

## CONSIDERABLE OPERATING PROFIT GROWTH

Tiszai Vegyi Kombinát Company Limited by Shares (TVK Rt.) (Reuters: TVKD.BU, web-site: www.tvk.hu) today announced its 2005 second quarter and first half preliminary results. The data presented in TVK Rt.'s first half 2005 flash report are not audited and should not be treated as final. The term 'TVK group-level data' is used in this flash report to refer to the figures of TVK Rt. and its affiliates consolidated in line with the International Financial Reporting Standards (IFRS). 6 subsidiaries and 1 affiliated businesses were fully consolidated while 6 affiliated businesses were consolidated by the equity method. The flash report presents true and fair figures and statements, and does not withhold any facts that the issuer – to its best knowledge – considers to be of material importance in term of evaluating the issuer's position.

### Financial Overview

TVK Group Results (IFRS)	2004 Q2		Q2 2005		Variance %		H1 2004		H1 2005		Variance %	
	M HUF	M EUR	M HUF	M EUR	HUF	EUR	M HUF	M EUR	M HUF	M EUR	HUF	EUR
Net sales	46,983	186.3	60,142	240.8	28	29	87,945	343.4	113,920	460.3	30	34
EBITDA	4,657	18.5	5,586	22.4	20	21	8,832	34.5	13,970	56.4	58	64
<b>Operating profit/(loss)</b>	2,917	11.6	3,115	12.5	7	8	5,349	20.9	9,285	37.5	74	80
Profit/(Loss) of Financial Operations	(600)	(2.4)	(1,213)	(4.9)	n.a.	n.a.	(42)	(0.2)	(2,023)	(8.2)	n.a.	n.a.
<b>Net profit/(loss)</b>	1,868	7.4	1,554	6.2	(17)	(16)	4,263	16.6	6,891	27.8	62	67
<b>Operating cash flow</b>	16,025	63.6	12,753	51.1	(20)	(20)	11,815	46.1	6,038	24.4	(49)	(47)

Note: In converting HUF financial data into EUR, the following average NBH middle rates were used: for Q2 2004: 252.13 HUF/EUR, for H1 2004: 256.07 HUF/EUR, for Q2 2005: 248.73 HUF/EUR, for H1 2005: 247.48 HUF/EUR.

**EBIT in H1 2005 grew by 74% compared to H1 2004 and reached HUF 9.3 billion. Besides the improvement of the newly introduced producing capacities the favourable margin environment, compared to H1 2004, also contributed to the improvement in profitability.**

### Operating Environment

The price level of feedstock for pyrolysis has kept rising during the second quarter, in respect of naphtha and atmospheric gas oil, it was 4% and 10% higher respectively compared to those in the first quarter. On average of H1 2005, naphtha (FOB med) and atmospheric gas oil (CIF med) were quoted at USD 408 per ton and USD 470 per ton respectively, up by 31% and 52% compared to the first half of 2004.

In Q2 2005, the EUR based prices quoted for polyethylene products in the European markets (ICIS' fd nwe low spot) fell by 16-17%, the quoted prices of polypropylene were 11-12% lower compared to the first quarter of this year. Nevertheless, the H1 2005 average quoted prices exceeded the H1 2004 average quoted prices for polymers by 21-25%.

In the second quarter of 2005, the forint weakened against both the euro and the dollar compared to the first quarter, however, taking the average of the first six months into account, the EUR/HUF rate and the USD/HUF rate have dropped by more than 3% and 8%, respectively. The EUR/USD cross exchange rate was 1.286 in the first half, which is nearly 5% higher than the value in H1 2004. The changes in exchange rates compared to the reference period negatively influenced the TVK Group's profitability, which is fully offset by the positive effect of exchange rates on costs.

In the first half of 2005, as a result of the changes of quoted prices of feedstock for pyrolysis, polymer products and FX rates, the integrated petrochemical margin calculated in HUF and in EUR increased by 20% and 24% respectively, compared to the reference period. In Q2 2005, compared to the previous quarter, the integrated petrochemical margin declined significantly, due to the further increase in pyrolysis feedstock prices and the decrease in polymer product prices.

- In H1 2005, the **volume of polymer products** produced in house and sold was 49 kt higher than in the comparable period. The volume of **olefin products** produced in house and sold grew by 136 kt owing to the commencement of production in the new Olefin Plant. In the second quarter, under full cover of monomer demands of the polymerisation units, sale of **free propylene stocks** started.
- Besides building up working capital required for the normal operation of the new capacities, **operating cash flow** for first half 2005 came to HUF 6,038 million.
- In accordance with auditors' opinions, the **method of consolidation** of TVK Power Plant Ltd. was changed in June 2005. The figures of TVK Power Plant Ltd. were fully consolidated in the first half of 2005, and, accordingly, EBIT of HUF 962 million was recorded in the reporting period.
- Despite newly introduced capacities and owing to efficient headcount rationalization and internal labour organization, the **headcount** of the TVK Group was 132 down on 30 June 2005 than a year earlier.

## Comment from the CEO of TVK Rt.

### Árpád Olvasó emphasized:

„Notwithstanding that our margin has steadily diminished during the first half of the year, due to rising prices of feedstock for pyrolysis and dropping polymer prices, owing to the higher production of the new capacities, the Company's profitability has considerably improved. The capacity utilization of the new plants was gradually enhanced as we expected. For the first time in its history, the company reached a record 70 kt monthly polymer sales in June. This exceptionally good performance is a result of the good preparation of the product sales of the new HDPE Plant and the monomer supply, ensured by increasing utilisation of the new Olefin Plant up to full capacity.”

