

## **BorsodChem Rt. Short Business Report for H1 2005, as Prepared for the Stock Exchange**

BorsodChem Rt. has prepared its Short Business Report for H1 2005 based on consolidated figures as per International Financial Reporting Standards (IFRS). The figures in the Short Business Report are not audited. The data in the Report correspond to the actual facts and does not conceal any of them that are significant from the perspective of the Company's assessment by the capital markets.

As of 1 January, 2005 the recent standards of IFRS resulted in some modifications in the P/L statement as well as the balance sheet regarding their structure, therefore the adequate corrections have been made in the base period to ensure comparability

### **Summary**

- 1. Alongside its sales revenues of HUF 86.7 billion, expanding at 19.5%, BorsodChem Group realized an operating profit of HUF 9.4 billion in H1 2005. The net income of the Group (after deducing minority interest) is HUF 8.2 billion.**
- 2. Besides the 19.5% increment in sales revenues, operational profit (EBIT) and operational cash profit (EBITDA) increased by 38.7% and 27.5%, respectively.**
- 3. The Company's EBIT margin exceeds 10% in H1, while EBITDA margin is 16.6% in spite of the fact that the change in product profitability – due to the continuous decrease of PVC prices within the quarter – shows a mixed picture. Besides the Company's cost competitiveness, the realized indicators reflect the change in the composition of sales in line with the targeted strategy.**
- 4. As a result of the constantly strong cash generating capacity, the Company's liquidity position is more advantageous than budgeted, thus the Company will utilize its capital expenditure financing credit line somewhat later.**
- 5. The Company's capital expenditure program is well under way as scheduled.**

### **A brief evaluation by Chief Executive Officer László F. Kovács:**

*As we had expected and indicated beforehand, repeating the outstanding Q1 performance was not possible due to the changes in the product market. The Group successfully handled the market challenges in Q2. Despite the negative trend in the PVC market we produced record levels of semiannual sales revenue and operating profit.*

*We focus our attention to the successful trial run and product sales of our capacity expansion CAPEX projects in H2 (i.e. the new MDI Plant, VCM capacity expansion, PVC capacity expansion, and new Chlorine Plant by Q1 2006), so that following the commissioning of the new assets we can further ensure our Company's 20% plus annual growth in 2006.*

## **1. Business Activity in H1 2005**

### ***1.1. Economic Environment***

The external economic environment determining BorsodChem Group's H1 business activity was characterized by the following:

On the product side, the MDI market continued to be demand driven. The list prices of both crude and pure MDI have reached a record level due to the limited supply. A reverse tendency prevailed in the TDI markets, though at a more modest pace, where the slight oversupply situation has resulted in some lower listing prices. A more drastic and unforeseeable negative tendency could be observed in the PVC market, which already began at the end of Q1 and continued strongly into Q2. While the price of the base material ethylene has reached the price level of EUR 750/t, the listing prices of PVC dropped considerably, therefore in Q2 the positive margin diminished. This shift caused considerable losses for single business PVC producers in the quarter. The reason for this tendency is that while global demand, including that of the the Far East, saw a healthy increase, the ethylene based VCM technology was temporarily substituted by the obsolete, environmentally damaging and inefficient acetylene based technology in Asia due to the high ethylene prices and the relatively inexpensive hydropower. In addition, the process resulted in a lower import demand in Asia and an industry-wide inventory accumulation.

In the caustic soda market the tight demand and the consequent high price level developed in Q4 2004 seemed to stabilize, partly compensating the deteriorating margins on PVC sales.

In the market of plastic finished products the seasonal increase in demand was visible in the building industry, the performance of the processors in the construction industry improved, but they were unable to fully recover the fallback of Q1. The demand of the packaging industry for the products continues to be strong.

On the purchasing side, besides the change of ethylene described above, benzene had a relatively high price level of about EUR 700/t among the aromatic products in H1. The high electricity and natural gas prices in Hungary already cause considerable competitive disadvantage in international comparisons. Owing to constrained cross border capacities and, in the case of natural gas, restricted sources of supply, Hungarian businesses cannot utilize the advantages of a liberalized energy market.

Developments concerning the average Forint exchange rate in H1 2005 continued to have a negative impact on the businesses of export-oriented companies. The Forint was 3% and 7% stronger than the Euro and the Dollar, respectively, compared to the base, thus hindering sales and profit performance in Forint.

Alongside the ongoing task of efficiently operating existing assets, BorsodChem Group's internal economic environment was further characterised by the tasks of successful implementation of the capital expenditure programme, utilization of new capacities as well as sales tasks originating thereof.

## 1.2. Production and Price Trends

The output volumes of major products of BorsodChem Group are as follows:

Production	PVC (kt)	VCM (kt)	MDI (kt)	Aniline (kt)	TDI (kt)
H1 2004	141.2	87.8	30.1	57.7	31.2
H1 2005	153.8	123.1	28.1	61.3	38.2
Change (%)	8.9	40.2	-6.6	6.2	22.4

The capacity utilization of production lines continues to be high within the group. The increment in produced volumes was rendered possible by capacity expansions implemented last year. Decrease can only be seen with the MDI unit where production falls behind the nominal capacity (60 kt/year) only to a minimal extent but fails to reach the outstanding production volume of 2004.

Trends in listing prices of major purchased and sold products are summarized in the table below:

Denomination	Unit	H1 2004	Q2 2005	H1 2005
Ethylene	EUR/t	594	750	745
Benzene	EUR/t	520	702	698
Caustic soda	USD/t	88	292	296
PVC	EUR/t	785	810	878
CR-MDI	EUR/t	1,471	2,325	2,276
P-MDI	EUR/t	1,979	2,268	2,223
TDI	EUR/t	1,701	1,554	1,628

- The listing price of **ethylene** was EUR 745/t on average in H1 2005, which has increased by EUR 151/t compared to H1 2004.
- Among aromatic substances, in H1 2005 the average listing price of **benzene** was EUR 698/t surpassing the listing price in H1 2004 by EUR 178/t.
- In H1 2005 the average listing price of **PVC resin** was EUR 878/t, which is EUR 93/t higher on average than in the same period of 2004. The quarterly breakdown (EUR 947/t in Q1; EUR 810/t in Q2) however shows substantial drop, plus the ethylene price as indicated above, has increased by EUR 151/t. It also means that the margin between PVC and ethylene listing prices deteriorated during the half-year period by EUR 58/t on average compared to the base, despite the strong performance in Q1.
- In H1 2005 **caustic soda** solution was listed at an average USD 296/t compared to USD 88/t in H1 2004. The price increase considerably improved product profitability. It is worth emphasizing that the above average price level of caustic soda, a co-product of chlorine production, has been supporting the profit generation of PVC producers for three quarters now.

