Hungarian
Hydrocarbon
Stockpiling
Association

ANNUAL REPORT, 2013

BUSINESS REPORT / 2013 ANNUAL REPORT

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1. Introduction

1.1. Activity of the Hungarian Hydrocarbon Stockpiling Association

The Hungarian Hydrocarbon Stockpiling Association (referred to as “HUSA” or “the Association”) seeks to ensure the proper fulfillment of the tasks set out in Act No. XXIII of 2013 on creating emergency reserves of imported crude oil and petroleum products (referred to as “the Oil Stockpiling Act”) and those prescribed by Act No. XXVI of 2006 on the emergency stockpiling of natural gas (referred to as “the Gas Stockpiling Act”) (“the Oil Stockpiling Act” and “the Gas Stockpiling Act” are also referred to together as “the Stockpiling Acts”), exercising the rights provided by these Acts.

The Association operates according to the following guidelines:

- transparency,
- neutrality in competition,
- non-interference in the market,
- awarding of service, product supply and credit contracts through competitive tendering procedure.

The Association pursues exclusively the activities required by the Stockpiling Acts, described in detail in the Association’s Statutes (“the Statutes”), and fulfils the tasks closely related thereto.

The organizational structure of the Association comprises the crude oil and petroleum products stockpiling section (Oil Section) and the natural gas stockpiling section (Gas Section).

Based on the number of members invited to the 2013 ordinary General Meeting, the Association has 65 active members, which is higher than a year before (64 members). The number of active members was the following in the course of the previous years:

Table 1
Number of member companies

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Oil Section	24	25	30	40	29	31	36
Gas Section	20	20	20	24	29	34	31
Total*	**43**	**44**	**49**	**63**	**57**	**64**	**65**

**Two companies are members in both sections; so the total number of members is the sum of the two sections less two.*

The Association

- uses the income from contribution fees for financing storage costs, expenditures related to the qualitative and quantitative maintenance of stocks, the interest on loans financing stocks, the interest and principal payments on acquisition loans, and the operating costs of the Association’s work organization,
- separates in its budget the cost and revenue structures of the Gas Section and the Oil Section,
- stores the stocks in its own facilities and in rented storage areas,

– finances the purchase of products to be stored with bank financing; principal repayments on stock purchase loans are made only when the stocks are sold.

1.2. Achievement of principal objectives in 2013

It is the Association's duty to perform and ensure the safe storage and the quantitative and qualitative maintenance of the stocks of crude oil, petroleum products and natural gas, as required by the effective provisions of law.

The Association fulfilled the objectives for the year 2013 in accordance with the decisions of the General Meeting and the Board of Directors.

In connection with this obligation, the Association had the following priority tasks in 2013:

- ensure an optimal level of storage, financing and operating costs and contribution fee income;
- determine the stockpiling obligations;
- adjust the level of stocks to the prescribed level of stockpiling, and
- regularly inspect the qualitative parameters, renew and preserve the quality and quantity of stored products.

In 2013, significant crude oil and petroleum product stock replacements were performed at the lowest possible cost in the Oil Section, in order to fulfill the stock renewal obligations due every six years in accordance with the Oil Stockpiling Act and the Statutes.

In accordance with the decision of the Board of Directors, 55 kt crude oil and 15 kt diesel were sold through sales agreements, utilizing part of the stocks existing in addition to the level of stocks corresponding to at least 90 days' net imports, as prescribed in the Oil Stockpiling Act; moreover, 65 kt crude oil were committed within the framework of a so-called ticket transaction[1].

The proceeds of the sale of stocks were used for the repayment of loans contracted by the Association.

The quality of all petroleum product stocks was in conformity with the effective standards for non-bio based products.

It was a primary objective in the Gas Section to ensure the sale of 200 Million m^3 emergency natural gas stocks as required by Decree No. 34/2013 (June 27th) NFM (referred to as: "modified Decree") modifying Decree No. 13/2011 (April 7th) concerning the size, sale and replenishment of emergency natural gas reserves, issued by the minister in charge of energy policy. Considering that, under the modified Decree, the Association has no obligation to replenish the stocks until July 1st 2015, the

[1] The Oil Stockpiling Act allows the storage of emergency stocks by other EU member states on the territory of Hungary, in case of ministerial approval. Thus, by virtue of the Act, the Association provided dispositional authority for Italy over 65 kt crude oil, within the framework of a "ticket" transaction. In case of emergency, physical access also has to be ensured to the contracting party, under the conditions specified in the agreement.

proceeds from stock sales were used for the prepayment of loans financing stocks, which reduced interest expenses in the Gas Section.

The Association provides technical preparatory support for the elaboration of new legislations that have a substantial influence on its activity. The modified legislations took effect in late 2012 and in the end of March 2013 and had a major impact on the activity of the Association in 2013. Thus it is necessary to provide a brief description of the main changes:

- Council Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products (referred to as "the Directive") stipulates that, by December 31st 2012, all Member States had to lay down the modified rules of law ensuring compliance of their national legislation with the provisions of the Directive. The Oil Stockpiling Act published on March 27th 2013 and taking effect on April 1st 2013 satisfied this requirement, changing fundamentally the stockpiles calculation methodology; instead of domestic consumption, the calculation is based on net imports.

- Act No. CCXVIII of 2012 concerning the modification of certain acts in connection with the maintenance of emergency stocks of natural gas ("the Modifying Act"), published on December 27th 2012, modified the Gas Stockpiling Act. Accordingly, the Association may ensure the storage of emergency stocks of natural gas only in the facilities designated by decree by the minister in charge of energy policy ("the Minister") after March 1st 2013, under the conditions that the company operating the storage facility has storage authorization for emergency natural gas stocks, issued by the president of the Hungarian Energy and Public Utility Regulatory Authority ("MEKH") and the emergency storage facility is in majority state ownership. On March 22nd 2013, the Hungarian State, HUSA and MOL Nyrt signed a letter of intent for the purchase, by the Hungarian State and HUSA, of the participation of MOL Nyrt in MMBF Zrt. On March 27th 2013, the Minister designated the security gas storage facility operated by MMBF Zrt for ensuring the storage of the emergency natural gas reserves. The storage of emergency natural gas stocks remains in the facility run by MMBF Zrt; meanwhile, following the signature of the share purchase agreement on October 7th 2013, the participation of HUSA in MMBF Zrt grew from 27.54% to 48.87% by the end of 2013. The General Meeting of the Association authorized the share purchase agreement; the Association covered the purchase from previous years' savings, so it did not encumber the 2013 budget and did not require the increase of contribution fees.

- The Modifying Act, effective since the end of 2012, also amended the Oil Stockpiling Act, defining an additional task for HUSA. Accordingly, a marking and monitoring system has to be created and operated for the monitoring of petroleum products placed into free circulation, imported and used. However, it will probably be necessary to defer the July 1st 2014 deadline originally set for the introduction of the system, considering that the implementing regulation[2] containing the detailed rules of the system has not yet been published due to the notification procedure under course of the European Union. Without this regulation, the Association may not engage the contractor for the implementation and operation of the system.

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– The Modifying Act added paragraphs (8) and (9) to Article 8 of the Gas Stockpiling Act, allowing the recovery, after January 1st 2013 in the case of universal service providers and after October 1st 2013[3] in the case of authorized natural gas dealers, of the contribution fees paid to HUSA according to their natural gas sales to household consumers. In consultation with the concerned members and in accordance with the law, the Association elaborated the system of contribution fee recovery and recovery supervision in the Gas Section. The introduction of the contribution fee recovery system had a significant impact on the fulfillment of the 2013 budget.

1.3. Economic environment

Following the downturn of the end of 2012, slowly then increasingly improving global conjuncture characterized the international economic environment after the beginning of 2013. However, economic growth rates showed significant discrepancies throughout the year and in different regions. In the first half of 2013, the dynamically growing economy of emerging countries contrasted with continuing recession or slow growth in developed countries. In the second half of 2013, the dynamism of emerging economies slackened, while economic activity in a growing number of developed countries became stronger. By the end of 2013, the great differences due to different growth rates in various regions slightly diminished. The lower prices of raw materials and the picking up of economic activity, which still remained quite moderate, contributed to slowing inflation. Considering medium-term inflation risks as minor, the world's top banks of issue maintained loose monetary conditions, and a cut in asset purchases was announced by the Federal Reserve only at the end of the year.

In the euro area, the year-and-a-half-long economic recession ended in the middle of 2013. The economic climate improved in an increasing number of member states. Growth was strongest in Germany as a result of the low inflation context and the growth in private and state consumption due to favorable labor market trends.

In addition to EU core countries, the economies of Mediterranean countries struggling with high debt rates also showed signs of increasing stability. However, due to the still high level of debts and unemployment, growth prospects remained fragile in the Euro zone.

The countries of East and Central Europe also showed signs of recovery and improving economic trends. In the last quarter of 2013, the growth rate of the region was above the EU average. Better

[2] The draft regulation concerning „The detailed rules for the operation of the petroleum products monitoring and marking system, and the characteristics of the marking substance", prepared by the National Ministry of Development (NFM), was submitted to the European Commission for notification procedure on August 28th 2013.

[3] In accordance with the provisions of Act CXLV of 2013, published on September 23rd 2013.

export figures due to the expansion of the German economy, played an important role in the good results of the region.

The Hungarian economy moved out of economic recession in the first half of 2013. The upturn of the real economy started in the beginning of the year, mainly due to exports in which automobile industry sales played the most important role. Economic growth was coupled with rising investment activity, mainly as a result of EU-financed infrastructure development projects. In the last quarter, company investment also picked up, owing to good results in the processing industry. On the production side, agricultural activity greatly contributed to better GDP growth and, in the last months of the year, stronger economic activity characterized an increasing number of sectors. Beside the exporting sectors, those targeting domestic consumers (industry, trade) also picked up, leading to a more balanced structure of economic growth.

Private consumption remained modest and consumer demand hardly increased in most parts of the year. This was due to the repayment burden of huge debts accumulated prior to the crisis, high propensity to save and much more prudent investment and consumption activity compared to the pre-crisis period. In spite of the increase of real incomes and the decrease of unemployment, a slow growth in consumer demand started only in the end of 2013. Beside economic growth, the balance indicators were also favorable; the current account balance closed with a large surplus and the state budget balance was below 3% of the GDP.