## Financial overview

### Operating profit

The sales revenue of TVK Rt. reached HUF 113,919 million in H1 2005, whilst the consolidated group level sales amounted to HUF 113,920 million, which represent increases of 49% and 30% respectively compared to the similar period of 2004. H1 2004 data of the trading subsidiaries also represented the polymer sales of Slovnaft products. The increased consolidated group level sales reflect a growth in the volume of the parent company sales, as well as higher prices of polymer and olefin products. The sales income of the parent company represented the majority of group level sales. In H1 2005, the unconsolidated sales of TVK Rt. rose by HUF 37,639 million compared to the reference period, including increases of HUF 23,464 million and HUF 13,638 million in the polymer and olefin segments respectively. Polymer sales volume grew by 53.9 kt in the polyethylene segment, and decreased by 5.3 kt in the polypropylene segment. 78% of the higher sales revenue of the olefin segment derives from the increased volume of products sold.

**Factors Influencing TVK Rt.'s Product Sales, H1 2005 – H1 2004 (HUF million)**

	Effect of variance in price	Effect of variance in exchange rates	Effect of variance in volume	Total
Olefin	3,707	(753)	10,684	<b>13,638</b>
LDPE	3,043	(488)	(482)	<b>2,073</b>
HDPE	4,886	(667)	11,739	<b>15,958</b>
PP	7,577	(1,126)	(1,018)	<b>5,433</b>
<b>Total</b>	<b>19,213</b>	<b>(3,034)</b>	<b>20,923</b>	<b>37,102</b>

In H1 2005, TVK Rt. made 47% of its sales revenue from export sales, which represents a 3% higher portion compared to the H1 2004, due to the increased product sales of the new HDPE Plant. Germany (18%), Poland (14%), Italy (14%), the United Kingdom (6%), France (5%) and Austria (3%) represented the majority of exports.

**Distribution of the TVK Group's sales by production units, H1 2005 (HUF million)**

	Domestic sales	Export sales	Total sales
Olefin	31,205	1,069	<b>32,274</b>
LDPE	5,344	7,964	<b>13,308</b>
HDPE	4,831	29,062	<b>33,893</b>
PP	15,313	16,081	<b>31,394</b>
Other sales income	3,024	26	<b>3,050</b>
Effect on consolidation	(529)	530	<b>1</b>
<b>Total</b>	<b>59,188</b>	<b>54,732</b>	<b>113,920</b>

The total revenue from operations reached HUF 114,991 million in H1 2005, representing an increase of 30% over the reference period. This includes other operating income of HUF 1,071 million, which is 76% higher than in the corresponding period a year earlier. A crucial factor to the variance in other income is the HUF 381 million growth of exchange rate profit from accounts receivable and payable on the one hand and the HUF 144 million growth of fines, penalties, damages and default interests received on the other, compared to the reference period.

TVK Group's material costs amounted to HUF 83,358 million in first half 2005, a HUF 28,879 million (53%) increase, which was caused by higher feedstock and energy costs. The rise in both the price and quantity of feedstock was moderated in part by the development of exchange rates. The increase in the volume of feedstock used for pyrolysis was considerably influenced by the feedstock used by the new Olefin Plant. The rise in energy costs reflects the increased energy consumption due to the new technologies' production and the rise in energy prices.

**Change in Costs of TVK Rt.'s Prominent Feedstock, H1 2005 – H1 2004 (HUF million)**

	Effect of variance in volume	Effect of variance in prices	Effect of variance in exchange rates	Total
Naphtha and light hydrocarbons in total	13,659	9,332	(3,316)	<b>19,675</b>
AGO	11,651	419	(89)	<b>11,981</b>
<b>Chemical feedstock in total</b>	<b>25,310</b>	<b>9,751</b>	<b>(3,405)</b>	<b>31,656</b>
Purchased propylene	(5,689)	64	(6)	<b>(5,631)</b>
<b>Total</b>	<b>19,621</b>	<b>9,815</b>	<b>(3,411)</b>	<b>26,025</b>

The value of material type services used rose by HUF 2,171 million (56%). The change is due to that, as a result of the increased sales volumes, the cost of freight related to export sales and the agency commissions grew, and in relation with commencing the new technologies maintenance services costs increased.

COGS decreased by HUF 13,276 million (by 93%) compared to the reference period, due to that, as a consequence of the changed sales arrangement of trade subsidiaries as of June 2004, the sale of polymer products produced by Slovnaft was not recorded in TVK Group's reports anymore.

The value of mediated services declined 3% to HUF 462 million.

The personnel expenses decreased on TVK Group level by HUF 34 million (by 0.76%) due to the combined impact of staff reduction and wage development.

Depreciation has grown due to the depreciation accounted on the HDPE-2 Plant and off-site facilities.

Other operating costs increased by HUF 1,327 million (60%) mainly because a supervision fee amounting to HUF 578 million was incurred in relation to the test operation of the Olefin-2 Plant, as a one-off item. The expenses incurred for local taxes grew by HUF 152 million, the costs of insurance premiums arisen due to new technologies increased by HUF 87 million.

The change in inventories produced in house amounted to HUF 931 million, which is HUF 1,131 million higher than the change in inventories in the reference period, of which the increase of HUF 1,166 million is attributable to the effect of price-changes.

The capitalized value of own production amounted to HUF -2,547 million, which is negative because this year's positive result of the Olefin-2 Plant test operation has been recognized as a return, reducing the loss on test operation incurred in the preceding year.

The consolidated operating profit (EBIT) of the TVK Group reached HUF 9,285 million in first half 2005, as opposed to HUF 5,349 million a year earlier. Within the HUF 3,936 million rise in the operating profit, the parent company achieved an operating profit HUF 3,371 million higher than in the corresponding period of the previous year. The subsidiaries contributed HUF 1,132 million to the Group's profit in the first six months of 2005, of which HUF 962 million was contributed by TVK Power Plant Ltd.

