,041.5**	**32.3**
Dividends and profit-sharing paid from retained earnings									
Dividends and profit-sharing paid (payable)	30.0		30.0		30.0		682.2	502.0	
of which: from consolidated companies	30.0		30.0		30.0		177.4	130.5	
Profit or loss for the year	**4.6**	**73.9**	**3.5**	**37.6**	**1.0**	**40.2**	**0.0**	**539.5**	**32.3**

Note: before payment of dividend of 2004, with the exception of BC-Erőmű Kft.

Statement of income for BorsodChem Rt.'s majority interests (Sales cost method)
Trading subsidiaries (all amounts in HUF million)

Description	BC-Ongro Benelux B.V. 2003	BC-Ongro Benelux B.V. 2004	BC-Handels-gesellschaft m.b.H 2003	BC-Handels-gesellschaft m.b.H 2004	BC Polska Sp. z o.o. 2003	BC Polska Sp. z o.o. 2004	B.C.-M.C. s.r.l.* 2004
Domestic sales, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0
* Companies involved in consolidation							
* Jointly managed enterprises							
* Associated enterprises							
* Other entrepreneurs							
Export sales. net	6,432.0	10,849.0	8,650.3	2,262.1	8,889.5	9,382.8	12,647.9
* Companies involved in consolidation	22.5	100.5	145.7	43.9	180.7	242.3	9.7
* Jointly managed enterprises			9.2				
* Associated enterprises							
* Other entrepreneurs	6,409.4	10,748.5	8,495.4	2,218.2	8,708.8	9,140.5	12,638.2
Total sales. net	**6,432.0**	**10,849.0**	**8,650.3**	**2,262.1**	**8,889.5**	**9,382.8**	**12,647.9**
Direct costs of sales		0.0		0.0		0.0	0.0
Costs of goods sold	6,197.7	10,590.2	8,353.4	2,151.3	8,672.9	9,179.0	12,285.5
Provision of (consignment) services							
Direct costs of sales	6,197.7	10,590.2	8,353.4	2,151.3	8,672.9	9,179.0	12,285.5
Gross sales	234.2	258.8	296.9	110.9	216.6	203.8	362.5
Selling and marketing costs	32.9	18.7	5.5	1.7	11.3	9.0	6.6
Administration costs	152.7	128.8	237.7	100.8	148.2	121.8	209.3
Other general overheads							
Indirect costs of sales (06+07+08)	**185.5**	**147.5**	**243.2**	**102.5**	**159.5**	**130.8**	**215.9**
Other revenues		0.0	50.7	95.4	33.7	9.0	99.8
of which: diminution value							
Other expenditures		0.0	15.5	16.0	55.1	13.8	111.6
of which: diminution value							
Operating profit/(loss)	48.7	111.3	88.8	87.7	35.7	68.1	134.7
Dividends and profit-sharing (received or due)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies							
Exchange gains from disposal of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies							
Interests and capital gains on long-term financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: from consolidated companies							
Other interests and similar income (received or due)	0.0	0.0	3.5	6.9	17.5	10.7	0.2
of which: from consolidated companies							
Other revenues from financial transactions	0.0	0.0	10.0	14.1	0.1	0.0	18.5
Financial revenues	0.0	0.0	13.5	21.0	17.6	10.7	18.7
Exchange losses on long-term financial assets		0.0		0.0		0.0	0.0
of which: from consolidated companies							
Interest payable. similar changes	8.8	15.8	17.6	5.5	0.9	4.9	53.9
of which: from consolidated companies							
Diminution in values of shares.securities and bank deposits							
Other expenses on financial transactions		0.0	22.4	18.1	9.3	7.6	38.1
Financial expenditures	8.8	15.8	39.9	23.6	10.1	12.6	92.0
Financial profit or loss	**-8.8**	**-15.8**	**-26.5**	**-2.6**	**7.5**	**-1.9**	**-73.3**
Profit or loss on operation and financial transactions	**39.9**	**95.5**	**62.4**	**85.1**	**43.1**	**66.2**	**61.4**
Extraordinary revenues							3.2
Extraordinary expenditures							0.6
Extraordinary profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.6**
Profit before tax	**39.9**	**95.5**	**62.4**	**85.1**	**43.1**	**66.2**	**64.0**
Tax payable	13.3	32.6	12.7	18.7	0.0	10.7	36.5
Profit after tax	**26.5**	**63.0**	**49.7**	**66.3**	**43.1**	**55.6**	**27.5**
Dividends and profit-sharing paid from retained earnings							
Dividends and profit-sharing paid (payable)	15.2		19.3		17.2		
of which: from consolidated companies	15.2		19.3		17.2		
Profit or loss for the year	**11.3**	**63.0**	**30.4**	**66.3**	**25.9**	**55.6**	**27.5**

Note: before payment of dividend of 2004

* B.C.-M.C. s.r.l. data as of the date of involvement in consolidation (02.04.2004-31.12.2004)

A LIST OF SPECIFIC ABBREVIATIONS

CPE	chlorinated polyethylene
CL-MDI	modified MDI
CR-MDI	raw MDI
EDC	dichloroethane
DNT	dinitrotoluene
EPS	expandable polystyrene
HS-MDI	crude MDI
MDA	methylene diphenylamine
MDI	methylene diphenyldiisocyanate
PVC	poly(vinyl chloride)
TDA	toluene diamine
TDI	toluene diisocyanate
VCM	vinyl chloride monomer

ADR	Regulations Concerning the International Transport of Dangerous Goods by Road
BAT	Best Available Techniques
CEFIC	Engineering, Design and Inspection Project for Chemical Industry
EBITDA	Operating Profit + Depreciation (Earnings Before Interest, Tax, Depreciation and Amortization)
ECVM	European Council of Vinyl Manufacturers
HAS	Hungarian Accounting Standards
HTDC	High Temperature Direct Chlorination
IFRS	International Financial Reporting Standards
IPPC	Integrated Pollution Prevention Control
ISO	International Organization for Standardization
ECS	Environmental Control System
MAVESZ	Hungarian Chemical Association
QCS	Quality Control System
MSZT	Hungarian Standards Institution
OHC	Oxyhydrochlorinating Reactor
R&D	Research and Development
RO	Membrane Technology Procedure
SDS	Safety Data Sheet

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Forward-Looking Statements

The Annual Report of BorsodChem Rt. may contain statements and projections that bear a certain form of reference to the future, the Company's future position, its operation and business activities. Any forward-looking statement contained within the Report is based on historic data and circumstances prevailing at the time of information provision. The Company undertakes no responsibility for the possible drawing of conclusions from such forward-looking information, neither does it assume any obligation to update relevant information.

Conclusions drawn from forward-looking information may differ materially from the actual future results of the Company, which does not substantiate the responsibility of BorsodChem Rt.

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