- In H1 the average listing price of **crude MDI** was EUR 2,276/t surpassing H1 2004 average listing price of EUR 1,471/t by EUR 805/t. The tendency in price increase continued into Q2 as well, which had a positive impact on the profitability of the product.  
Compared to the base, the price of **pure MDI** increased by EUR 244/t. Consequently, a booming price trend prevailed, however the pace of growth lagged behind that of crude MDI.
- In H1 2005 **TDI** was listed at EUR 1,628/t on average, which is EUR 73/t lower than that of the average listing price of H1 2004. The price of TDI follows a decreasing tendency, the average listing price in Q2 was only EUR 1,554/t.
- The sales price of **aniline** followed the price changes of the raw material benzene.
- The sales prices of **PVC compounds** substantially correlate with PVC prices, thus the prices of this product rose compared to H1 2004, on the other, the quarterly price change here is negative, too.
- The rising PVC resin price within the price of **PVC-based finished products** could be passed through only with delay. The demand for window profiles and finished windows increased in Q2, but was not able to retrieve the fallback of Q1. On the other hand, a healthy demand developed for other plastic finished products (sheets and films) on the top of the increasing price trend.

### 1.3. Sales Revenues by Major Products

The following chart includes the breakdown of sales revenues by major products:

Denomination	H1 2004		H1 2005		Change	
	HUF Million	%	HUF million	%	HUF million	%
<b>PVC resin</b>						
Domestic	2,377.4	3.3	2,384.8	2.7	7.4	0.3
Export	19,184.2	26.4	19,995.3	23.1	811.1	4.2
<b>Total</b>	<b>21,561.6</b>	<b>29.7</b>	<b>22,380.1</b>	<b>25.8</b>	<b>818.5</b>	<b>3.8</b>
<b>PVC compounds</b>						
Domestic	355.8	0.5	536.1	0.6	180.3	50.7
Export	2,518.8	3.5	2,098.6	2.4	-420.2	-16.7
<b>Total</b>	<b>2,874.6</b>	<b>4.0</b>	<b>2,634.7</b>	<b>3.0</b>	<b>-239.9</b>	<b>-8.3</b>
<b>MDI products</b>						
Domestic	59.9	0.1	165.5	0.2	105.6	176.3
Export	10,708.5	14.8	15,137.3	17.5	4,428.8	41.4
<b>Total</b>	<b>10,768.4</b>	<b>14.9</b>	<b>15,302.8</b>	<b>17.7</b>	<b>4,534.4</b>	<b>42.1</b>
<b>TDI products</b>						
Domestic	681.3	0.9	560.4	0.6	-120.9	-17.7
Export	11,623.5	16.0	14,449.5	16.7	2,826.0	24.3
<b>Total</b>	<b>12,304.8</b>	<b>16.9</b>	<b>15,009.9</b>	<b>17.3</b>	<b>2,705.1</b>	<b>22.0</b>
<b>Caustic soda</b>						
Domestic	1,063.7	1.5	1,737.1	2.0	673.4	63.3
Export	794.9	1.1	1,627.9	1.9	833.0	104.8
<b>Total</b>	<b>1,858.6</b>	<b>2.6</b>	<b>3,365.0</b>	<b>3.9</b>	<b>1,506.4</b>	<b>81.1</b>
<b>Aniline Export</b>	<b>4,615.0</b>	<b>6.4</b>	<b>6,271.7</b>	<b>7.2</b>	<b>1,656.7</b>	<b>35.9</b>
<b>Plastic semi-finished and finished products</b>						
Domestic	2,765.0	3.8	2,154.3	2.5	-610.7	-22.1
Export	3,220.0	4.4	3,616.6	4.2	396.6	12.3
<b>Total</b>	<b>5,985.0</b>	<b>8.2</b>	<b>5,770.9</b>	<b>6.7</b>	<b>-214.1</b>	<b>-3.6</b>
<b>Other products</b>						
Domestic	4,649.9	6.4	5,021.5	5.9	371.6	8.0
Export	7,947.0	10.9	10,971.4	12.5	3,024.4	38.1
<b>Total</b>	<b>12,596.9</b>	<b>17.3</b>	<b>15,992.9</b>	<b>18.4</b>	<b>3,396.0</b>	<b>27.0</b>
<b>Total sales revenue</b>	<b>72,564.9</b>	<b>100.0</b>	<b>86,728.0</b>	<b>100.0</b>	<b>14,163.1</b>	<b>19.5</b>
Domestic sales rev.	11,953.0	16.5	12,559.7	14.5	606.7	5.1
Export sales rev.	60,611.9	83.5	74,168.3	85.5	13,556.4	22.4

In H1 2005 the Company increased its sales revenues by 19.5% compared to H1 2004. Again, the increase in sales revenues is mainly driven by the period's export sales expansion.

The H1 result of **PVC resin** is 3.8% increment in the sales revenues which was coupled with a 2.7% increase in sales volumes. Q2 processes described above, however, significantly reduced growth rate.

Sales of **PVC compounds** dropped by 8.3% due to decreased volumes sold in export markets mainly in Q1. Sales prices increased alongside PVC resin price; however, price increase could not compensate the lower volumes' effect.

Sales revenues of **MDI products** rose by 42.1% mainly resulting from the significant increase in sales prices.

Despite the 28.1% increase in volumes sold, sales revenues of **TDI** increased by no more than 22% due to falling sales prices.