In H1 2005, the Group's net financial result was a loss of HUF 2,023 million, compared to a loss of HUF 42 million in the reference period. In H1 2005, the Group's net financial income fell by HUF 780 million, compared to H1 2004. Partly because unrealized and realized exchange rate gains on FX denominated loans borrowed and other FX items had been recognised, which appeared as exchange rate losses in the reporting period, partly due to a fall in interest income attributable to the decrease in liquid assets. The effect of the increase in interest expenditure represents the major underlying cause of the 126% increase in financial expenses. Interest on loans related to capacity increase projects incurred in the reference period was recognized as interest investment, appearing as financial expenditure during 2005. The increase in financial expenditure is attributable also to the increase in the unrealized exchange losses on FX denominated loans and other FX items.

The profit before taxation, extraordinary items and minority interest of the TVK Group amounted to HUF 7,262 million in H1 2005. The 2005 financial statements of the Group show a corporate tax liability at HUF 41 million and a HUF 331 million deferred tax liability levied on the profits made by the subsidiaries, while the parent company intends to make use of a tax holiday in respect of the investment projects commissioned in 2004. Consolidated net profit amounted to HUF 6,891 million.

## ***Balance sheet data***

Total assets of the TVK Group increased by 8.3% to HUF 217,890 million between 30 June 2004 and 30 June 2005.

The consolidated long-term assets amounted to HUF 158,641 million on 30 June 2005. This increase was primarily brought about in tangible assets in relation to the implementation of the Petrochemical Development Project.

Following a decline of 2.9%, current assets were HUF 59,249 million. Cash and cash equivalents dropped by 41.2% to HUF 11,142 million. No short-term investment was accounted at the end of the reporting period. The increase was due to increased payments pertaining to capital expenditures.

Trade accounts receivable were up 20.7% over the corresponding period of the previous year, and amounted to HUF 35,442 million by the end of the reporting period. The increase in trade accounts receivable was attributed to the growth in sales volume and prices. Inventories grew by 32.8% due to appreciation arising from the increasing feedstock cost and the increase in the volume of stocks produced in house as a result of building up of necessary commercial stocks. The main factor in the HUF 266 million (5.9%) decrease in other current assets was the lower VAT to be refunded.

As of 30 June 2005, the TVK Group recorded HUF 118,314 million in shareholders' equity, which represents a 10.9% increase. The balance-sheet profit and retained earnings rose by HUF 2,628 million and HUF 9,063 million to HUF 6,891 million and HUF 71,851 million, respectively, compared to H1 2004.

Long-term debts increased by 26.6% to reach HUF 66,606 million by the end of the reporting period. The increase was mainly due to the full consolidation of TVK Power Plant Ltd.

The value of short-term liabilities decreased by 28.5% from 30 June 2004 to 30 June 2005 to reach a total of HUF 26,951 million by the end of the reporting period. Accounts payable and other liabilities decreased by 26.9% to HUF 25,341 million, due to the lower value of investment payable. Short-term debt decreased by 65.5% to reach a total of HUF 940 million, which is HUF 1,787 million lower than the value in the reference period.

## ***Cash flow***

According to TVK Group's cash flow statement as of 30 June 2005, cash and cash equivalents have risen by HUF 3,788 million since the beginning of the year, as opposed to the rise of HUF 4,287 million recorded in the similar period of 2004.

Besides building up working capital, required for the normal operation of the new capacities, operating cash flow for first half 2005 came to HUF 6,038 million. EBITDA amounted to HUF 13,970 million and changes in working capital (inventories, trade accounts receivable and payable, other receivables and other liabilities combined) reduced cash flow by HUF 8,918 million in the reporting period. Trade accounts receivable, trade accounts payable, and inventories decreased the cash flow by HUF 5,791 million, HUF 4,807 million, and HUF 1,095 million respectively, while other liabilities and other short-term liabilities increased it by HUF 916 million and HUF 1,859 million respectively in the period between 31 December 2004 and 30 June 2005. The dominant factor in the decrease in accounts payable is the drop in investment payable pertaining to the implementation of Petrochemical Development Project. The increased trade accounts receivable reflects higher prices of products and the growth in the volume of sales. In this year HUF 2,626 million was booked, offsetting the test operation expenses of the Olefin-2 Plant in last year, which increased cash flow.

Investing activities reduced cash flow by HUF 1,056 million. Projects decreased the investment cash flow by HUF 1,598 million, while such decrease amounted to HUF 25,376 million in the comparable period. The cash flow from tangible asset sale increased the investment cash flow by HUF 443 million, while amounting to HUF 218 in H1 2004. Interest received and other financial income added HUF 112 million and HUF 720 million to the increase in the investment cash flow in the relevant period and in the reference period, respectively. In the first half of 2005 no financial investment purchase was recognised, while this item decreased cash flow by HUF 92 million in the similar period of 2004.

Cash flow from financial operations decreased cash flow by HUF 1,194 million in the period under review, attributable mainly to the HUF 1,592 million increase in interest paid and other financial expenditure in relation to the fact that the interest on loans raised on capacity upgrading projects was recognized as an investment increase in the previous year and appears as financial expenditure in 2005.

## *Headcount*

At the end of the first half of 2005, the total consolidated headcount of the TVK Group included 1,588 full-time employees, i.e. 132 fewer than in H1 2004, besides the operation-headcount of the new technologies. The additional reduction resulted largely from headcount rationalization at the parent company. The headcount of subsidiaries was reduced by 14.

## *Capital expenditures*

In H1 2005, the capital expenditure amounted to HUF 2,686 million excluding the result of test production compared to the HUF 25,357 million value of the reference period.

The implementation works of the **Petrochemical Development Project** have been accomplished. HDPE-2 plant operates continuously; off-site facilities were activated by the end of last year. In case of Olefin-2 project, test operation and obtaining of the authority approval required for the guaranteed metering operations and final commissioning is in progress as scheduled.

Sustenance capital expenditures were HUF 948 million, of which HUF 286 million incurred at the parent company and the remaining sum was mainly related to the investment in TVK Power Plant Ltd.