The macroeconomic indicators characterizing the economic context and the main planning conditions taken into account for the Annual Report and for the Annual Budget, are as follows.

1.3.1. Performance of the Hungarian economy (Gross Domestic Product)

Based on the volume of the Gross Domestic Product (GDP), the performance of the Hungarian economy was 1.1% higher (1.2% higher if adjusted for calendar effects) than in 2012. Exports and agriculture on the production side and the performance of the construction sector were the main areas contributing to economic growth. The processing industry and services grew to a much less extent. The GDP expenditure side was mainly characterized by stronger investment activity, while household consumption remained modest and a slight growth in demand was registered only in the end of the year.

In the last four-year period, the GDP varied as follows:

Table 2
GDP Volume Indexes in the period 2009-2013

Same period of the previous year = 100.0

Year	Non-adjusted (raw) data (%)	Data adjusted for calendar effects (%)
2009	93.2	93.3
2010	101.1	101.0
2011	101.6	101.6
2012	98.3	98.3
2013	101.1	101.2

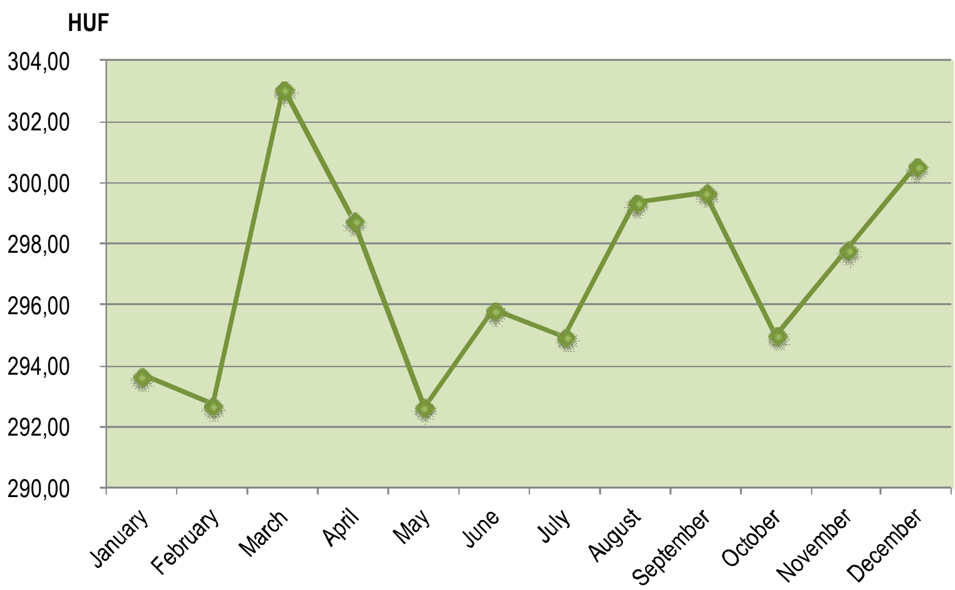
Source: Central Statistical Office

1.3.2. Forint / Euro exchange rate

The average forint/euro exchange rate was HUF/EUR 296.92 in 2013, monthly averages varied between 292 and 304. After a relatively strong level at the start of the year, the exchange rate reached an annual low in the end of March and then continued to pick up until the end of May. The subsequent downward trend turned in the end of September and the rate came near to HUF/EUR 294 by the end of October. As a result of another weakening trend, the rate was more than HUF/EUR 300 at the end of the year.

The closing rate was HUF/EUR 296.91 on December 31st, which is higher than the year before (HUF/EUR 291.29).

Diagram 1
Monthly Average Forint/Euro Exchange Rates in 2013

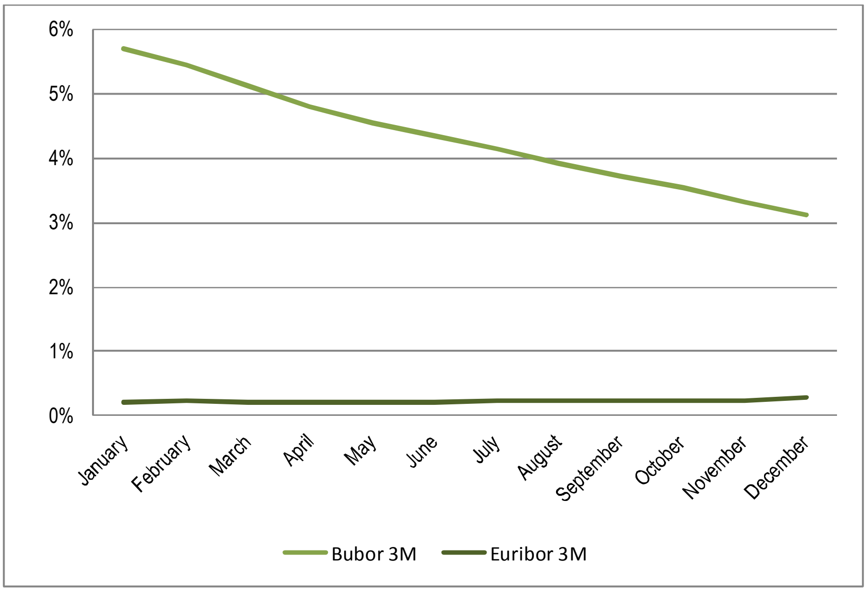


1.3.3. Interest rate context

In 2013, euro rates prevailing in the European economic area continued to fall as a result of the European Central Bank's measures reducing interest rates. The annual average three-month EURIBOR rate was 0.22%.

The Monetary Council of the Hungarian National Bank continued the interest-cutting series started in August 2012, and cut the base rate each month; as a result, the base rate went down to 3% by the end of 2013. As a result of the lower base rate, short-term corporate forint loan interest rates also decreased significantly. The annual average three-month BUBOR was 4.31% and it stood at 2.99% at the end of the year.

Diagram 2
Indicative rates of interest in 2013



Sources: Hungarian National Bank, European Central Bank

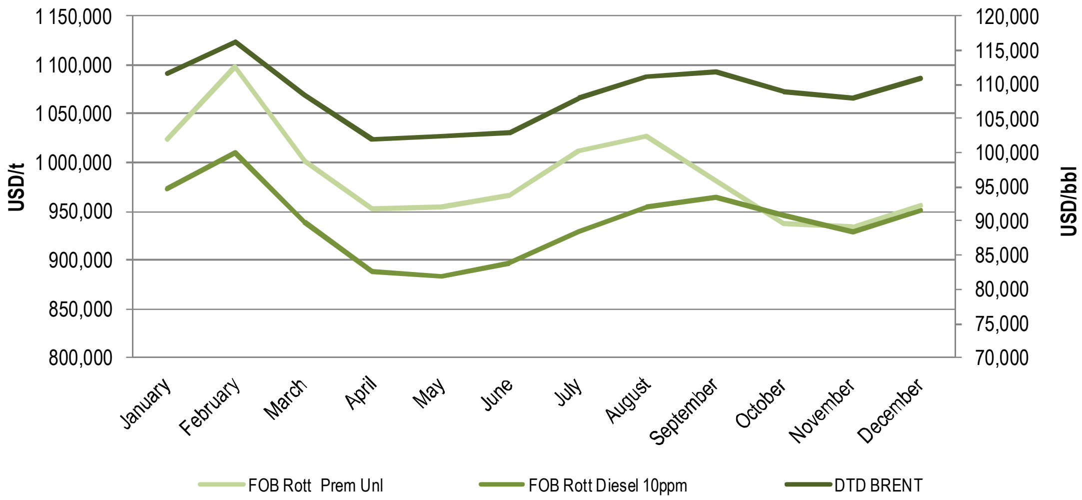
1.3.4. Price of energy sources and products

In 2013, the stock prices of crude oil and petroleum products moved in a relatively narrow range. The European product market activity mostly followed the changing seasonal market needs.

The Brent Crude Oil Index having key importance in price setting in Europe went down from the initial 111 USD/bbl to 102 USD/bbl in April, due to a rise in overseas crude oil stocks to a record-high level. In the second half of the year, however, the drop in oil stocks in the United States and a new outbreak of disturbances affecting crude oil production in Libya caused prices to go up to 112 USD/bbl in September; the year-end closing price was 111 USD/bbl.

In 2013, no extraordinary events occurred causing disturbance on petroleum product markets (hurricanes, incidents or standstill of major refineries), and product price indexes fundamentally followed the changes in crude oil prices. The use of Diesel-type fuels continued to gain ground over motor gasoline; consequently, gasoline prices continued to decrease in comparison to diesel prices in the second half of the year. On European markets, diesel prices varied between 880-1010 USD/ton, while gasoline prices were between 930-1100 USD/ton; the year-end closing prices were 951 USD/ton for diesel and 956 USD/ton for gasoline.

Diagram 3
FOB Rotterdam Product Indexes and Brent Dtd Crude Oil Indexes in 2013



1.3.5. Domestic petroleum product consumption

In the past, domestic fuel consumption could be anticipated with relative precision. The stability was broken in 2010 when consumption fell by 10% at the annual level.

The demand for motor gasoline showed a steadily downward trend from 2010 to 2012. The much expected trend reversal came in 2013 when the decline of consumption stopped and remained at the previous year's level.

The diesel market showed also a decreasing trend after 2010, although the decline was more modest and of a different order than in the case of motor gasoline. The turnaround came also in 2013 when consumption grew by 4.4%.

Kerosene consumption continued to fall in 2013, which nonetheless did not affect the Association's budget due to contribution fee refunds.

The use of liquid hydrocarbons for energy production continued to decrease last year; the annual consumption of fuel oil was 33 kt.