Along with 5.8% increase in volumes sold, sales revenues of **caustic soda** increased by 81.1%, primarily driven by price increases.

Sales revenue of **aniline** rose by 35.9%, along with 16.4% growth in sales volumes.

Among **plastic semi-finished and finished products**, the sales volume of window profiles significantly dropped in H1 compared to the base. The decline could not be fully made up in Q2. The unit price increase was not enough to compensate the drop in sales volumes, thus revenues were less than that of the base by 3.6%.

Combined sales revenues of **other products**, such as ammonia, hydrochloric acid, hypochlorite, polystyrene, pre-polymer, formalin, special amines, etc., increased by 27%, mainly due to (a) the expansion of MCHZ's cyclohexylamine product and (b) the full consolidation of BC-MC S.r.l. (a trading company in Italy).

**Export accounted for 85.5% of total sales. This ratio increased by 2.0% points compared to the base period, also signifying that export continues to be the core of Group level sales expansion.**

Geographical breakdown of sales is as follows:

Domestic and Central Eastern Europe	:	46.7%
Western Europe	:	49.1%
Other	:	4.2%

## 2. Analysis of Profit and Loss Statement

**Favourable demand and supply conditions characterizing H1, and especially Q1, as well as capacity expansions implemented last year, resulted in nearly 20% increase in turnover, improving efficiency indicators (especially in the light of market changes), record-level sales, EBIT and EBITDA figures at BorsodChem Group.**

Trends in BorsodChem Group's major economic indicators in H1 2005 are as follows:

Indicator	H1 2004 (HUF M)	H1 2005 (HUF M)	Index %
Sales revenues	72,565	86,728	119.5
Operating profit (EBIT)	6,768	9,388	138.7
Pre-tax profit	11,132	8,929	80.2
Net profit attributable to BC and minorities	10,650	8,381	78.7
EBITDA	11,316	14,432	127.5
Total shareholders' equity	121,745	132,646	109.0
Total assets	203,938	211,864	103.9

Profitability in proportion to sales revenues in H1 2005:

- operating profit margin : 10.8%
- pre-tax profit margin : 10.3%
- net profit margin : 9.7%
- EBITDA margin : 16.6%

### *2.1. Sales Revenues and Gross Margin*

**In H1 2005 BorsodChem Group increased its sales revenues by 19.5 percent up to HUF 86,728 million compared to H1 of the previous year.** Q2 sales revenues reached HUF 45 billion, even surpassing that of Q1. Increased sales revenues were mainly driven by higher MDI sales price level; nevertheless, TDI and PVC capacity expansions implemented in 2004 contributed thereto. On the other hand, declining PVC prices hindered an even more dynamic sales expansion.

Primarily, the 19.5% turnover increase coupled with 17% higher direct costs, incurred by surplus volumes, boosting purchase prices (particularly those of ethylene and energy) and higher depreciation charge (consequence of recent capitalisations).

Consequently, in H1 2005 the Group attained a **gross margin of HUF 24,366 million**, which is 26.5 percent more than that of the base period. Gross margin ratio improved to 28.1% from 26.5% of the base period.

### *2.2. Operating Profit*

**Despite the outstanding Q1 EBIT performance could not be repeated, BorsodChem Group realised HUF 9,388 million operating profit in H1, up 38.7% compared to that of the base. The Company had never generated that level of six-month operating profit before. Within the given market conditions, HUF 3,707 million operating profit of Q2 could be achieved with high capacity utilization and cost-saving business activities.**

The operating profit of HUF 9,388 million is 10.8% of sales revenues, which considerably surpasses the 9.3% margin of the base period. The operating profit of H1 and its change are mainly due to the spectacular improvement in MDI and caustic soda product

margins. Additionally, the sales performance of TDI significantly contributed to the results with its healthy margin and 28.1% sales expansion.

Exchange rate changes again impeded the operating profit level performance of the export-oriented Company. Compared to the base period, the Forint was 3.4% and 7.6% stronger than the Euro and the US Dollar, respectively. This indicates that the Company's profitability would have been higher in a neutral exchange rate environment.

Despite the increased transportation costs due to changing sales parities, the 16.9% increase in selling costs is behind the pace of topline growth, which was instrumental in realising an EBIT margin in excess of 10%.

General and administrative costs surpassed the base by 24.8%. The most significant items of increased costs are the expensed costs of incentive packages: dividends on employee shares (HUF 286 million), pro-rata redemption cost of employee shares (HUF 192 million) and the pro-rata cost of the employee share ownership programme (HUF 300 million). The latter two are expensed but have not been paid yet (actual payments are due on realising targets only in Q4 2005 and 2006). In accordance with new IFRS from the year of 2005 the Company, assuming eventual qualification, expenses these items time-proportionately, thus charging months evenly. Additionally to the above, entrance of BC-MC S.r.l. into consolidation scope also entailed an increase in costs, as this subsidiary has been consolidated since Q2 2004 only. Without the highlighted items the increase in general and administrative costs considerably lags behind the expansion rate of turnover.

### ***2.3. Net of Other Income/Expenses (financial items)***

The Company's interest paid and interest received were practically identical in H1 2005, while it showed HUF 143 million net income in the base period. The balance decline is due to the facts that (i) cash decreased as a result of active capital expenditure projects and (ii) the realisable income from interest rate differential on HUF deposits and EUR loans declined due to recent rate cuts.

Due to the strong HUF in the base period, the Company had booked a significant net translation gain, mainly on its FX denominated loans, amounting to HUF 1,015 million whereas in the course of H1 2005 the balance of similar translation differences was negative HUF 535 million, again mainly driven by the revaluations.

The currency market trends had an impact also on the market value of derivative contracts, including the revaluation gains on open positions. Total exchange gains on derivative contracts were HUF 70 million compared to HUF 3,201 million of the base period. Naturally, the Company's massive profit of the base period, which made the 2004 P/L statement exceptional and was mainly a revaluation result rather than a cash item, did not recur in 2005. Additionally, the difference between the current and base period figures is also due to the fact that the Company had significantly less open positions at the end of 2004 than a year before, since it considerably decreased its net currency exposure by continuously increasing natural hedge throughout 2005.