Tiszaújváros, 11 August 2005

**Árpád Olvasó**  
Chief Executive Officer

**Data sheet header (general)**

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Company address:	H-3581 Tiszaújváros, P.O.Box 20.	Fax: +36 49/521-322
Sector group:	Chemical industry, petrochemical	E-mail address: hvanda@tvk.hu
Reporting period:	H1 2005	Investors' contact person: Vanda Haisz

**ANNEX 1**

	Yes	No		
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Accounting principles	Hungarian <input type="checkbox"/>	IFRS <input checked="" type="checkbox"/>	Other <input type="checkbox"/>	

**PK4. H1 2005 PROFIT AND LOSS STATEMENT**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

2004 HUF million		H1 2004 HUF million	H1 2005 HUF million	Variance %
175,883	Sales	87,945	113,920	29.5
811	Other operating income	607	1,071	76.4
<b>176,694</b>	<b>Total operating income</b>	<b>88,552</b>	<b>114,991</b>	<b>29.9</b>
116,835	Material costs	54,479	83,358	53.0
8,613	Cost of purchased material like services	3,861	6,032	56.2
18,818	COGS	14,307	1,031	(92.8)
688	Mediated services	475	462	(2.7)
<b>144,954</b>	<b>Material related expenditure</b>	<b>73,122</b>	<b>90,883</b>	<b>24.3</b>
6,018	Wages	3,181	3,174	(0.2)
2,450	HR related disbursements	692	699	1.0
2,531	Wage benefits	1,150	1,116	(3.0)
<b>10,999</b>	<b>HR related expenditure</b>	<b>5,023</b>	<b>4,989</b>	<b>(0.7)</b>
<b>6,925</b>	<b>Depreciation charge</b>	<b>3,483</b>	<b>4,685</b>	<b>34.5</b>
<b>6,771</b>	<b>Other operating costs</b>	<b>2,206</b>	<b>3,533</b>	<b>60.2</b>
<b>809</b>	<b>Change in inventories produced in house</b>	<b>(200)</b>	<b>931</b>	<b>n.a.</b>
<b>4,438</b>	<b>Capitalized value of assets produced in house</b>	<b>831</b>	<b>(2,547)</b>	<b>n.a.</b>
<b>164,402</b>	<b>Total operating costs</b>	<b>83,203</b>	<b>105,706</b>	<b>27.0</b>
<b>12,292</b>	<b>Operating (trading) profit, EBIT</b>	<b>5,349</b>	<b>9,285</b>	<b>73.6</b>
1,159	Income from financial operations	909	129	(85.8)
1,383	Costs of financial operations	951	2,152	126.3
<b>(224)</b>	<b>Net financial result</b>	<b>(42)</b>	<b>(2,023)</b>	<b>n.a.</b>
<b>12,068</b>	<b>Profit before taxation, extraordinary items and participations</b>	<b>5,307</b>	<b>7,262</b>	<b>36.8</b>
1,267	Corporate tax liability	449	41	(90.9)
1,676	Deferred tax	575	332	(42,3)
<b>9,125</b>	<b>Profit before minority interest</b>	<b>4,283</b>	<b>6,889</b>	<b>60.8</b>
(39)	Minority share of profit after tax	(20)	2	n.a.
<b>9,086</b>	<b>Net profit</b>	<b>4,263</b>	<b>6,891</b>	<b>61.6</b>

## ANNEX 2

**PK3. BALANCE SHEET FOR THE PERIOD ENDED ON JUNE 30, 2005**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

<b>31.12.2004</b>		<b>30.06.2004</b>	<b>30.06.2005</b>	<b>Variance</b>
<b>HUF million</b>		<b>HUF million</b>	<b>HUF million</b>	<b>%</b>
<b>153.910</b>	<b>Long-term Assets</b>	<b>140,131</b>	<b>158,641</b>	<b>13.2</b>
3.886	Net Value of Intangible Assets	4,016	4,224	5.2
148.080	Net Value of Tangible Assets	134,198	152,729	13.8
285	Investments	283	297	4.9
1.659	Amounts Receivable	1,634	1,391	(14.9)
<b>48.416</b>	<b>Current Assets</b>	<b>60,995</b>	<b>59,249</b>	<b>(2.9)</b>
7.375	Inventories	6,367	8,458	32.8
29.703	Accounts Receivable, Net	29,369	35,442	20.7
0	Securities	1,841	0	n.a.
5.115	Prepayments and other	4,473	4,207	(5.9)
6.223	Cash and Bank	18,945	11,142	(41.2)
<b>202.326</b>	<b>TOTAL ASSETS</b>	<b>201,126</b>	<b>217,890</b>	<b>8.3</b>
<b>111.421</b>	<b>Shareholder's Equity</b>	<b>106,651</b>	<b>118,314</b>	<b>10.9</b>
24.495	Registered Capital	24,497	24,493	0.0
15.022	Capital Reserves	15,022	15,022	0.0
62.768	Retained Earnings	62,788	71,851	14.4
7	Revaluation difference	23	15	(34.8)
9.086	Profit Per Balance Sheet	4,263	6,891	61.6
<b>43</b>	<b>Minority Interest</b>	<b>58</b>	<b>42</b>	<b>(27.6)</b>
<b>62.191</b>	<b>Long-term Liabilities</b>	<b>56,766</b>	<b>72,625</b>	<b>27.9</b>
56.576	Long-term Loans	52,606	66,606	26.6
3.437	Provisions for the expected liabilities	3,030	3,552	17.2
1.945	Deferred tax liability	845	2,277	169.5
233	Other Long-Term Liabilities	285	190	(33.3)
<b>28.714</b>	<b>Short-term liabilities</b>	<b>37,709</b>	<b>26,951</b>	<b>28.5</b>
26.314	Accounts Payable and Other Short-term Liabilities	34,654	25,341	(26.9)
2.215	Provisions for the expected liabilities	328	670	104.3
185	Short-term Loans	2,727	940	(65.5)
<b>202.326</b>	<b>TOTAL LIABILITIES</b>	<b>201,126</b>	<b>217,890</b>	<b>8.3</b>

**PK6. Significant Off-Balance Sheet Items<sup>1</sup>**

None.