Table 3
Consumption of Petroleum Products in 2010-2013

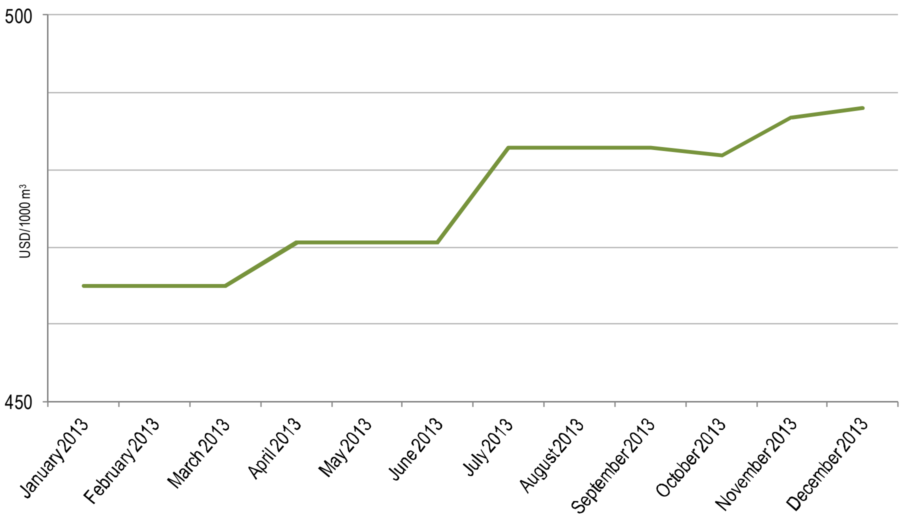
Unit: tons

Product group	2010	2011	2012	2013	Change (2013/ 2012) (%)
Gasoline	1 341 429	1 260 044	1 171 824	1 171 969	0.0%
Diesel	2 983 781	2 888 737	2 660 765	2 777 513	4.4%
Fuels	**4 325 210**	**4 148 781**	**3 832 589**	**3 949 481**	**3.0%**
Kerosene	230 554	225 803	169 617	163 954	-3.3%
Fuel oil	42 775	43 999	34 377	33 060	-3.8%

1.3.6. Domestic natural gas prices

The import price of natural gas coming from Russia – which fundamentally determines the domestic wholesale price of natural gas – is based on the weighted average of fuel oil and diesel stock prices in the nine months preceding a given quarter. The relatively stable world market price of oil in the second half of 2012 and in 2013 resulted in a steady level of annual wholesale price of natural gas. In consequence of the spot market stagnation due to increased supply, caused by the introduction of American shale gas on the market, the mixed price (60/40%) of natural gas moved within the range of 465-488 USD/1000 m^3 in 2013. Prices did not hike significantly even under the effect of the culmination of the Ukrainian crisis at the end of the year.

Diagram 4
Natural Gas Prices in 2013



1.3.7. Domestic gas consumption

Based on the data of the system operator, there has been a downward trend in domestic annual gas consumption since 2006; the only exception was the year 2010 when there was a slight increase in gas consumption due to the longer heating period caused by unusually low spring temperatures. In 2011, as a result of the long and hot autumn, gas consumption dropped again to the level of 2009. In 2013, there was again a more important decline due to the shrinking production of power stations, low industrial consumption and the fall in household consumption as a result of mild temperatures throughout the year. The annual consumption of 9.1 Bn m^3 was a historical low.

Table 4

Annual Gas Consumption Based on the System Operator's Data

	2006	2007	2008	2009	2010	2011	2012	2013
PJ	467.0	442.0	437.0	375.0	401.3	375.2	342.3	309.6
Bn m^3	13.7	13.0	12.9	11.0	11.8	11.0	10.1	9.1

2. Fulfillment of the stockpiling obligation

2.1. Volume of Stocks

2.1.1. Liquid Hydrocarbons

At the end of 2013, total gross stocks (including immobile stocks) amounted to 1 162.6 kt in the Oil Section, corresponding to 1 149.5 ktoe in crude oil equivalent (referred to as: ktoe), the unit used for calculating stockpiling obligations. Stocks decreased by 99.2 kt compared to the opening level in January, partly due to the sale of product volumes (85.4 kt) existing in excess of obligatory stock levels; due to the deferred fulfillment, from 2012 to 2013, of the sales contracts related to the stock renewal obligations laid down in the Oil Stockpiling Act and in the Statutes; and owing to stock replacements in 2013 (13.8 kt).

Table 5

Changes in the stocks in 2013 in the Oil Section (kt)

Stocks	Opening stocks* 01/01/2013	Change within the year in connection to stock sales *(balance of purchases and sales)*	Change within the year: deferred transactions from 2012 and stock replacements in 2013 *(balance of purchases and sales)*	Closing stocks * 31/12/2013	Accounted change in stocks (loss/surplus)
Crude oil	563.6	-55.0	-17.2	491.1	-0.3
Gasoline	213.7	0.0	11.9	225.5	-0.1
Diesel	459.4	-13.8	-8.5	437.5	0.4
Heating oil	25.1	-16.6	0.0	8.5	0.0
Total	**1 261.8**	**-85.4**	**-13.8**	**1 162.6**	**0.0**

* *gross stocks according to inventory*

In accordance with the Oil Stockpiling Act and the requirements of the European Union, the stockpiling obligation of HUSA is determined after March 2013 according to the net imports of crude oil and petroleum products realized in 2012. For calculating this, the balance of exports and imports of refinery feedstocks[4] adjusted for change in stocks, is further adjusted for the annual domestic gasoline processing yield in the chemical industry (industrial gasoline yield)[5], to which the net imports of

[4] Refinery feedstocks: crude oil, natural gas condensates (NGL), raw materials for refineries, additives, oxygenates, other carbohydrates.

[5] The yield reduced by return stream to refineries from industrial production.

petroleum products[6] adjusted for change in stocks, expressed in crude oil equivalent (multiplied by 1.065) have to be added.

Then the volume of annual net imports is divided by 365 to obtain the average daily net imports figure; this is multiplied by 90 in order to determine the stockpiling obligation.

Table 6 contains the data of the year 2012, used for calculating the net imports that determine the 2013 stockpiling obligation.

Table 6

Calculation and Fulfillment of Liquid Hydrocarbon Stockpiling Obligations in 2013

Refinery feedstocks		kt
a	Imports of refinery feedstocks	5 773
b	Export of refinery feedstocks	13
c	Change in stocks of refinery feedstocks	38
	a-b+c	5 798

Petroleum products		kt
d	Import of petroleum products	1 705
e	Export of petroleum products	2 897
f	Change in stocks of petroleum products	-4
	d-e+f	-1 196

Calculation of naphta yield		kt
h1	Naphta production	1 005
h2	Backflow to the refinery	254
h3	Refinery feedstocks used	8 067
h	Naphta yield (%) (h1-h2)/h3*100	9.31
g	1-h/100	0.907

Net imports		ktoe
	(a-b+c)*g + (d-e+f)*1,065	3 985
A	Average daily net imports	41 921
	90 days' net imports (A*90)	981

In 2012, net imports amounted to 3 985 kt in crude oil equivalent; accordingly, the 90 days' stockpiling obligation was 981 ktoe. The new stock calculation methodology increased the value of emergency stocks in Hungary; in the end of March 2013, the level of stocks was especially high, equivalent to 113 days' average net imports.

[6] Petroleum products: refinery gas (non liquefied), ethane, liquefied gas (LPG), motor gasoline, aviation gasoline, gasoline-type jet fuel, kerosene-type jet fuel, other kerosene, gas oil/Diesel fuel, heating oil for commercial and industrial uses, fuel oil with low sulfur content (sulfur content lower than 1%), fuel oil with high sulfur content (sulfur content of 1% or higher), white spirit and other special gasoline, lubricants, bitumen, paraffin waxes, petroleum coke, other refinery products.

Consequently, the Association sold 13.8 kt diesel and 55 kt crude oil in accordance with the decision of the Board of Directors. The Association also received authorization to clear the entire stock of heating oil for power generation, in connection with the withdrawal of the product from the market. Of heating oil stocks for power generation, 16.6 kt was sold in 2013 and the remaining part was cleared by January 31st 2014. As an alternative manner of utilizing stock surpluses existing in addition to 90 days' stocks, HUSA signed a "ticket" contract for the third quarter of 2013 with IES of Italy for 65 kt crude oil.

On December 31st 2013, the level of closing stocks was equal to 105 days' net imports.

	kt	ktoe
Crude oil	491	424
Petroleum products	672	725
Total	**1 163**	**1 149**

Number of days of stocks	**105**

2.1.2. Natural gas

In January 2013, the Association's opening stock of natural gas was 819.7 Mn m^3. In accordance with the modified decree, the Association signed a contract with MVM Partner Zrt, the designated natural gas dealer, for the sale of 6.8 Mn GJ natural gas, of which 4.7 Mn GJ natural gas was sold and actually transferred in 2013. The transfer of the remaining quantity should be fulfilled by July 1st 2014[7].

Table 7

Changes in the Stocks of the Gas Section in 2013

Stocks	**Opening stocks 01/01/2013**		**Change over the year**		**Closing stocks 31/12/2013**	
	Mm^3	GJ	Mm^3	GJ	Mm^3	GJ
Natural gas	819.7	28 242 937.5	-137.0	-4 719 600.0	682.8	23 523 337.5

[7] In the first quarter of 2014, an additional quantity of 1.06 Mn GJ (31 Mn m^3) was transferred as a part of the deal.

2.2. Storage of stocks

On December 31st 2013, the Association held stocks in the following storage facilities:

Table 8

Inventoried gross volume of crude oil and petroleum product stocks at the storage plants (kt)

Storage company	Storage plant	Gasoline	Diesel	Heating oil	Crude oil
OPAL Tartálypark Zrt	Százhalombatta				260.9
	Tiszaújváros				134.2
	Celldömölk	30.0	65.5		
	Vámosgyörk	29.2	66.5		
	Pétfürdő	14.4	50.3		
	Szajol	14.3			
	Komárom		14.1		
OPAL Tartálypark Zrt. in total		**87.9**	**196.4**	**0.0**	**395.1**
MOL Nyrt.	Százhalombatta			5.3	45.7
	Tiszaújváros			3.2	50.3
MOL Nyrt. in total		**0.0**	**0.0**	**8.5**	**96.0**
Terméktároló Zrt.	Tiszaújváros	88.7	94.9		
	Komárom	16.8	43.4		
	Százhalombatta				
	Szajol	32.1	94.5		
Terméktároló Zrt. in total		**137.6**	**232.8**	**0.0**	**0,0**
MÁD-OIL Kft. in total		**0.0**	**8.3**	**0.0**	**0.0**
Altogether		**225.5**	**437.5**	**8.5**	**491.1**

Table 9

Inventoried volume of natural gas stocks at the storage plants

Storage company	Storage plant	Volume	
		Mm^3	GJ
MMBF Zrt.	Szőreg I.	682.8	23 523 337.5

The Association uses the storage facilities within the framework of custody agreements and capacity reservation agreements.