As a combined effect of the above, financial items decreased operating profit by HUF 459 million (for comparison, net financial result was HUF 4,364 million in the base period).

#### 2.4. Profit before Taxation, Net Income and EBITDA

**Profit before taxation and minority interest is HUF 8,929 million, compared to HUF 11,132 million of the base period.**

BorsodChem Rt. continues to comply with the requirements of utilizing its corporate income tax holiday in 2005. Consequently, the Group's consolidated tax liability is only HUF 548 million.

Net Income before minority interest is HUF 8,381 million. Net Income attributable to minority interest holders (Dynea Austria GmbH, AliaChem AS and ÉMÁSZ Rt.) is HUF 153 million. **In H1 the net income attributable to the parent company is HUF 8,228 million**, 80.3% of the base period. (The apparent decrease is due to the outlying translation gain of the base period.)

**The Company's cash-generating capacity (EBITDA) is HUF 14,432 million, which is up by 27.5% from the base.**

Description	HUF million		
	Q1 2004	Q1 2005	Index (%)
Operating profit	6,768	9,388	138.7
Depreciation	4,548	5,044	110.9
<b>Operating profit + Depreciation (EBITDA)</b>	<b>11,316</b>	<b>14,432</b>	<b>127.5</b>

### 3. Analysis of Balance Sheet

Total assets of the Company are HUF 211,864 million, which increased by 4.1% compared to that of the previous year.

Out of the total, current assets amount to HUF 11,414 million, representing an increase of 8.3%. The growth of tangible and intangible assets amounts to HUF 31,343 million, which is an effect of CAPEX activities less expensed depreciation. The notable decrease in other long term financial assets is due to the exit of sold TVK shares from the books in Q3 2004.

Current assets amount to HUF 63,126 million, showing a decrease of 4.6%. Among current assets, accounts receivable show an increase of HUF 5,136 million, of which trade debtors increase amounts to HUF 4,481 million and the increase of other receivables is HUF 655 million. The 18% increase in trade debtors was due to increased sales revenues, as turnover rate practically equals to that of the base period. Other receivables went up because of higher VAT reclaims and increase in advanced payments for license. The increment of HUF 3,343 million in inventories is a result of increased stock of components and spare parts to be built into the new plants, a consequence of the intensive capital expenditure projects. Owing to increasing feedstock prices, material and finished product inventories have also increased in value. Moreover, the balance sheet reflects a temporary volume increase in PVC inventories. Liquid assets have dropped due to financing CAPEX activities.

Total long term liabilities dropped by 8% or HUF 2,576 million, mainly due to the decrease in long term loans.

Total short term liabilities decreased by 0.8%, or HUF 399 million. An increase of 13% in the total accounts payable to contractors is due to the intensified capital expenditures as well as the significantly rising raw material prices compared to the base period. Total of short term borrowings shows an increment of HUF 2,259 million mainly due to financing tasks of subsidiaries. Current portion of long term debt dropped by 42% due to repayments. Total borrowings due within a year dropped by HUF 3,781 million.

Shareholders' equity shows an increase of HUF 11,326 million amounting to HUF 132,646 million, which exceeds the base by 9.3%. Retained earnings amount to HUF 84,752 million, up 16.6% compared to base. In accordance with IFRS, the employee shares ("B" shares) of HUF 1,282 million issued in 2004, the expected liability of the employee share ownership programme amounting to HUF 300 million in 2005 as well as minority interests appear among the items of shareholders' equity. The registration value of the treasury shares package funding the employee share programme is HUF 2,637 million which naturally decreases the Company's shareholders' equity.

Leverage indicators of BC Group and BorsodChem Rt. at the end of June 2005 are as follows:

Debt to Shareholders' Equity:	
• BC Group	: 0,36
• BorsodChem Rt.	: 0,25
Net Debt to Shareholders' Equity:	
• BC Group	: 0,31
• BorsodChem Rt.	: 0,21

Despite intensive capital expenditure activities, leverage indicators have remained in a conservative range. The strong balance sheet can steadily support BorsodChem Group's growth for strategy.

#### 4. Cash-flow Analysis

The consolidated cash-flow statement as attached to this present Short Business Report is presented in two versions. One of them indicates cash-flows of the recent 12 month period, while the other shows year-to-date figures in H1 2005. We attempt to give a detailed analysis of the (annual cumulative) cash-flow of H1 2005 in the following.

In H1 2005, **net cash from operations** amounted to **HUF 11,775 million**. Net earnings of HUF 8,228 was adjusted by non-cash items of HUF 5,336 million. Among non-cash items, depreciation of HUF 5,044 million is the most significant element, while other non-cash items (non-cash marking-to-market result, unrealized revaluation results, and others) amount to HUF 292 million. The net change in current assets and current liabilities decreased the net cash from operations by HUF 1,789 million.

**Net cash outflow from investing activities, totalling HUF 14,694 million**, is the result of the capital expenditure of HUF 21,351 million on tangible asset purchases. Changes in our short term investments (essentially T-bonds) appear within this section as well. Sales of short term investments amounted to HUF 6,607 million in the first six months of 2005.

**The net HUF 7,729 million cash used in financing activities** is the balance of dividend payment at HUF 3,371 million and a net repayment of loans at HUF 4,688 million.

According to the above, net cash decreased by HUF 10,648 million to a total of HUF 6,266 million at the end of the period.

During the 12 months between June 30, 2004 and June 30, 2005 net cash from operations amounted to HUF 20,422 million, net outflow relating to investment activities was HUF 15,130 million whereas net liquid assets used in financial transactions were up to HUF 11,164 million. During the 12-month period net cash dropped by HUF 5,872 million to a total of HUF 6,266 million at the end of the period.

## **5. Capital Expenditure Projects, Headcount**

In H1 2005 the Company's capital expenditure performance was HUF 20.5 billion, HUF 3.0 billion of which was realized by consolidated subsidiaries. Following a successful trial run on June 30, BC-MCHZ's aniline capacity expansion from 110 kt pa to 150 kt pa has concluded. BorsodChem's aniline facility is able to supply feedstock to the 100 kt pa capacity new MDI plant on trial run.