<sup>1</sup> Any financial liabilities of material importance in respect of financial evaluation not reflected in the balance sheet (e.g. surety, guarantees given, liabilities under lien, etc.)

## ANNEX 3

**CHANGES IN SHAREHOLDER'S EQUITY IN H1 2005**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

	Registered Capital	Retained Earnings	Capital Reserves	Revaluation difference	Profit Per B/S	Minority interest	Shareholder's Equity
<b>Balance on January 1, 2004</b>	<b>24,501</b>	<b>57,543</b>	<b>15,022</b>	<b>19</b>	<b>5,278</b>	<b>38</b>	<b>102,401</b>
Transfer of 2003 profits	0	5,278	0	0	(5,278)	0	0
Repurchased employee shares	(6)	0	0	0	0	0	(6)
Disbursements charged to retained earnings	0	(53)	0	0	0	0	(53)
Revaluation difference	0	0	0	(12)	0	0	(12)
2004 profits	0	0	0	0	9,086	0	9,086
Minority interest	0	0	0	0	0	5	5
<b>Balance on December 31, 2004</b>	<b>24,495</b>	<b>62,768</b>	<b>15,022</b>	<b>7</b>	<b>9,086</b>	<b>43</b>	<b>111,421</b>
Transfer of 2004 profits	0	9,086	0	0	(9,086)	0	0
Repurchased employee shares	(2)	0	0	0	0	0	(2)
Disbursements charged to retained earnings	0	(3)	0	0	0	0	(3)
Revaluation difference	0	0	0	8	0	0	8
Profit of H1 2005	0	0	0	0	6,891	0	6,891
Minority interest	0	0	0	0	0	(1)	(1)
<b>Balance on June 30, 2005</b>	<b>24,493</b>	<b>71,851</b>	<b>15,022</b>	<b>15</b>	<b>6,891</b>	<b>42</b>	<b>118,314</b>



**ANNEX 4**  
**PK5. CASH FLOW STATEMENT FOR H1 2005**  
**Consolidated, un-audited TVK Group data according to IFRS (HUF million)**

	06.30.2004	06.30.2005
	HUF million	HUF million
<b>I. NET CASH FROM OPERATIONS</b>		
<b>Operating (trading) profit (EBIT)</b>	<b>5,349</b>	<b>9,285</b>
Depreciation charge	3,483	4,685
Impairment of inventories	(10)	70
Profit/loss on the disposal of tangible assets	(86)	(85)
Impairment of receivables	18	52
Due date revaluation difference of trade accounts receivable and accounts payable	(34)	(80)
Profit of test operation	0	2,626
Change in environmental protection provisions	(158)	(206)
Change in other provisions	(150)	(1,391)
Change in inventories	459	(1,095)
Change in trade accounts receivable	(3,783)	(5,791)
Change in other receivables	1,391	916
Change in trade accounts payable	3,045	(4,807)
Change in other short term liabilities	2,291	1,859
<b>I. NET CASH FROM OPERATIONS</b>	<b>11,815</b>	<b>6,038</b>
<b>II. INVESTING</b>		
Capital projects	(25,376)	(1,598)
Proceeds from the disposal of fixed assets	218	443
Acquisition/sale of financial investments	(92)	0
Changes in loans extended, long-term bank deposits and receivables	16	(13)
Changes in short-term securities held	7,709	0
Interest received and other financial income	720	112
Dividend received	118	0
<b>II. NET CASH USED IN INVESTING</b>	<b>(16,687)</b>	<b>(1,056)</b>
<b>III. NET CASH PROVIDED BY (AND DISBURSED FOR) FINANCING OPERATIONS</b>		
Issuance of long-term debt	11,527	0
Changes of long-term debt	0	444
Other long-term liabilities	(57)	(43)
Changes in short-term loans	(1,035)	(1)
Interest paid and other financial expenditure	(1,272)	(1,592)
Repurchased treasury shares	(4)	(2)
<b>III. NET CASH PROVIDED BY (AND DISBURSED FOR) FINANCING OPERATIONS</b>	<b>9,159</b>	<b>(1,194)</b>
<b>NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS</b>		
Opening value of cash and cash equivalents	14,658	6,223
Effect of consolidating a subsidiary on cash	0	1,131
Closing value of cash and cash equivalents	18,945	11,142
<b>NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS</b>	<b>4,287</b>	<b>3,788</b>

**ANNEX 5**  
**PK2. CONSOLIDATED COMPANIES**

Name	Equity/Registered Capital*	Interest held (%)	Ratio of votes <sup>1</sup>	Classification <sup>2</sup>
TVK Ingatlankezelő Kft.	2 970 000	100.00%	L	L
TVK Inter-Chemol GmbH (EUR 000)	615	100.00%	L	L
VIBA-TVK Termelő és Kereskedelmi Kft.	205 000	40.00%	T	T
TVK UK Ltd. (GBP 000)	200	100.00%	L	L
TVK Polisec Vagyonvédelmi Szolg. és Tanácsadó Kft.	14 300	100.00%	L	T
TVK Italia S.r.l. (EUR 000)	100	100.00%	L	L
Tiszai Hulladékégető Kft.	25 000	49.96%	T	T
TVK FRANCE S.a.r.l. (EUR)	76 225	100.00%	L	L
Chemopetrol Termelő és Kereskedelmi Kft.**	30 000	66.66%	L	T
TVK Austria GmbH (EUR) **	36 336	51.00%	L	L
TVK Polska Spzoo (PLN 000)	109	100.00%	L	T
Tűzoltó és Műszaki Mentő Kft.	3 000	30.00%	T	T
TVK Erőmű Term. Szolg. Kft.	3 298 000	26.00%	T	L