3. Fuel marking and monitoring system

Under the Oil Stockpiling Act, after July 1st 2014, the Association has to operate a marking and monitoring system for the continuous monitoring of petroleum products placed into free circulation, imported and consumed. The law sets the main conditions of the marking system but it does not contain detailed rules of implementation; it mandates the minister in charge of energy policy to lay down these rules.

The National Ministry of Development (referred to as: NFM) prepared a draft regulation (referred to as: Draft Regulation) concerning „The detailed rules for the operation of the petroleum products monitoring and marking system, and the characteristics of the marking substance". After inter-ministerial consultation, the Notification Centre of the National Ministry of Economy sent the Draft Regulation to Brussels on August 28th 2013. The time limit for issuing observations was November 29th 2013, until which the Draft Regulation was not to be published. Until this date, the European Commission, Poland and Austria delivered detailed opinions, so the notification procedure was automatically extended until providing Hungary's official position on the detailed opinions and the subsequent evaluation and decision to be made by the European Commission.

As required by the Oil Stockpiling Act, the Association issued an invitation to tender for the introduction of the fuel marking and monitoring system in the spring of 2013. After the tendering procedure, in compliance with Article 31 f) of the Oil Stockpiling Act, the four Board members with a power of decision gave written authorization to HUSA for signing a contract with the successful tenderer and specified, inter alia, that contracting should be undertaken only in case of the publication of the Draft Regulation.

In exercising such authorization, HUSA started preparatory consultations with the successful tenderer and the contracts were elaborated and ready to be signed at the end of 2013. Due to the deferral of the date of publication of the Draft Regulation, HUSA will conclude the contract at a later date following publication of the Regulation; the investments required for the introduction of the marking and monitoring system cannot be started until signature of the contract. According to preliminary estimates, the development of the system will require at least six months and thus the July 1st 2014 time limit specified in the Oil Stockpiling Act will probably need to be modified.

4. Fulfillment of the budget

The budget of the Association has a special structure, as it is based on the cash accounting principle used for determining the income from contribution fees. It differs from the business plan model applied by economic entities. However, the annual business report has to follow the guidelines of Act C of 2000 on accounting (Accounting Act). The structure of the Balance Sheet and the Profit and Loss Statement defined by the Act are much different from the objectives of the Association's budget plan; in addition to the elements that determine the contribution fees, it contains items that concern all aspects of the Association's activity. The evaluation shows the fulfillment of the targets corresponding to the budgetary structure and, in connection to this, gives a comprehensive account of related events going beyond the structure, specifying in particular the assets, sources and the financial position of the Association.

4.1. Profit at the budget level

The 2013 financial plan of the Association included HUF 2 624 Mn profit at the budget level ("budget result"). The actual profit at the budget level was HUF 5 276 Mn, which was higher than planned.

Table 10
Budget Result (HUF Mn)

	OIL SECTION			GAS SECTION			TOTAL		
	2013		Actual/ Plan	2013		Actual/ Plan	2013		Actual/ Plan
	Plan	Actual		Plan	Actual		Plan	Actual	
Contribution fee	*14 528*	*15 871*	*109%*	*19 541*	*12 966*	*66%*	*34 069*	*28 837*	*85%*
Default interest	*0*	*0*	-	*0*	*2*	-	*0*	*2*	-
REVENUES	**14 528**	**15 871**	**109%**	**19 541**	**12 968**	**66%**	**34 069**	**28 839**	**85%**
Storage fees	*-11 183*	*-10 662*	*95%*	*-15 052*	*-15 113*	100%	*-26 235*	*-25 775*	98%
Maintenance costs	*-140*	*-60*	*43%*	*0*	*0*	-	*-140*	*-60*	43%
Sale of reserved capacities / ticket	*0*	*82*	-	*218*	*224*	103%	*218*	*306*	140%
NET STORAGE COSTS	**-11 323**	**-10 640**	**94%**	**-14 834**	**-14 889**	**100%**	**-26 157**	**-25 529**	**98%**
Payable interest, other costs	*-1 852*	*-1 183*	*64%*	*-2 259*	*-1 470*	65%	*-4 111*	*-2 653*	65%
Repayment of acquisition loans	*-778*	*-779*	*100%*	*0*	*0*	-	*-778*	*-779*	100%
Dividend received	*4 684*	*4 702*	*100%*	*825*	*830*	*101%*	*5 509*	*5 532*	100%
Interest received	*103*	*295*	*287%*	*138*	*242*	*176%*	*241*	*537*	223%
Principal repayment	*-4 684*	*0*	-	*-825*	*0*	-	*-5 509*	*0*	-
NET FINANCING COST	**-2 527**	**3 035**	-	**-2 121**	**-398**	**19%**	**-4 648**	**2 637**	-
OPERATING COSTS OF HUSA	**-320**	**-296**	*93%*	**-320**	**-296**	**93%**	**-640**	**-592**	**93%**
Legal, experts costs of marking, acquisition	**-47**	**-20**	*43%*	**-92**	**-59**	**64%**	**-139**	**-79**	**57%**
BUDGET RESULT	**310**	**7 950**	-	**2 174**	**-2 674**	**-**	**2 624**	**5 276**	**201%**

4.2. Revenues from contribution fees

The General Meeting and the Board of Directors of the Association approved the following contribution fees for 2013:

Table 11
Contribution Fees for 2013

Product	Unit	01/01/2013-31/12/2013	Combined Nomenclature Code
Gasoline type fuel	HUF/1000 litres15	3 300	2710 1131, 1141, 1145, 1149, 1151, 1159, 1170
Kerosene	HUF/1000 litres15	3 052	2710 1921
Gasoil	HUF/1000 litres15	3 205	2710 1941, 1945, 1949
Fuel oil	HUF/ton	3 075	2710 1961, 1963, 1965, 1969
Natural gas	HUF/GJ	60.5	2711

In the Oil Section, revenues from contribution fees were 9% (HUF 1 342 Mn) more than planned due to higher than expected fuel consumption.

In the Gas Section, revenues from contribution fees were much lower than planned, mainly due to the recovery option of the contribution fees paid by member companies in the case of natural gas sold to household consumers. This provision of law was not known in the period of planning the 2013 budget, so the HUF 6 039 Mn loss in revenues could not be taken into account. Moreover, gas consumption was lower than expected, causing revenues to be HUF 536 Mn lower. Consequently, instead of planned revenues of HUF 19 541 Mn, only HUF 12 968 Mn was realized until the balance sheet date in the Gas Section, of which HUF 2 Mn was collected as default interest due to late payments of contribution fees. As a result of the considerable loss in revenues, the Gas Section budget closed with a loss.

The total revenues of the two Sections amounted to HUF 28 839 Mn, which was 15% lower than planned (HUF 34 069 Mn).

4.3. Storage costs and revenues (Net Storage Cost)

The net storage cost is the balance of the fees paid monthly for the storage of crude oil, petroleum products and natural gas, the stock maintenance costs and the proceeds of the sale of gas storage capacities.

In the Oil Section, storage costs were 5% lower than expected in 2013; the utilization of storage capacities was lower than planned due to stock replacements and stock sales (diesel, crude oil), allowing savings on storage expenses. Another reducing factor was the moderate rate of inflation compared to predictions, causing a lower level of indexed fees. HUF 60 Mn was accounted for the maintenance of the stocks of crude oil and petroleum products (e.g. quality control), which was 43% of the plan. A part of the crude oil stocks existing in addition to the obligatory level was used in the form of "ticket" transactions, resulting in HUF 82 Mn revenues and 6% lower than planned net storage costs.

In the Gas Section, the storage cost was HUF 61 Mn higher than planned. This was because the storage fee expressed in euro, calculated on the basis of the preliminary consumer and producer price indexes available at the time of planning, was lower than the actual storage cost based on the real index data. The revenues from secondary capacity sales, denominated in euro, were as planned; the HUF value was 6 Mn higher than planned only because of the application of a lower exchange rate. As a result of the opposite effects, net storage costs were HUF 55 Mn higher than planned.

The net storage costs of the two Sections amounted to HUF 25 529 Mn, which was 2% lower than planned (HUF 26 157 Mn).

4.4. Financing costs and revenues (Net Financing Cost)

The net financing cost includes the interest and principal paid on existing loans, as well as the dividend income and the interest received.

Interest expenses (HUF 2 653 Mn) were much lower than foreseen in the business plan (HUF 4 111 Mn), partly due to better interest conditions and partly because the average HUF/EUR exchange rate was more favorable than expected as a result of forward hedging transactions in 2013.

The part of acquisition loans used for principal repayments required by contracts was HUF 779 Mn; due to exchange rate effects, this was HUF 1 Mn higher than planned (HUF 778 Mn).

Financial revenues were higher than planned, due to the dividend received and the interest income. Higher than expected retained earnings at Terméktároló Zrt allowed more dividend to be paid. At MMBF Zrt, the forint value of the dividend paid was HUF 5 Mn higher than planned, due to the relatively higher exchange rate in effect at the time of payment.

HUF 537 Mn interest income was accounted, which was much higher than planned (HUF 241 Mn). The higher interest income (owing to the tight cash management policy of HUSA) was due to the lockup of the temporary liquidity surplus appearing on the Association's accounts. The liquidity surplus in 2013 came from two main factors:

- Within the framework of stock replacements aiming at the renewal of oil stocks, older stocks were sold first; the sales income appeared as surplus liquidity and was placed in fixed deposit until the payment of the new stocks purchased.
- The proceeds from the sale of natural gas were placed in fixed deposits until prepayments made in the end of calendar quarters.

Net financing costs (HUF 2 637 Mn) were much more favorable than planned (-4 648 HUF Mn). This was mainly because, instead of loan repayment, the dividends received from affiliates were used for covering the loss in revenues caused by the recovery of contribution fees, and this increased the budget result of the Oil Section.