Consolidated employee number of the Company was 4,239 persons as at June 30, 2005. Staff number increased by 36 people against the closing headcount as at December 31, 2004. Staff number increased by 18 people at both BorsodChem Rt. and at consolidated subsidiaries each, mainly explained by the work force demand of the capacity expansion capital expenditures.

Labour productivity indicator, i.e. sales revenues per capita (on the basis of total closing headcount) is HUF 20.5 million/capita/quarter, which surpasses the base value by more than 19%.

## **6. Major Changes at the Company**

The Company increased the registered share capital of its subsidiary B.C.-M.C. S.r.l. (Italy) by EUR 96,000 to a total of EUR 200,000. The increase was against the subsidiary's retained earnings.

## **7. Changes in the Share Capital and the Company Management**

### ***7.1. Changes in the Registered Share Capital and Number of Shares***

As no changes occurred in H1 in this regard, the registered share capital of the Company was HUF 16,670 million as at June 30, 2005. Decomposition is (i) ordinary shares (Class A shares) listed and traded on stock exchanges, amounting to HUF 15,388 million; and (ii) employee shares (Class B shares) not listed and not traded on any stock exchange, amounting to HUF 1,282 million.

### ***7.2. Changes to the Total of Treasury Shares***

On June 30, 2005 the Company held 1,252,522 treasury shares, which decreased by 25,000 shares compared to March 31, 2005.

### ***7.3. Changes in Key Personnel***

In H1 no changes took place in the composition of Supervisory Board of the Company. The Annual General Meeting of 2005 elected Mr Kay Gugler Member of the Board of Directors for three years as of October 1, 2005 while Deloitte Könyvvizsgáló és Tanácsadó Kft. was elected the Company's auditing firm.

Kazincbarcika, 9 August 2005

**Enclosures**

László F. Kovács  
Chief Executive Officer

## Notehead of data sheet (general)

Name of company BorsodChem Rt. Phone +36-48-511-211  
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company  
Sector of activity Production of plastics base materials E-mail: Hanti.Miklós@borsodchem.hu  
Period H1 2005 Investors relations contact person Miklós Hanti

## Data sheet of financial accounts

### PK1. General information on financial data

Audited  Yes  No  
Consolidated  Yes  No  
Accounting standards Hungarian  IFRS  Other   
Other: .....

### PK2. Subsidiaries involved in consolidation

Denomination	Equity	Share of ownership (%)	Voting right <sup>1</sup>	Classification <sup>2</sup>
BC-Ongropack Kft.	HUF 935,000 thousand	100	100	L
BorsodChem Polska Sp.z o.o.	PLN 2,000,000	100	100	L
BC-Ongromechanika Kft.	HUF 157,100 thousand	100	100	L
BC-Ongrobau Kft.	HUF 60,000 thousand	100	100	L
BC ONGRO BENELUX B.V	EUR 199,663	100	100	L
BC-Ongroelektro Kft.	HUF 77,000 thousand	100	100	L
BC Handelsges. m.b.H.	EUR 730,000	100	100	L
BC-KC Formalin Kft.	HUF 338,100 thousand	66.66	66.66	L
Panoráma Kft.	HUF 88,190 thousand	100	100	L
BC-Ablakprofil Kft.	HUF 190,000 thousand	100	100	L
BC-MCHZ s.r.o.	CZK 865,100 thousand	97.5	97.5	L
B.C.- M.C. S.r.l.	EUR 200,000	100	100	L
BC-Energiakereskedő Kft.	HUF 50,000 thousand	100	100	L
BC-Erőmű Kft.	HUF 2,698,600 thousand	26	26	L

<sup>1</sup> Voting right of the subsidiaries involved in consolidation providing the participation in the decision making process at the General Meeting

<sup>2</sup> Total (L); Joint management (K); Associated (T)

(Should classification be not obvious from the share of ownership or voting rate, please specify in the interim report)

## Notehead of data sheet (general)

Name of company BorsodChem Rt. Phone +36-48-511-211  
 Address of Kazincbarcika, Bolyai tér 1. H-3702 Facsimile +36-48-511-511  
 company  
 Sector of activity Production of plastics base materials E-mail: Hanti.Miklós@borsodchem.hu  
 Period H1 2005 Investors relations contact person Miklós Hanti

### PK3. Balance Sheet

<b>IFRS CONSOLIDATED BALANCE SHEET (unaudited) (in HUF million)</b>	<b>30 June 2005</b>	<b>30 June 2004</b>	<b>Index %</b>
<i><b>Non-current assets</b></i>			
Property, plant and equipment	145 607	114 494	127.2
Intangible assets	2 878	2 649	108.6
Investment accounted for using the equity method	214	235	91.1
Other financial assets	39	20 371	0.2
Negative goodwill	0	(425)	.
<b>Total non-current assets</b>	<b>148 738</b>	<b>137 324</b>	<b>108.3</b>
<i><b>Current Assets</b></i>			
Inventories	17 418	14 075	123.8
Trade and other receivables	38 018	32 882	115.6
Financial instruments	558	5 791	9.6
Other current assets	866	1 303	66.5
Cash	6 266	12 138	51.6
<b>Total current assets</b>	<b>63 126</b>	<b>66 189</b>	<b>95.4</b>
<b>Total assets</b>	<b>211 864</b>	<b>203 513</b>	<b>104.1</b>
<i><b>Shareholders' equity of the parent</b></i>			
Share capital	15 388	15 388	100.0
Employee share	1 282	0	.
RESOP	300	0	.
Share premium	29 034	30 316	95.8
Treasury stock	(2 637)	(837)	315.1
Retained earnings	84 752	72 669	116.6
Cumulative translation adjustment	1 293	891	145.1
	<b>129 412</b>	<b>118 427</b>	<b>109.3</b>
<b>Minority interest</b>	<b>3 234</b>	<b>2 893</b>	<b>111.8</b>
<b>Total shareholders' equity</b>	<b>132 646</b>	<b>121 320</b>	<b>109.3</b>
<i><b>Non-current liabilities</b></i>			
Long term debt	27 886	31 180	89.4
Deferred tax	1 084	677	160.1
Other non-current liabilities	382	63	606.3
Provision	449	457	98.2
<b>Total non-current liabilities</b>	<b>29 801</b>	<b>32 377</b>	<b>92.0</b>
<i><b>Current liabilities:</b></i>			
Trade accounts payable	23 514	20 800	113.0
Other accrued liabilities	5 105	4 363	117.0
Short term borrowings	11 992	9 733	123.2
Current portion of long term debt	8 349	14 389	58.0
Income tax expense	161	210	76.7
Provision	296	321	92.2
<b>Total current liabilities</b>	<b>49 417</b>	<b>49 816</b>	<b>99.2</b>
<b>Total equity and liabilities</b>	<b>211 864</b>	<b>203 513</b>	<b>104.1</b>