<sup>1</sup> Voting rights entitling the holder to participate in decision making at the general meetings of consolidated companies

<sup>2</sup> Full (L); Jointly managed (K); Associated (T)

The ratio of votes corresponds to the ratio of ownership in each case,

\* Equity/registered capital is expressed in HUF 000, unless otherwise indicated, when registered capital is denominated in a foreign currency,

\*\* Under liquidation

**ANNEX 6**  
**MAJOR EXTERNAL FACTORS**

	H1 2004	Q1 2005	Q2 2005	H1 2005	Variance % Q2 2005/ Q2 2004	Variance % Q2 2005/ Q1 2005	Variance % H1 2005/ H1 2004
Naphtha FOB med USD/t	312	400	416	408	25.6	4	30.7
AGO CIF med USD/t	310	448	492	470	49.4	9.8	51.7
Ethylene ICI's lor fd NWE contract EUR/t	594	740	750	745	23.6	1.4	25.5
Propylene ICI's lor fd NWE contract EUR/t	500	685	705	695	34.3	2.9	39.0
LDPE Film ICI's lor fd NWE low EUR/t	810	1,066	896	981	11.1	(16.0)	21.1
HDPE Film ICI's lor fd NWE low EUR/t	707	944	781	862	9.1	(17.3)	22.0
HDPE Blow ICI's lor fd NWE low EUR/t	691	945	782	864	12.4	(17.3)	25.0
PP Homo raffia ICI's lor fd NWE low EUR/t	752	982	863	922	12.1	(12.2)	22.7
PP Homo Injection ICI's lor fd NWE low EUR/t	752	988	871	929	13.1	(11.9)	23.6
PP Copolymer ICI's lor fd NWE low EUR/t	800	1,031	915	973	11.6	(11.2)	21.6
EUR/HUF	256.07	245.10	249.74	247.48	(0.95)	1.89	(3.4)
USD/HUF	208.70	186.98	198.23	192.61	(5.29)	6.02	(7.7)
EUR/USD	1.228	1.311	1.261	1.286	4.7	(3.8)	4.7

**ANNEX 7**  
**ST1. EXTRAORDINARY ANNOUNCEMENT IN 2005 UNTIL PREPARING THE REPORT**

<b>Date</b>	<b>Published in</b>	<b>Subject Matter, Brief Contents</b>
Jan 01, 2005 Jan 01, 2005	Magyar Tőkepiac Napi Gazdaság	Hermész Mérnöki Tanácsadó és Nagykereskedelmi Kft.'s stake in TVK decreased from 8.02 % to 0 % as of January 04, 2005 Slovnaft A.S. was registered with a 8.02 % stake in TVK's Share Register as of January 04, 2005.
Jan 26, 2005 Jan 26, 2005	Magyar Tőkepiac Napi Gazdaság	The liquidation process of TVK's consolidated subsidiary, TVK Austria Kunststoff. Vertriebs GmbH was started.
Feb 11, 2005 Feb 11, 2005	Magyar Tőkepiac Napi Gazdaság	Communication on completing the TVK Rt. Annual Flash Report for 2004 and the site where it is accessible.
Feb 11, 2005 Feb 11, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Annual Flash Report for 2004.
March 03, 2005 March 03, 2005	Magyar Tőkepiac Napi Gazdaság	The shareholding of CE Oil & Gas Beteiligung und Verwaltung AG (A-1010 Wien, Annagasse 6, Austria) in TVK increased from 15.99% to 31,39% as of March 2, 2005.
March 10, 2005 March 10, 2005	Magyar Tőkepiac Napi Gazdaság	On March 8, 2005 there was a breakdown in TVK Rt.'s Olefin-2 Plant.
March 11, 2005 March 11, 2005	Magyar Tőkepiac Napi Gazdaság	On March 10, 2005 TVK Rt.'s Olefin-2 Plant was restarted.
March 25, 2005 March 25, 2005	Magyar Tőkepiac Napi Gazdaság	Announcement of the Board of Directors of TVK Rt. on the convocation the 2005 Annual General Meeting.
Apr 13, 2005 Apr 13, 2005	Magyar Tőkepiac Napi Gazdaság	Communication of the key figures of managing the business of TVK Rt. in 2004.
Apr 20, 2005	BSE web site	The proposed resolutions of the Board of Directors of TVK Rt. to the 2005 Annual General Meeting.
Apr 27, 2005	BSE web site	Shareholder structure according to the shareholder identification prepared in connection with the ordinary General Meeting of the company, to be held on April 28, 2005.
Apr 28, 2005 Apr 28, 2005	Magyar Tőkepiac Napi Gazdaság	The following members of the Board of Directors and the Supervisory Board resigned from membership with effect from the date of the Annual General Meeting, to be held on April 28, 2005: members of the Board: Zoltán Áldott, Zsolt Bács, Michel-Marc Delcommune, Zoltán Horváth, József Molnár, Árpád Olvasó, and dr. Ilona Bánhegyi, the chairwoman of the Supervisory Board, and Simola József, member of the Supervisory Board, with effect from the close of the Annual General Meeting.
Apr 28, 2005	BSE website	TVK Rt's declaration on corporate governance practices.
Apr 29, 2005 Apr 29, 2005	Magyar Tőkepiac Napi Gazdaság	Disclosure of the resolutions of the 2005 Annual General Meeting of TVK Rt. The General Meeting: <ul style="list-style-type: none"> <li>- accepted the reports by the Board of Directors (Business Report on the year 2004) by a 62.51% majority of the votes;</li> <li>- accepted by a 62.51% majority of the votes; the consolidated financial statement of TVK Group prepared according to international financial reporting standards; the financial statement of Tiszai Vegyi Kombinát Részvénytársaság prepared according to international financial reporting standards; the consolidated annual report of TVK Group prepared according to the requirements of the Hungarian Accounting Law; the annual report of Tiszai Vegyi Kombinát Részvénytársaság prepared according to the Hungarian Accounting Law for the year ending as of December 31, 2004. The General Meeting acknowledged that the Company's profit before tax for the year 2004 is HUF 11,807 million and its net retained earnings are HUF 10,634 million, taking into consideration the dividends payable upon the retained earnings for the year 2004, the General Meeting determines that the financing requirements for the strategic development project are 0 HUF per share with the profit after tax to be transferred into the profit reserve.</li> <li>- amended of item 33. of the Articles of Association by a 99.95% majority of the votes;</li> <li>- elected Ernst &amp; Young Könyvvizsgáló Kft to the part of Auditor of the Company (appointed Auditor: Judit Szilágyi) for the business year of 2005 until the time of adjourning the Annual General Meeting of 2006, until 30 April, 2006, by a 62.55% majority of the votes; and determined the Auditor's fee (HUF 30,986,460 + VAT) for the whole period of the appointment, and authorised the Board of</li> </ul>