4.5. Operating costs

Operating expenses were also lower than planned, primarily due to savings on personnel expenses achieved in spite of an increase of staff, and the lower than planned amounts paid for services used and the acquisition of tangible assets. The "Value of services" includes only the fees of legal and consultancy services used for the activity of HUSA. "Other expenditures" were higher than planned; this was because the Association accounted HUF 13.56 Mn damages for 2013 in accordance with the accounting rules, paid in accordance with the court decision (effective on January 16th 2014) made in the action bought by Nafta Depo Kft. The increase in other costs (HUF 4 Mn) was caused by higher banking costs due to the introduction of financial transaction fees. In 2013, operating costs amounted to HUF 592 Mn, which was 7% lower than planned (HUF 640 Mn).

Table 12
Main Cost Elements (HUF Mn)

	2013 Plan	***2013 Actual***	***2013 Actual/Plan***
Material and material-type costs	*12*	*8*	*67%*
Personnel expenses	*455*	*427*	*94%*
Value of services	*100*	*87*	*87%*
Other costs	*8*	*12*	*150%*
Other expenditures	*40*	*47*	*118%*
Costs of tangible assets acquired	*25*	*11*	*44%*
Total	***640***	***592***	*93%*

The cost elements related to fuel marking and the acquisition of MMBF, which were approved subsequently, do not figure in the 2013 budget of HUSA. When the budget was prepared (October 2012), these tasks were not yet known, so the related costs could not be foreseen.

In connection with the acquisition of MMBF, the Board of Directors first approved an appropriation of HUF 30 Mn intended to cover consultancy costs at the November 28th 2012 meeting. This was later increased to HUF 100 Mn by Board decision No. 9/2013 (May 14th). For the legal and consultancy services related to the marking and monitoring of petroleum products, the Board approved an appropriation of HUF 30 Mn at the January 16th 2013 meeting; this was later increased to HUF 50 Mn by decision No. 10/2014 (May 14th).

A smaller part of both funds (HUF 8 Mn in the case of MMBF acquisition; HUF 3 Mn in the case of fuel marking) was used in connection to the year 2012; however, the larger portion belongs to the 2013 budget. In 2013, HUF 59 Mn was used for the acquisition of MMBF, and HUF 20 Mn for fuel marking.

4.6. Profit before taxation, capital reserve

Profit before taxation is determined by taking account of the economic events not foreseen in the budget structure (sales of stocks, purchase of tangible assets, other events not planned or events not including monetary movement). Considering that the Association is not subject to corporate taxation, the pre-tax profit is the same as the profit after taxation.

In 2013, the mentioned correction items produced a profit of HUF 44 972 Mn. As a result, the 2013 retained earnings amounted to HUF 50 247 Mn, increasing the capital reserve.

Table 13

Profit Before Taxation / Capital Reserve in 2013 (HUF Mn)

Profit at the budget level (budget result)	***5 276***
Profit from stock sales and stock replacement	*45 618*
of which: Crude oil	
Revenues	54 109
Costs	22 112
Profit/Loss	31 997
Gas oil	
Revenues	52 784
Costs	42 109
Profit/Loss	10 675
Gasoline	
Revenues	9 979
Costs	7 619
Profit/Loss	2 360
Heating oil for power generation	
Revenues	1 726
Costs	1 140
Profit/Loss	586
Natural gas	
Revenues	8 958
Costs	8 958
Profit/Loss	0
Exchange rate variations of for. ex. loans, for. ex. holdings	*-1 505*
Repayment of acquisition loans	*779*
Principal repayment (from profit reserve at the budget level)	*0*
Adjustment for the purchase of tangible assets	*13*
Release of provisions	*47*
Normative losses	*41*
Depreciation	*-21*
***Total* correction items**	***44 972***
Retained earnings / Capital Reserve	***50 247***

4.6.1. Stock sale and stock replacements

Retained earnings from stock replacements of petroleum products (sale and purchase) and of the sale of surplus stocks existing in addition to stockpiling obligations amounted to HUF 46 618 Mn. In 2013, the Association made large stock replacements; in total, 30 kt motor gasoline, 194 kt diesel and 120 kt crude oil were renewed. Moreover, of surplus stocks existing in addition to stockpiling obligations, 55 kt crude oil, 13.8 kt diesel and 16.6 kt heating oil for power generation were sold in accordance with decision No. 6/2013 (May 14th) of the Board of Directors, and 137 Mn m^3 natural gas stocks were sold as required by the Modified Decree. Retained earnings were exceptionally high because of the considerable stock replacements and sales; this is because, when accounting stock replacements and sales, the proceeds from the sales of stocks are entered as revenues, while the value of stocks sold, registered at the clearing price, appears on the cost side. The difference of the two is a profit from an accounting point of view, so it increases the retained earnings.

4.6.2. Exchange gain (loss) on foreign exchange loans

In 2013, the exchange rate differences accounted in the course of the year (refinancing), and booked upon the revaluation of loans at the exchange rate of the end-of-year accounting date, resulted in an overall exchange loss of HUF 1 505 Mn.

4.6.3. Repayment of loans

In 2013, HUF 779 Mn principal repayment was made in connection with the loan taken in 2006 for the acquisition of IPR Vámosgyörk Zrt. and PTT Kft.

The repayment was registered among financing costs, considering that it entailed actual cash disbursement. From an accounting point of view, however, loan repayment is not a cost but an item reducing liabilities.

4.6.4. Purchase of tangible assets

The purchase of tangible assets is expenditure, their sale provides an income. From an accounting point of view, purchase is not considered as cost; it is taken into account as cost only after depreciation. Thus the Retained Earnings need to be modified by the amount paid for the purchase of tangible assets.

4.6.5. Provisioning

The court decision made in the lawsuit discussed in the Supplementary Notes became final on January 16th 2014, and the HUF 47 Mn provisions created for this purpose were released.

4.6.6. Accounting of normative losses

The Loss Norms of the excise products stored for the Association are governed by Decree No 43 (30/12/1997) of the Ministry of Finance. The following table compares the norms applied in the custody agreements (between the Association and the storage companies) to those contained in excise rules.

Table 14
Loss Norms

<table>
<tr><th colspan="2" rowspan="3">Product category</th><th colspan="4">Storage in above-ground tanks</th><th rowspan="3">Manipulation [2]</th></tr>
<tr><th colspan="2">Fixed-roof</th><th colspan="2">Floating-roof</th></tr>
<tr><th>Winter</th><th>Summer</th><th>Winter</th><th>Summer</th></tr>
<tr><td rowspan="2">1 Gasoline</td><td>MF Decree (%/month) [1]</td><td>0.10</td><td>0.20</td><td>0.05</td><td>0.10</td><td>3.00</td></tr>
<tr><td>HUSA (%/year)</td><td colspan="4">0.215</td><td>0.30</td></tr>
<tr><td rowspan="2">2. Gas oil, kerosene</td><td>MF Decree (%/month) [1]</td><td>0.03</td><td>0.08</td><td>0.015</td><td>0.04</td><td>2.00</td></tr>
<tr><td>HUSA (%/year)</td><td colspan="4">0.15</td><td>0.30</td></tr>
<tr><td rowspan="2">3. Fuel oil</td><td>MF Decree (%/month) [1]</td><td>0.03</td><td>0.08</td><td>0.015</td><td>0.04</td><td>2.00</td></tr>
<tr><td>HUSA (%/year)</td><td colspan="4">0.15</td><td>0.30</td></tr>
</table>

Notes:

[1] Decree No 43 (30/12/1997) of the Ministry of Finance concerning the loss norms of excise products

[2] Under the Decree of the Ministry of Finance, data are expressed in %/month; HUSA specifies loss norms per event (filling, discharge, homogenisation, etc.).

The losses occurring in connection with the storage and the movement of crude oil and petroleum products decrease the assets of the Association. Calculated on the basis of end-of-year stock inventories, at the accounting prices applied in 2013, the actual profit in 2013 was HUF 41 Mn, which increased the accounting earnings

4.6.7. Depreciation

From an accounting point of view, depreciation is cost. However, as no cash expenditure is involved, it is not recorded within the budget structure. For 2013, HUF 21 Mn depreciation was accounted.

5. 2013 Balance Sheet, financial position of the Association

5.1. 2013 Balance Sheet

The end-of-year balance of assets and sources was HUF 276 058 Mn. The Assets Employed amounted to HUF 27 868 Mn, mainly composed of the net value of participations in various companies.

The value of current assets was HUF 244 323 Mn, of which the book value of stocks was HUF 223 917 Mn. Receivables amounted to HUF 8 558 Mn and liquid assets represented HUF 11 848 Mn.

Among sources, the value of the Association's own sources was HUF 190 896 Mn, which comprises the profits made in previous years and the accounting earnings of 2013.

Liabilities totaled HUF 85 087 Mn. Of these, short-term liabilities amounted to HUF 47 379 Mn, mainly composed of short-term loans (HUF 45 520 Mn) and the part of long-term loans falling due within one year. Accounts payable to suppliers amounted to HUF 115 Mn, and liabilities toward affiliated companies were HUF 1 064 Mn, all of which were supply obligations.

The value of accrued and deferred liabilities was HUF 75 Mn, most of which came from capacity reservation fee income due in 2014.

The 2013 Balance Sheet and Profit and Loss Statement of the Association are contained in the Report.

5.2. Financial position, liquidity

The Balance Sheet data and the related Supplementary Notes indicate that the financial position of the Association is stable as a whole, and also on the various maturity horizons. The temporary placement of the income from the sale of stocks in bank deposits and more rigorous foreign exchange management allowed the improvement of the liquidity position without having to encumber the Association's members.

On December 31st, the book value (registration value) of stocks was HUF 223 917 Mn. The principal value of loans financing stocks amounted to EUR 279 Mn (HUF 82 838 Mn)[8]. The market value of stocks was HUF 314 247 Mn on December 31st.

[8] Calculated as the exchange rate of December 31, 2013 of the Hungarian National Bank.