## Notehead of data sheet (general)

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 Period H1 2005

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 Facsimile +36-48-511-511

E-mail: Hanti.Miklós@borsodchem.hu  
 Investors relations contact person Miklós Hanti

### Consolidated Statement of Changes in Equity (M HUF)

	Share Capital	Employee shares	RESOP	Share premium	Treasury stock	Retained Earnings	Cumulative translation adjustment	Equity holders of the parent	Minority interest	Total
Balance at 1 January 2004	15 388			30 316		65 589	1 049	112 342	3 008	115 350
Profit for 2004						10 250		10 250	401	10 651
Dividends for 2003						(3 170)		(3 170)	(516)	(3 686)
Capital Increase										
Capital Decrease										0
Repurchased treasury stock					(837)			(837)		(837)
Goodwill								0		0
RESOP								0		0
Cumulative translation adjustment							(158)	(158)		(158)
<b>Balance at 30 June 2004</b>	<b>15.388</b>	<b>0</b>	<b>0</b>	<b>30.316</b>	<b>(837)</b>	<b>72.669</b>	<b>891</b>	<b>118 427</b>	<b>2 893</b>	<b>121 320</b>
Profit for 2004						6 897		6 897	300	7 197
Dividends for 2003								0		0
Capital Increase		1 282		(1 282)				0		0
Capital Decrease								0		0
Repurchased treasury stock					(1 853)			(1 853)		(1 853)
Goodwill								0		0
RESOP										0
Cumulative translation adjustment							187	187		187
<b>Balance at 31 December 2004</b>	<b>15 388</b>	<b>1 282</b>	<b>0</b>	<b>29 034</b>	<b>(2 690)</b>	<b>79 566</b>	<b>1 078</b>	<b>123 658</b>	<b>3 193</b>	<b>126 851</b>
Profit for H1 2005						8 228		8 228	153	8 381
Dividends for 2004						(3 371)		(3 371)		(3 371)
Capital Increase								0		0
Capital Decrease									(112)	
Repurchased treasury stock					53	(23)		30		30
Goodwill						352		352		352
RESOP			300							
Cumulative translation adjustment							215	215		215
<b>Balance at 30 June 2005</b>	<b>15 388</b>	<b>1 282</b>	<b>300</b>	<b>29 034</b>	<b>(2 637)</b>	<b>84 752</b>	<b>1 293</b>	<b>129 412</b>	<b>3 234</b>	<b>132 646</b>

## Notehead of data sheet (general)

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Period H1 2005 Investors relations contact person Miklós Hanti

### PK4. Statement of Income

#### **IFRS CONSOLIDATED STATEMENT OF INCOME (unaudited)** **(in HUF million)**

	<b>H1 2005</b>	<b>H1 2004</b>	<b>Index %</b>
Net sales	86 728	72 565	119.5
Cost of sales	(62 362)	(53 308)	117.0
<b>Gross profit</b>	<b>24 366</b>	<b>19 257</b>	<b>126.5</b>
Distribution cost	(7 230)	(6 186)	116.9
General and administrative expenses	(7 138)	(5 721)	124.8
Other operating income/(expense)	(610)	(582)	104.8
<b>Operating income</b>	<b>9 388</b>	<b>6 768</b>	<b>138.7</b>
Other income/(expense):			
Interest income	658	954	69.0
Interest expense	(659)	(811)	81.3
Income from associates	7	5	140.0
Gain/loss on forward deals	70	3 201	2.2
Foreign currency gains	1 377	2 314	59.5
Foreign currency losses	(1 912)	(1 299)	147.2
<b>Profit before tax</b>	<b>8 929</b>	<b>11 132</b>	<b>80.2</b>
Income tax expense	(548)	(482)	113.7
<b>Profit for the year from continuing operations</b>	<b>8 381</b>	<b>10 650</b>	<b>78.7</b>
Profit/loss for the year from discontinued operation	0	0	.
<b>Net income</b>	<b>8 381</b>	<b>10 650</b>	<b>78.7</b>
<b>Attributable to Equity Holders</b>	<b>8 228</b>	<b>10 249</b>	<b>80.3</b>
Attributable to Minority Interests	153	401	38.2
EPS:			
Basic (HUF/share)	110	135	81.5
Fully diluted (HUF/share)	110	135	81.5

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### PK5. Statement of cash-flow