Directors to conclude the commission contract.

- Amended the item 13.e.; 14.b. 14.c.; 14.d.; 26.b.; 30.; and a subtitle of the Articles of Association by a 100% majority of the votes;
- elected Vratko Kassovic, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, by a 62,51% majority of the votes; and accepted, that Vratko Kassovic upholds Board and Supervisory Board memberships in other companies by a 62,50% majority of the votes;
- elected József Simola, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, by a 62,51% majority of the votes; and accepted that József Simola József upholds Board memberships in Slovnaft S.A. by a 62,50% majority of the votes;
- elected Árpád Olvasó, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, by a 62,51% majority of the votes;
- elected Michel-Marc Delcommune, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period, accepted, that Michel-Marc Delcommune upholds Board membership in MOL Rt. by a 62,51% majority of the votes;
- elected József Molnár, as a Member of the Board, with the effect from the adjourning of the GM for a 2 year period and accepted, that József Molnár József upholds Board membership in Slovnaft S.A. by a 62,51% majority of the votes;
- elected Ildikó Keményné Ujvári, as a Member of the Supervisory Board, with the effect from the adjourning of the GM for a 5 year period. by a 62,55% majority of the votes;
- elected dr. Ilona Bánhegyi, as a Member of the Supervisory Board, with the effect from the adjourning of the GM for a 5 year period, and accepted, that dr. Ilona Bánhegyi upholds Supervisory Board membership in Slovnaft S.A. by a 62,51% majority of the votes;
- elected Krisztina Dorogházi, as a Member of the Supervisory Board, on, with the effect from the adjourning of the GM for a 5 year period. and accepted, that Krisztina Dorogházi upholds Supervisory Board membership in Slovnaft S.A. by a 62,50% majority of the votes;
- accepted to define as follows the scope of employees considered managers according to Section 188/A paragraph (1) of the Labour Code as follows: “As managers shall be regarded the following leaders who fill in such jobs as have a determining significance for the operations of the Company and manage organisation units published in the Operating Rules of the Company: directors, deputy directors, factory managers, project managers and heads of “organisational units”.

Apr 29, 2005 Apr 29, 2005	Magyar Tőkepiac Napi Gazdaság	Disclosure on completing the annual report of TVK Rt. on the 2004 business year and the site where it is accessible.
Apr 29, 2005 Apr 29, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Annual Report for the business year of 2004
May 11, 2005 May 11, 2005	Magyar Tőkepiac Napi Gazdaság	The liquidation process of TVK’s not fully consolidated subsidiary, CHEMOPETROL Ltd. has commenced.
May 13, 2005 May 13, 2005	Magyar Tőkepiac Napi Gazdaság	Communication on completing the TVK Rt. Flash Report for Q1 2005 and the site where it is accessible.
May 13, 2005 May 13, 2005	Magyar Tőkepiac Napi Gazdaság	TVK Rt. Flash Report for Q1 2005.
May 27, 2005	BSE website	Minutes of the Annual General Meeting, hold on April 28, 2005
June 8, 2005	BSE website	TVK Rt.’s Articles of Association

## ANNEX 8 STRUCTURE OF OWNERSHIP - % AND TREASURY SHARES

### RS1. Ownership Structure, Ratio of Holdings and Votes

Description of owner	Total equity						Listed series					
	Year opening (January 1, 2005)			Period closing (June 30, 2005)			Year opening (January 1, 2005)			Period closing (June 30, 2005)		
	% <sup>2</sup>	% <sup>3</sup>	Pc	% <sup>2</sup>	% <sup>3</sup>	Pc	% <sup>2</sup>	% <sup>3</sup>	Pc	% <sup>2</sup>	% <sup>3</sup>	Pc
Domestic institution/company	45.10	id.	11 013 985	44.34	id.	10 830 252	45.45	id.	11 013 985	44.69	id.	10 830 252
Foreign institution/company	34.79	id.	8 495 832	39.48	id.	9 642 266	35.06	id.	8 495 832	39.79	id.	9 642 266
Domestic individual	0.96	id.	235 378	0.01	id.	3 200	0.97	id.	235 378	0.01	id.	3 200
Foreign individual	0.02	id.	5 067	0.00	id.	0	0.02	id.	5 067	0.00	id.	0
Employees, senior officers	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Government held owner*	0.007	id.	1 750	0.03	id.	8 149	0.007	id.	1 750	0.03	id.	8 149
International Development Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other												
TVK Rt. employee shares	0.77	id.	189 000	0.77	id.	189 000		id.			id.	
Ordinary shares held by unidentified parties	18.36	id.	4 484 581	15.40	id.	3 759 125	18.5	id.	4 484 581	15.51	id.	3 759 125
<b>TOTAL</b>	<b>100</b>	<b>id.</b>	<b>24 423 843</b>	<b>100</b>	<b>id.</b>	<b>24 423 843</b>	<b>100</b>	<b>id.</b>	<b>24 234 843</b>	<b>100</b>	<b>id.</b>	<b>24 234 843</b>

\* Also included under domestic institutions

<sup>2</sup> Ownership ratio

<sup>3</sup> Voting right entitling the holder to participate in decision making at the general meetings of consolidated companies. If the ownership ratio and the voting ratio are identical, only the column for the ownership ratio should be filled in and submitted (published) along with mentioning that the two are the same.