Table 15
Loan Portfolio of the Association on December 31st 2013

HUF loans (HUF Mn)	**Average margin**	**Credit line**	**Amount drawn**
Acquisition loans	BUBOR+25 bp	200.00	200.00
(A) Total		**200.00**	**200.00**
		HUF/EUR=	*296.91*

Foreign exchange loans (EUR Mn)	**Average margin**	**Credit line**	**Amount drawn**
Loans financing stocks	EURIBOR+208 bp	279.00	279.00
Acquisition loans	EURIBOR+ 25 bp	0.64	0.64
Total EUR		**279.64**	**279.64**
(B) *HUF equivalent (total EUR)*		*83 027.02*	*83 027.02*
Total in HUF (A)+(B)		**83 227.02**	**83 227.02**

The following indicators illustrate the changes in the financial position of the Association in the last four years.

Table 16
Main Indicators of the Association's financial position

	2010	**2011**	**2012**	**2013**	**2013/2012**
Equity ratio $\frac{\textit{Equity}}{\text{Total sources}}$ %	*41.62*	*42.36*	*57.55*	*69.15*	*120.16*
Liquidity ratio $\frac{\text{Liquid assets + Receivables}}{\text{Short-term liabilities}}$ %	*20.10*	*61.11*	*35.02*	*43.07*	*1.23*
Indebtedness ratio $\frac{\text{Liabilities + Accrued expenses}}{\text{Equity capital}}$	*1.40*	*1.36*	*0.74*	*0.45*	*0.61*

6. Activity of affiliated companies in 2013

6.1. Affiliated companies

The Association has the following participations in affiliated companies.

Table 17
Affiliated Companies (December 31st 2013)

Company name	***HUSA ownership stake (%)***	***Value of participation (HUF Mn)***
OPAL Tartálypark Zrt.	*100.0*	*13 552*
ÁMEI Zrt.	*63.6*	*140*
MMBF Földgáztároló Zrt.	*48.9*	*12 761*
Terméktároló Zrt.	*25.9*	*420*
Petrotár Kft.	*20.0*	*40*
Total		***26 913***

Participation in the affiliated storage companies allows the Association to take part in their management and to ensure professional control over their activity. As a part owner of companies that are stable on the long run, produce outstanding profits and pay high dividend, HUSA indirectly becomes an active player of the dynamically developing storage market. The affiliated storage companies are presented as follows.

6.1.1. Storage companies

OPAL Tartálypark Zrt.

The registered capital of OPAL Tartálypark Zrt is HUF 4 Bn. The Association owns 100 % of the company. In the present form, the company has operated since December 1st 2007 (date of the fusion of Kőolaj Tároló Zrt, IPR Vámosgyörk Zrt and Péti Terminál Tároló Kft). The total storage capacity of the company includes 480 thousand m^3 crude oil and 340 thousand m^3 fuel storage space at five locations.

MMBF Biztonsági Földgáztároló Zrt.

The Association established MMBF Biztonsági Földgáztároló Zrt in 2006 with a registered capital of HUF 1 Bn, in order to help ensure the fulfillment of the tasks set out in the Gas Stockpiling Act, initially as project company and later as storage company.

The sale of the majority stake (62%) to MOL Nyrt in 2007 was followed by two capital increases. In December 2012, the Association's ownership ratio was 27.54%.

On the basis of the Share Purchase Agreement made between MOL Nyrt as seller and between MFB Zrt and HUSA as buyers, the majority owner of the company (51%) became MFB Zrt on December 30th 2013, and the stake of HUSA increased to 49%.

On December 15th 2009, the preparedness of the storage facility reached the level required in the custody agreement, and the entry of 1 200 Mn m³ natural gas was completed at about the same time. Since then (until the end of 2013), no releases were made from the emergency reserves. However, the stock sales required by the Modified Decree were completed, decreasing the level of HUSA-owned emergency stocks to 682.8 Mn m³.

Terméktároló Zrt.

Established by MOL Nyrt and HUSA, Terméktároló Zrt operates with a capital stock of HUF 1 620 Mn. The share of the Association is 25.9%, the equivalent of HUF 420 Mn. After the foundation 330 thousand m^3 storage capacity was created in Tiszaújváros and Szajol. Under the custody agreements, the Association uses 490 thousand m^3 capacity, taking also account of the capacities rented from MOL Nyrt.

Petrotár Kft.

Petrotár Kft was founded by Petrodyne-Pét Kft, HUSA and Extercom Kft with a registered capital of HUF 800 Mn, in which HUSA held 30%, that is HUF 240 Mn. After several ownership changes, the present owners are HUSA and Petrotár Invest Tanácsadó Kft.

Today, Petrotár Kft has 43 thousand m^3 storage capacities and pursues some commercial storage activity. In 2008, a capital increase of HUF 100 Mn was made without the participation of the Association; consequently, the share of HUSA dropped to 20%. In 2009, the company created Petrotár Projekt Kft by demerger. Since Petrotár Projekt Kft did not pursue any activities, Petrotár Kft. decided to dissolve it without liquidation. The wind-up of Petrotár Projekt Kft. was completed on September 30th 2012. The share of the Association in Petrotár Kft did not change.

On December 30th 2011, Petrotár Kft and OPAL Zrt entered into a capacity reservation and operational agreement (terminating the service and operational agreement formerly existing between them) for the fulfillment of the product entry and withdrawal tasks required at the Pétfürdő site of OPAL Zrt. Thus Petrotár Kft is no longer involved in operational tasks at that site. Within the framework of its main activity, the company provides today freight train loaders to OPAL Tartálypark Zrt, and is involved in commercial storage of smaller volumes.

6.1.2.ÁMEI Zrt.

ÁMEI Zrt. is specialized in the quality control of petroleum products. The registered capital of the company was raised to HUF 220 Mn in 2009 as a result of HUF 70 Mn cash contribution by OPAL Zrt. The new investor has a stake of 31.8%, causing to decrease the share of HUSA to 63.6% and that of the Hungarian Petroleum Association to 4.6%.

The investment in ÁMEI Zrt mainly has a strategic importance. The Association’s decisive majority stake ensures the independent status of ÁMEI Zrt, allowing it to operate as a transparent, accredited quality control agency.

6.1.3. Activity and financial position of the storage companies in 2013

The data and information available on the 2013 performance of the storage companies shows that contractual obligations were duly fulfilled. Loan repayments are regular and the financial position of the companies is sound.

The Association received HUF 830 Mn dividend from MMBF Zrt, HUF 202 Mn dividend from Terméktároló Zrt, HUF 4 500 Mn dividend from OPAL Zrt, and HUF 80 Mn from Petrotár Kft for the 2013 business year in accordance with the ownership ratios. The 2013 economic activity of the companies was as planned. The cash flow was also in line with the plans and with the creditors' expectations. The profit figures and the changes in equity of the storage companies are described in the Supplementary Notes.

In 2013, ÁMEI Zrt operated within mostly similar market conditions as in the year before. As a result of the continuing stagnation of imports and the ongoing decline of turnover since the outbreak of the economic crisis, the client companies on the oil market have limited funds for product testing and certification. At the same time, the number of ad hoc contracts of small value (of less than HUF 2 Mn) was significant last year too, which increased the annual sales income, which was more than HUF 6 Mn higher than in 2012. In connection with these contracts, growing sales were coupled with rising costs and expenditures, and the 2013 business year ended with HUF 17 Mn profit after taxation.

7. Monitoring activity of the Association in 2013

The monitoring activity of the Association covers two main areas:

- Verification of the payment of contribution fees, which constitute the basic source of income for the Association's activity, with particular regard to ensuring that the calculation and payment of the fees are in accordance with the stockpiling acts (Act XLIX of 1993 and Act XXVI of 2006) and the Statutes.
- Inspections at the affiliated storage companies and their facilities in order to verify the fulfillment of their contractual obligations, the preservation of the quantity and quality of the Association's products and the fulfillment and maintenance of storage conditions that have to be in accordance with complex technical, safety and environment protection criteria.

7.1. Monitoring of contribution fee payments

7.1.1. Oil Section

In 2013, the quantity of petroleum products for energy production imported for placement into free circulation, involving contribution payment obligation, was 4 143.75 kt according to HUSA records, and 4 135.84 kt according to the National Tax and Customs Administration (NAV). The difference between the two data (0.19%) is due to the different methodologies used for converting liters to metric tons, and for rounding conversion figures.

In 2013, members recovered HUF 635 Mn contribution fees on 166.31 kt petroleum products. Most of the claims concerned petroleum products for the operation of aircrafts engaged in international aviation, while a smaller part was related to aviation gasoline for the Hungarian Defense Force and to non energy-related use.

7.1.2. Gas Section

Members of the gas section pay contribution fees on the heat capacity of natural gas sold to end users or imported for own use. The registry of the Association is based on the monthly declarations of members concerning their sales and imports data; members pay contribution fees according to the figures declared. Each month, the data are collated with those of the system operator.

The records of the Association show that the quantity of natural gas falling under the Gas Stockpiling Act and requiring contribution payment was 311 PJ (9.15 Bn m^3) in 2013; according to the figures of the system operator figures, the natural gas consumption of the country was 309.6 PJ (9.1 Bn m^3). The 0.52% discrepancy is due to a difference in the reference periods of the two databases; while the database of the system operator is based on the date of physical offtake of gas in the end-of-month records, the records of HUSA refer to the due date of invoices made on the volumes of gas sold to consumers/users.

On the gas consumption of 311 PJ (9.15 Bn m^3) in 2013, the members of the Gas Section paid total net contribution fees of HUF 12 966 Mn; this is the amount remaining after the deduction of the contribution fees recovered from HUSA in accordance with the law mentioned above, on the heat capacity sold to household consumers. This is HUF 6 575 Mn lower (34%) than planned (HUF 19 541 Mn), mainly due to the amount of the fees recovered and to the fall in consumption.

The decline in gas consumption was mostly due to the decrease of consumption for power generation, additional factors being the general fall in demand in the stagnating industrial sector and the lower consumption by households due to mild temperatures in 2013.

7.1.3. Improved procedures for monitoring contribution fee payments

In accordance with Annex 4 of the Cooperation Agreement made between HUSA and the National Tax and Customs Administration (NAV) on November 9th 2011, the development of the Membership Records Information System (referred to as "MRIS"), established as a result of the joint efforts of the two organizations, continued in 2013. This allowed the creation of a system of support of high level within MRIS, for tasks related to the registration of data supplied by members and to the monitoring activity.