<b>CONSOLIDATED STATEMENT OF CASH-FLOW (unaudited) (in HUF million)</b>	<b>30 June 2004- 30 June 2005</b>	<b>H 1 2005</b>
<b>Cash flows relating to operating activities:</b>		
<b>Net income</b>	<b>15 126</b>	<b>8 228</b>
Adjustment for items not affecting cash:		
Depreciation and amortisation expense	9 648	5 044
Increase/decrease in provision for accounts receivable and inventory	283	0
Changes in provision	(25)	(79)
Gain/loss on disposal of fixed assets	(72)	0
Interest in income of associates	(26)	(7)
Gain/loss on disposal of long term investment	(376)	0
Release of environmental provision	(8)	(4)
Unrealised gains/losses on derivatives	768	254
Unrealised foreign exchange gains/losses	(31)	430
Increase in deferred tax liabilities	407	320
Minority interest	344	41
Other non-cash charges, net	(661)	(663)
	<b><u>25 377</u></b>	<b><u>13 564</u></b>
Changes in current assets and current liabilities		
Increase in accounts receivable	(5 408)	(3 229)
Increase/decrease in inventories	(3 403)	(1 209)
Increase/decrease in other assets	429	105
Increase in accounts payable and accrued liabilities	3 427	2 544
<b>Changes in current assets and current liabilities</b>	<b><u>(4 955)</u></b>	<b><u>(1 789)</u></b>
<b>Net cash provided by operating activities</b>	<b><u>20 422</u></b>	<b><u>11 775</u></b>
Purchase of fixed and intangible assets	(40 507)	(21 351)
Dividends from associates	50	50
Income from sale of long term investment	20.697	0
Proceeds from sale of investments and fixed assets	149	0
Increase/decrease in short term investments	4 481	6 607
<b>Net cash used in investing activities</b>	<b><u>(15 130)</u></b>	<b><u>(14 694)</u></b>
Repayment of borrowings	(20 086)	(11 016)
Proceeds from borrowings	13 819	6 328
Dividends paid	(3 371)	(3 371)
Dividends paid to minority interest	(3)	0
RESOP	300	300
Purchase of share capital	(1.853)	0
Sale of share capital	30	30
<b>Net cash used in financing activities</b>	<b><u>(11 164)</u></b>	<b><u>(7 729)</u></b>
<b>Net increase in cash</b>	<b><u>(5.872)</u></b>	<b><u>(10.648)</u></b>
<b>Cash at the beginning of the period</b>	<b>12 138</b>	<b>16 914</b>
<b>Cash at the end of the period</b>	<b>6 266</b>	<b>6 266</b>

## Notehead of data sheet (general)

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 Period H1 2005 Investors relations contact person Miklós Hanti

### PK6. Significant items outside the balance sheet <sup>1</sup>

Denomination	Value
	-

<sup>1</sup> Financial liabilities, which are significant in respect of the financial assessment, but not shown in the balance sheet (e.g. collateral, guarantee, security related liabilities etc.)

## Data sheet of the structure of shares and ownership

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

Denomination of shareholders	Total equity						Listed series <sup>1</sup>					
	At the beginning of the current year (on 1 January)			At the end of the period			At the beginning of the current year (on 1 January)			At the end of the period		
	% <sup>2</sup>	% <sup>3</sup>	Pcs	% <sup>2</sup>	% <sup>3</sup>	Pcs	% <sup>2</sup>	% <sup>3</sup>	Pcs	% <sup>2</sup>	% <sup>3</sup>	Pcs
Domestic institutions	4.27	4.33	3 516 973	9.50	9.65	7 842 438	4.62	4.69	3 516 973	10.29	10.47	7 842 438
Foreign institutions	76.79	78.00	63 375 824	77.09	78.28	63 620 991	83.19	84.61	63 375 824	83.51	84.91	63 620 991
Domestic private individuals	1.89	1.92	1 559 270	3.01	3.05	2 482 336	2.04	2.08	1 559 270	3.26	3.31	2 482 336
Foreign private individuals	0.02	0.02	14 630	1.15	1.17	951 796	0.02	0.02	14 630	1.25	1.27	951 796
Employees, managing officials	0.03	0.03	21 040	0.03	0.03	20 040	0.03	0.03	21 040	0.03	0.03	20 040
Treasury stock	1.54	0.00	1 277 522	1.52	0.00	1 252 522	1.68	0.00	1 277 522	1.64	0.00	1 252 522
Shareholder as part of the state budget <sup>4</sup>	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
International Development Institutions <sup>5</sup>	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
Employee shares*	7.69	7.81	6 346 050	7.69	7.81	6 346 050	0.00	0.00	0	0.00	0.00	0
Other	7.77	7.89	6 414 541	0.01	0.01	9 677	8.42	8.57	6 414 541	0.01	0.01	9 677
Total:	100	100	82 525 850	100	100	82 525 850	100	100	76 179 800	100	100	76 179 800

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

<sup>1</sup>If listed series equal to total equity, and it is indicated, the blanks are not necessary to be filled out. Should there be more series listed at the Budapest Stock Exchange, please specify the ownership structure with each series.

<sup>2</sup> Stake

<sup>3</sup> Voting right providing the participation in the decision making process at the General meeting of the issuer  
 If the stake and the voting rate are the same, only the column of stake should be filled in and handed in/published by indicating the fact!

<sup>4</sup>E.g.: ÁPV Rt., Social Security, Local government, etc.

<sup>5</sup>E.g.: EBRD, EIB, etc.

## Notehead of data sheet (general)

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

	1 January	31 March	30 June	30 September	31 October	31 December
At corporate level	1 277 522	1 277 522	1 252 522	0	0	0
Subsidiaries	0	0	0	0	0	0
Total	1 277 522	1 277 522	1 252 522	0	0	0

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

### RS3/1. List of shareholders holding over 5 % of shares and their introduction (at the end of the period) as per their share in proportion to the listed series

Denomination	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Share (%) <sup>3</sup>	Voting rate (%) <sup>3,4</sup>	Note <sup>5</sup>
VCP Industrie Beteiligungen AG	K	I	17 757 015	23.31	23.71	Financial investor
J.P. Morgan Chase & Co.	K	I	4 064 505	5.33	5.42	n.a.

### RS3/2. List of shareholders holding over 5 % of shares and their introduction (at the end of the period) as per their share in proportion to the registered capital

Denomination	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Share (%) <sup>3</sup>	Voting rate (%) <sup>3,4</sup>	Note <sup>5</sup>
VCP Industrie Beteiligungen AG	K	I	17 757 015	21.52	21.85	Financial investor
J.P. Morgan Chase & Co.	K	I	4 064 505	4.92	5.00	n.a.
HSBC Bank plc.**	K	I	6 346 050	7.69	7.81	n.a.