### RS2. Volume (Qty) of Treasury Shares Held in the Period Under Review

	January 1	March 31	June 30	September 30	December 31
Corporate level	0	0	0		
Subsidiaries	0	0	0		
<b>Grand total</b>	<b>0</b>	<b>0</b>	<b>0</b>		

### RS3/1. List and Description of Shareholders with More Than 5% of the listed Series (at the End of the Period)

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (of shares)	Interest (%)	Voting ratio (%) <sup>3,4</sup>	Remark
Magyar Olaj- és Gázipari Rt.	B (HU)	T	10 821 029	44.65	44.65	Strategic investor
CE Oil & Gas Beteiligung und Verwaltung AG	K (AT)	T	7 666 850	31.64	31.64	n.a.
Slovnaft A.S.	K (SK)	T	1 958 743	8.08	8.08	Strategic investor

### RS3/2. List and Description of Shareholders with More Than 5% of Equity Total (at the End of the Period)

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (of shares)	Interest (%)	Voting ratio (%) <sup>3,4</sup>	Remark
Magyar Olaj- és Gázipari Rt.	B (HU)	T	10 821 029	44.31	44.31	Strategic investor
CE Oil & Gas Beteiligung und Verwaltung AG	K (AT)	T	7 666 850	31.39	31.39	n.a.
Slovnaft A.S.	K (SK)	T	1 958 743	8.02	8.02	Strategic investor

<sup>1</sup> Domestic (B), Foreign (K)

<sup>2</sup> Corporate (T)

<sup>3</sup> Figure rounded to two decimal points

<sup>4</sup> Voting right entitling the holder to participate in decision making at the general meetings of consolidated companies

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

**TSZ2. Changes in the Number of Full Time Employees**

	Reference Period Ended June 30, 2004	Year Opening January 1, 2005	Period Closing June 30, 2005
Corporate level	1 676	1 571	1 558
Group level	1 720	1 602	1 588

**TSZ3. Senior Officers and (Strategic) Employees Influencing the Operations of the Issuer**

Type <sup>1</sup>	Name	Position	Beginning of assignment	End/termination/term of assignment	Shares held (qty)
IT	György Mosonyi	Chairman of the Board	26.04.2002	26.04.2007	0
IT	Árpád Olvasó	Deputy Chairman of the Board	29.08.2000.	28.04.2007	0
IT	Michel-Marc Delcommune	Board member	03.11.2000.	28.04.2007.	0
IT	Fred Faiz	Board member	03.11.2000	03.11.2005	0
IT	József Molnár	Board member	20.04.2001.	28.04.2007.	0
IT	József Simola	Board member	28.04.2005.	28.04.2007.	0
IT	Vratko Kassovic	Board member	28.04.2005.	28.04.2007.	0
FB	Dr. Ilona Bánhegyi	SB chairperson	29.08.2000.	28.04.2010.	0
FB	Dr. András Huszár	SB deputy chair	24.04.2003.	24.04.2008.	0
FB	Ildikó Keményné Újvári	SB member, employee representative	28.04.2000.	28.04.2010.	0
FB	Tamás Magyar	SB member, employee representative	20.04.2001.	20.04.2006.	0
FB	Krisztina Dorogházi	SB member	28.04.2005.	28.04.2010.	0
SP	Árpád Olvasó	Chief Executive Officer	01.07.2003.	Indefinite term	0
SP	Tivadar Vályi Nagy	Chief Financial Officer, Deputy CEO	01.01.2005.	Indefinite term	0
SP	László Piry	Director of Polymer Marketing and Sales, Deputy CEO	07.06.2004.	Indefinite term	0
SP	Árpád Deák	Director of Coordination, Petrochemical Development Project	01.06.2001.	Indefinite term	0
SP	Tamás Péntes	Human Resources Manager	01.07.2004.	Indefinite term	0
SP	László Sebestyén	Production Director	01.01.2004.	Indefinite term	0

<sup>1</sup> Employee in strategic position (SP), Member of the Board of Directors (BoD), Member of the Supervisory Board (SB)

\* According to the resolutions of the Annual General Meeting of the company held on April 28, 2005.

\*\* According to the resignation declaration of the members with the effect of April 28, 2005.

**There was no significant change in the organisation of the company during the reporting period.**

**Changes in senior management during Q2 2005:**

The following Board and SB members resigned from their membership with the effect from the date of the 2005 Annual General Meeting:

- Zoltán Áldott, elected to the member of the Board as of April 26, 2002,
- Zsoltán Bács, elected to the member of the Board as of April 26, 2002,
- Michel-Marc Delcommune, elected to the member of the Board as of April 26, 2000,
- Zoltán Horváth, elected to the member of the Board as of April 20, 2001,
- József Molnár, elected to the member of the Board as of April 20, 2001,
- Árpád Olvasó, elected to the member of the Board as of August 29, 2000,
- dr. Ilona Bánhegyi, the chairwoman of the Supervisory Board, elected to the member of the SB as of August 29, 2000.

The 2005 Annual General Meeting of TVK Rt. elected:

- to be the member of the Board, with the effect from the adjourning of the GM for a 2 year period: Vratko Kassovic, József Simola, Árpád Olvasó, Michel-Marc Delcommune and József Molnár.
- to be the member of the Supervisory Board, with the effect from the adjourning of the GM for a 5 year period Ildikó Keményné Újvári, dr. Ilona Bánhegyi and Krisztina Dorogházi.