The MRIS Portal was installed in 2013, allowing the receipt and response to members' declarations in electronic form. The automated electronic endorsement system, which will ensure encrypted message exchange between NAV and HUSA with the use of electronic signatures and time stamps, as well as the introduction of the electronic data supply to NAV as required by the law, are in the testing phase. These data treatment procedures will allow the introduction of electronic signatures toward member companies in 2014, providing higher security, clear identification and authenticity.

Based on point 18.5 of the Statutes, a new feature was introduced within the MRIS system, allowing the upload, checking and comparison of detailed data justifying the contribution fee recoveries by member companies in order to identify discrepancies. The concerned member companies regularly fulfill their data supply obligations, and correct the errors indicated by the IT system.

Article 40 (6) of the Oil Stockpiling Act made it possible to require financial collateral from newly founded member companies, which have higher exposure to the risk of non-payment of contribution fees; in 2013, such collateral was not required. The detailed rules of providing financial collateral are laid down in the Statues of the Association. The risk-based monitoring system made it possible to take account of the payment risk of contribution fees when performing on-site reviews at member companies. Lower-risk members were reviewed once a year and members presenting higher risk were inspected more often. The risk rating of companies was established according to objective criteria, taking account of the information and data available and relevant from the point of view of contribution fee payment; moreover, the experience gained from communication with members and the on-site reviews were also considered.

7.1.4. Contact with entities providing monitoring support

Based on the authorizations provided by Article 40/A of the Oil Stockpiling Act on the implementation of the Community customs legislation, and by on Article 16 (6) n) of Act CXXVI of 2003, the Association maintains contact with the National Tax and Customs Administration. The two entities successfully worked together in 2013 for executing the tasks specified in the cooperation agreement elaborated and agreed upon between them, also taking account of the endorsement requirements laid down in Article 38 (6) of the Oil Stockpiling Act. For the further development of the MRIS system of HUSA, continuous progress was made in the area of information technology developments jointly with the IT Institute of NAV.

In monitoring member companies in the Gas Section, cooperation with the operator of the high-pressure natural gas transmission system ("the system operator"), based on the authorization of the Statutes (Article 17/A.8.3), was particularly helpful. In this framework, the Association received pertinent information relating to natural gas transmission through regular monthly data supply.

7.2. *Monitoring of storage companies and storage sites*

Another key area of the Association's monitoring activity concerns the creation of strategic stockpiles and the fulfillment of stockpiling conditions in accordance with the storage agreements made with storage companies, the relevant legislation and the Statutes.

A targeted review performed in 2013 at all storage sites, checked the consistence between the available offloading capacities and the data reported by storage companies, as well as the availability of proper instruments and equipment required for offloading crude oil. The findings were recorded in an inspection report. Under the regular annual on-site inspections, the adequacy of operating conditions was checked at the storage sites, as well as the authorizations of the sites and storage tanks, and the volume and quality of stocks.

For the quantitative monitoring of stocks, the stock registration information system actually introduced on May 1st 2011 provides valuable support. This allows making time series inquiries according to different parameters for analyzing changes in stocks, and for monitoring stock movements. The IT system automatically receives on a daily basis, from the registries of storage companies, the daily tank measurement data of the crude oil and petroleum product stocks of HUSA; it also registers the main parameters of custody agreements.

8. Organizational structure of the Association

On the balance-sheet date, the staff of the Association consisted of 14 members, of whom 13 full-time employees and one person on childcare support. The statistical average was 14 persons in 2013. New employees hired last year included a Controlling and IT Manager and an IT assistant; the Chief Officer of Stockpiling and Trade was replaced.

9. Protection of the environment

Under the applicable law, the Association has no such obligations and tasks relating to environmental protection, which would require the forming of provisions. Moreover, the Association does not have in its possession any hazardous waste or noxious substance and it does not hold tangible assets directly intended for the protection of the environment.

10. International relations

In 2013, the Association carried on the activities started in previous years in the following areas of international relations:

- Active participation in the work of ACOMES, the organization of international stockholding agencies, and in the work of ELABCO;

- Technical support to the Government in the fulfillment of stockpiling obligations arising from EU and IEA membership;

- Technical assistance to CEE countries for establishing the legal and organizational framework of their stockpiling systems.

The Association continues to participate in the work of the ACOMES Benchmarking Group, which treats as a permanent subject the comparison of the cost analyses of member organizations, the review of financing schemes and the cost review of storage tank investments.

In April 2013, the annual ELABCO meeting was held in Budapest and was organized by HUSA and ÁMEI Zrt.

The following main subjects were discussed at the meeting:

- quality parameters of the long-term storage of diesel;
- stability of biological fuel oil;
- evaluation of the annual Round Robin tests;
- organizational issues.

Budapest, April 23rd 2014

Dr. Béla Bártfai	Zsuzsanna Dávid
Managing Director	Deputy Managing Director

Statistical number:
18053302-9499-522-01

Budapest-Capital Regional Court Reg. No.:
5599

Hungarian Hydrocarbon Stockpiling Association

1037 Budapest, Montevideo u. 16/b.

Annual Report

2013

Dated: April 23rd 2014

Head (Representative) of the Entity

Stamp

Statistical number:
18053302-9499-522-01

Budapest-Capital Regional Court Reg. No.:
5599

BALANCE SHEET 'A' Assets

(HUF thousand)

Line No.	Description	Prior year	Prior year(s)' adjustment	31/12/2013
a	b	c	d	e
1	**A. Assets employed**	21 258 260	0	27 868 037
2	I. INTANGIBLE ASSETS	880 147	0	873 983
3	Capitalized Value of Establishment and Restructuring			
4	Capitalized Value of R+D			
5	Rights	24 137		17 973
6	Intellectual Property	1 468		1 468
7	Business Value-Goodwill	854 542		854 542
8	Advance payment for Intangibles			
9	Reassessment of Intangible Assets			
10	II. FIXED ASSETS	58 459	0	54 684
11	Real-estates and related rights	17 012		14 294
12	Machinery and Equipment			
13	Other Equipment, fittings and vehicles	41 447		40 390
14	Breeding Livestock			
15	Capital expenditures, renovation			
16	Advance payment on Capital Expenditures			
17	Reassessment of Fixed Assets			
18	III. FINANCIAL INVESTMENTS	20 319 654	0	26 939 370
19	Participations in affiliates	20 319 654		26 913 249
20	Long-term loans granted to affiliates			
21	Other participations			
22	Long-term loans granted to other participations			
23	Other long-term loans granted			26 121
24	Long-term credit securities			
25	Reassessment of Financial Investments			

Dated: Budapest, April 23rd 2014

Head (Representative) of the Entity

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Statistical number:
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Budapest-Capital Regional Court Reg. No.:
5599

BALANCE SHEET 'A' Assets

(HUF thousand)

Line No.		Description	Prior year	Prior year(s)' adjustment	31/12/2013
a		b	c	d	e
26	**B.**	**Current Assets**	219 393 613	0	244 323 435
27	I.	INVENTORIES	200 824 229	0	223 917 187
28		Materials			
29		Work in progress and semi-finished products			
30		Growing, feeding and other livestock			
31		Finished goods			
32		Goods	200 824 229		223 917 187
33		Advance payment for Inventories			
34	II.	RECEIVABLES	8 756 062	0	8 558 390
35		Accounts Receivable (Trade Receivables)	137 325		2 313 958
36		Receivables from affiliates			
37		Receivables from other participations			
38		Receivables from bills of exchange			
39		Other receivables	8 618 737		6 244 432
40	III.	SECURITIES	0	0	0
41		Participations in affiliates			0
42		Other participations			
43		Own shares and holdings			
44		Credit securities for trading			
45	IV.	CASH	9 813 322	0	11 847 858
46		Cash in hand, cheques	579		489
47		Bank accounts	9 812 743		11 847 369
48	**C.**	**Accruals**	3 738 796	0	3 866 394
49		Accrued revenue	1 769		40 800
50		Accrued costs and expenses	3 737 027		3 825 594
51		Deferred expenses			

52		**Total assets**	244 390 669	0	276 057 866

Dated: Budapest, April 23rd 2014

Head (Representative) of the Entity

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Statistical number:
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Budapest-Capital Regional Court Reg. No.:
5599

BALANCE SHEET 'A' Liabilities

(HUF thousand)

Line No.	Description	Prior year	Prior year(s)' adjustment	31/12/2013
a	b	c	d	e
53	**D. Shareholders' Equity**	140 649 401	0	190 896 484
54	I. SHARE CAPITAL			
55	of which: Own Shares and Stocks repurchased			
56	II. CALLED UP CAPITAL NOT FUNDED (-)			
57	III. CAPITAL RESERVE	140 649 401		190 896 484
58	IV. ACCUMULATED PROFIT RESERVE			
59	V. DEPOSITED RESERVE			
60	VI. VALUATION RESERVE			
61	VII. RETAINED EARNING			
62	**E. Provisions, Allowances**	47 157	0	0
63	Provisions for Expected Losses	47 157		
64	Provisions for Expected Obligations			
65	Other Provisions, Allowances			
66	**F. Liabilities**	103 657 015	0	85 086 695
67	I. BACKDATED LIABILITIES	0	0	0
68	Backdated liabilities to affiliates			
69	Backdated liabilities to other participations			
70	Backdated liabilities to other businesses			
71	II. LONG-TERM LOANS	50 633 229	0	37 707 570
72	Long term loans received			
73	Convertible bonds			
74	Payable for Bond issue			
75	Investment and development loans			
76	Other long-term loans	50 633 229		37 707 570
77	Long-term liabilities to affiliates			
78	Long-term liabilities to other participations			
79	Other long-term liabilities			

Kelt: Budapest, April 23rd 2014

Head (Representative) of the Entity

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Statistical number:
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Budapest-Capital Regional Court Reg. No.:
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BALANCE SHEET 'A' Liabilities

(HUF thousand)