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

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

<sup>2</sup>Custodian (L), State budget (Á), International Development Institute (F), Institutional (I), Private (M), Employee, managing official(D)

<sup>3</sup>Please, specify rounded off two decimals

<sup>4</sup> Voting right providing the participation in the decision making process at the General Meeting of the issuer

<sup>5</sup> E.g.: trade investor, financial investor, etc.

### TSZ2. Number of employees in full time (person)

	At the end of the base period	At the beginning of the year	At the end of the period
At corporate level	2,931	2,932	2,949
At group level	4,203	4,203	4,239

## Notehead of data sheet (general)

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### TSZ3. Managing officials and employees in strategic position

Type <sup>1</sup>	Name	Position	Assignment started	Assignment ends	BC shares owned (pcs)	Employee shares (pcs)
BD	Dr. Heinrich Georg Stahl	Chairman of the Board of Directors	24 Jan 2001	30 Apr 2006	0	0
BD	László F. Kovács	Member of the Board	1 Aug 1991	30 Apr 2007	6 000	1 306 605
BD	Béla S. Varga	Member of the Board	11 Apr 2002	30 Apr 2007	0	373 362
BD	Dr. János Illéssy	Member of the Board	8 Sep 2004	30 Apr 2007	1 000	0
BD	Ferenc Márton	Member of the Board	11 Apr 2002	29 Apr 2008	1 000	0
BD	Heinrich Pecina	Member of the Board	8 Sep 2004	30 Apr 2007	0	0
BD	Ferenc Bartha	Member of the Board	2003.04.30.	30 Apr 2006	0	0
<b>IT</b>	<b>Kay Gugler</b>	<b>Member of the Board</b>	<b>1 Oct 2005</b>	<b>1 Oct 2008</b>	<b>0</b>	<b>0</b>
SB	Dr. Zoltán Varga	Chairman of the Supervisory Board	24 Jan 2001	30 Apr 2006	0	0
SB	Dr. Christian Riener	Member of the Supervisory Board	30 Apr 2003	30 Apr 2006	0	0
SB	Dr. Christoph Herbst	Member of the Supervisory Board	8 Sep 2004	30 Apr 2007	0	0
SB	Judit Bankó	Member of the Supervisory Board	11 Apr 2002	29 Apr 2008	0	0
SB	Attila Balázs	Member of the Supervisory Board	1 May 2003	30 Apr 2006	0	0
SB	Bertalan Fejes	Member of the Supervisory Board	1 May 2003	30 Apr 2006	0	0
SP	László F. Kovács	Chief Executive Officer	15 Apr 1991	31 Dec 2008	6 000	1 306 605
SP	Dr. János Illéssy	Financial Director, Deputy CEO	1 Aug 2004	indefinite	1 000	0
SP	Dr. Zoltán Gazdik	Controlling Director, Deputy CEO	1 May 2001	31 Dec 2006	1 000	125 000
SP	Tamás Purzsa	Technical Director, Deputy CEO, Director of Business Unit	1 Feb 2000	31 Dec 2007	2 000	548 304
SP	Gyula Gaál	Director of Business Unit	1 Oct 1999	31 Dec 2007	5 000	273 321
SP	Dr. István Szakállas	Director of Business Unit	1 Jan 1998	31 Dec 2007	1 010	250 000
SP	András Seres	Director of Business Unit	1 Apr 1998	31 Dec 2007	525	314 983
SP	László Szentmiklóssy	Director of Business Unit	1 Apr 1998	31 Dec 2007	1 000	349 981
SP	István Szilágyi	Director of Business Unit	1 Jan 2005	31 Dec 2005	0	69 996
SP	Béla S. Varga	Purchase Director	1 Sep 1997	31 Dec 2007	0	373 362
SP	János Szabó	Director of Utilities and Investment	1 Jan 2003	31 Dec 2007	1 005	250 000
SP	László Kézdi	Isocyanate Trade Director	1 May 2002	31 Dec 2006	500	116 660
Own stockholding (piece), total:					20 040	3 978 212

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

<sup>1</sup> Employees in strategic position (SP), Board of Directors (BD), Supervisory Board (SB)

## Notehead of data sheet (general)

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## Data sheet of extraordinary announcements

ST1. Extraordinary announcements disclosed in the year

Denomination	Denomination place	Subject, short summary
January 04 2005	BSE's website	Registration of Capital Increase with the Court of Registration
January 12 2005	BSE's website	Origination of BorsodChem Employee Shares
January 12 2005	BSE's website	Announcement of BorsodChem Rt. - Announcement on the Acquisition of Unconditional Influence by HSBC Bank plc in BorsodChem Rt.
January 25 2005	BSE's website	Changes in Key Personnel and Corporate Structure
February 11 2005	BSE's website	Short Business Report for 2004
March 25 2005	BSE's website	Invitation of the Annual General Meeting
April 12 2005	BSE's website	Information on Business Activity Data of 2004 prior to the AGM
April 18 2005	BSE's website	Proposals by the Board of Directors of BorsodChem Rt.
April 28 2005	BSE's website	Corporate Governance Recommendations of the BSE
April 29 2005	BSE's website	Short Business Report of BorsodChem Rt. for Q1 of 2005
April 29 2005	BSE's website	Places available for inspecting the Company's Annual Report for 2004
April 29 2005	BSE's website	Resolutions of the AGM
May 10 2005	BSE's website	Selling of Treasury shares – to Mr. Attila Mérés a former Member of the Board of Directors
May 24 2005	BSE's website	Selling of Treasury shares – to Mr. Attila Mérés a former Member of the Board of Directors
June 01 2005	BSE's website	Announcement of BC – J.P. Morgan Chase & Co. Increase of Influence in BC
June 10 2005	BSE's website	Registered Employee Securities Ownership Program
June 17 2005	BSE's website	GDR Block Listing Facility
July 07 2005	BSE's website	Corporate Governance Declaration for the WSE
July 18 2005	BSE's website	Announcement of BC – FTIF Templeton Eastern Europe Fund Increase of Influence in BC

Subsequently, announcements are published in daily newspapers Magyar Tőkepiac and Világgazdaság as well as on the homepage of the Company ([www.borsodchem.hu](http://www.borsodchem.hu)).