Line No.	Description	Prior year	Prior year(s)' adjustment	31/12/2013
a	b	c	d	e
80	III. SHORT-TERM LIABILITIES	53 023 786	0	47 379 125
81	Short-term credits			
82	of which: convertible bonds			
83	Short-term loans	51 747 158		45 519 607
84	Advances received from customers	68 564		
85	Accounts payable to Suppliers (trade creditors)	157 329		114 638
86	Debts under bills of exchange			
87	Short-term liabilities to affiliates	1 038 124		1 063 771
88	Short-term liabilities to other participations			
89	Other short-term liabilities	12 611		681 109
90	**G. Deferrals**	37 096	0	74 687
91	Accrued income			54 928
92	Accrued costs and expenditures	37 096		19 759
93	Differed receivables			

94	**Total liabilities**	244 390 669	0	276 057 866

Dated: Budapest, April 23rd 2014

Head (Representative) of the Entity

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Statistical number:
18053302-9499-522-01

Budapest-Capital Regional Court Reg. No.:
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PROFIT AND LOSS STATEMENT 'A'

(total cost method) (HUF thousand)

Line No.		Description	Prior year	Prior year(s)' adjustment	31/12/2013
a		b	c	d	e
1	1	Net Domestic Sales	39 622 729		127 781 581
2	2	Net Export Sales			81 557
3	**I.**	**Net Sales (01+02)**	39 622 729	0	127 863 138
4	3	Change in Inventories of own Production ±			
5	4	Capitalized Value of assets from own Production			
6	**II.**	**Capitalized Value of own Production (±03+04)**	0	0	
7	**III.**	**Other Revenues**	35 888 173		28 892 516
8		of which: Contribution Fees, Oil Section	15 404 679		15 870 790
9		Contribution Fees: Gas Section	20 427 735		12 966 343
10	5	Material Expenses	38 076		40 328
11	6	Value of Services	25 798 874		26 000 918
12	7	Other services	3 800		11 661
13	8	Cost of Sales	24 326 633		81 897 518
14	9	Value of services sold (mediated)	348 441		274
15	**IV.**	**Expenses (05+06+07+08+09)**	50 515 824	0	107 950 699
16	10	Wages and Salaries	211 350		234 388
17	11	Other personnel Expenses	109 920		103 643
18	12	Social Security	81 481		88 873
19	**V.**	**Total Personnel Expenses (10+11+12)**	402 751	0	426 904
20	**VI.**	**Depreciation**	20 727		21 410
21	**VII.**	**Other Expenses**	68 075		19 115
22		of which: loss of value	15		0
23	**A.**	**OPERATING (BUSINESS) PROFIT (I±II+III-IV-V-VI-VII)**	24 503 525	0	48 337 526

Dated: Budapest, April 23rd 2014

Head (Representative) of the Entity

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Statistical number:
18053302-9499-522-01

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5599

PROFIT AND LOSS STATEMENT 'A'

(total cost method) (HUF thousand)

Line No.		Description	Prior year	Prior year(s)' adjustment	31/12/2013
a		b	c	d	e
24	13	Dividends received	732 269		5 531 946
25		of which: from affiliates	732 269		5 531 946
26	14	Exchange P/L of Equity sales			
27		of which: from affiliates			
28	15	Interest Income on Financial Investments			192
29		of which: from affiliates			
30	16	Other interest or interest bearing income	1 449 205		536 767
31		of which: from affiliates			
32	17	Other Income of Financial Activity	10 594 814		2 606 300
33	**VIII.**	**Income of Financial Activity (13+14+15+16+17)**	12 776 288	0	8 675 205
34	18	Exchange loss on Financial Investments			
35		of which: to affiliates			
36	19	Interest Paid	3 839 549		2 653 222
37		of which: to affiliates			
38	20	Write-off of Financial Investments			
39	21	Other Expenses of Financial Activities	2 498 530		4 112 425
40	**IX.**	**Expenses of Financial Activities (18+19±20+21)**	6 338 079	0	6 765 647
41	**B.**	**PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)**	6 438 209	0	1 909 558
42	**C.**	**INCOME OF ORDINARY ACTIVITIES (±A±B)**	30 941 734	0	50 247 084
43	**X.**	**Extraordinary Income**	25 963		
44	**XI.**	**Extraordinary Expenses**			
45	**D.**	**INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)**	25 963	0	0
46	**E.**	**PROFIT BEFORE TAXATION (±C±D)**	30 967 697	0	50 247 084
47	**XII.**	**Retained earning of the capital reserve**	30 967 697	0	50 247 084

Dated: Budapest, April 23rd 2014

Head (Representative) of the Entity

Stamp

Independent Auditor's Report

To the members of the Hungarian Hydrocarbon Stockpiling Association

Report on the Annual Report

1.) We have audited the accompanying 2013 Annual Report of the Hungarian Hydrocarbon Stockpiling Association, which comprises the Balance Sheet dated December 31st 2013 (in which total assets and liabilities are both HUF 276,057,866 thousand; the retained earnings of the year amount to HUF 50,247,084 thousand, all in the capital reserve), the Profit and Loss Statement for the year then ended, and the Supplementary Notes containing the main elements of the accounting policy and other explanatory information.

Management's responsibility for the annual financial statements

2.) The management is responsible for the preparation and fair presentation of the Annual Report in accordance with the Act on Accounting and with Act No. XXIII of 2013 on the emergency stockpiling of imported crude oil and petroleum products, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

3.) Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hungarian National Standards on Auditing and the laws and regulations effective in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5.) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6.) In our opinion, the Annual Report gives a true and fair view of the equity and financial position of the Hungarian Hydrocarbon Stockpiling Association as of December 31st 2013, and of the results of its operations for the year then ended, in accordance with the Act on Accounting.

Other Elements

7.) The present Independent Auditor's Report was prepared for the following general meeting to provide a basis for the owners' decision and, therefore, it does not contain the possible effects of the decisions of the general meeting.

Other Reporting Requirements relating to the Business Report

We have examined the Business Report of the Hungarian Hydrocarbon Stockpiling Association for the year 2013. The management is responsible for preparing the Business Report in accordance with the Act on Accounting. Our responsibility is to assess whether the Business Report is consistent with the Annual Report prepared for the same year. Our work regarding the Business Report has been restricted to assessing whether it is consistent with the Annual Report and did not include reviewing other information originating from non-audited financial records of the Association. In our opinion, the Business Report of the Hungarian Hydrocarbon Stockpiling Association for the year 2013 is consistent with the statements of the Annual Report of the Hungarian Hydrocarbon Stockpiling Association prepared for the same year.

Budapest, April 23rd 2014

Zsuzsanna Bartha	Zsuzsanna Bartha
Ernst and Young Kft	Registered Auditor
Registration No.: 001165	Hungarian Bar Association membership No.: 005268

Hungarian Hydrocarbon Stockpiling Association

SUPPLEMENTARY NOTES TO THE ANNUAL REPORT FOR 2013

1. General information

Name of business entity: Hungarian Hydrocarbon Stockpiling Association (referred to as: „the Association")

Abbreviated name: HUSA

Headquarters: 1037 Budapest, Montevideo u. 16/b

Year of establishment: 1993

Year of starting operation: 1993

Corporate form: other civil organization

Founder's property (at the time of establishment): HUF 0

Owners: N/A

Method of bookkeeping: double entry bookkeeping

Balance sheet: type 'A', balance sheet date (business year=calendar year): December 31st

Balance sheet prepared on: February 10th 2014

Profit and loss statement: type 'A', total cost method

Currency of the annual report: HUF

Core activities: Implementation of the stockpiling activities specified in Act No. XXIII of 2013 on the emergency stockpiling of imported crude oil and petroleum products, and in Act No. XXVI of 2006 on the emergency stockpiling of natural gas.

Dividend: not applicable due to the Association's legal position and purpose of operation.

Name and address of the person authorized to sign the annual report:

Dr. Béla Bártfai
1025 Budapest, Tömörkény u. 7/B.

2. Accounting methods, accounting policy

2.1. The Association keeps its books and records in accordance with Act C of 2000 on Accounting ("the Accounting Act"), Act No. XXIII of 2013 on the emergency stockpiling of imported crude oil and petroleum products ("the Oil Stockpiling Act") and Act No. XXVI of 2006 on the emergency stockpiling of natural gas ("the Gas Stockpiling Act"). The Association disposes of the of the regulations required for operation, including the consolidated Statutes, Rules of Organization and Operation, Cash Management Regulations, as well and as the Rules on Valuation, Inventory and Cost Price Calculation constituting a part of the Accounting Policy, all approved by the competent minister.

2.2. Section (1) of Article 32 of the Oil Stockpiling Act requires the preparation of an annual report irrespective of the balance sheet total, the amount of net sales revenues or the participations held by the Association in other companies. It does not have to prepare a consolidated annual report, according to the provisions of Art. 10 of the Accounting Act, either, regardless the fact that it has a majority participation in ÁMEI Zrt and in OPAL Zrt, for the Association is not an enterprise but "other legal entity defined in a separate provision of law", as stipulated in point 4.r of Section (1) of Art. 3. Accordingly, the Association prepared annual reports in the previous years as well, with a content that complies with the principles of Art. 15 of the Accounting Act. Pursuant to Section (1) of Art. 35 of the Oil Stockpiling Act, in relation to the annual report we also prepare a detailed report including figures and text on the fulfillment of the budget. This corresponds to the Business Report.

2.3. The amount of the profit before taxation, which is equal to the profit after taxation, considering that (pursuant to Art. 12 of the Oil Stockpiling Act) the Association has no tax payment obligation, increases the amount of the capital reserve in accordance with point 11.7 of the Statutes of the Hungarian Hydrocarbon Stockpiling Association.

2.4. Valuation procedures applied in the preparation of the annual report are in compliance with the provisions of the Accounting Act and the Accounting Policy of the Association. In the balance sheet, intangible assets and fixed assets are recorded at a value considering the difference between budgeted and over the budget depreciation (calculated on the basis of the acquisition value and residual value). Financial investments appear at historical cost, and inventories are shown in the balance sheet at purchase price, with the aggregate amount of the settlement price and its related price difference. The receivables and liabilities are verified, reconciled and valuated in accordance with the Accounting Act. The value of liquid assets is confirmed by supporting status reports and is verified by audit procedures.

2.5. The Association prepares its balance sheet in version "A" in accordance with Appendix 1 of the Accounting Act, and prepares its profit and loss statement with the total cost method in version "A" in accordance with Appendix 2 of the Act. In compliance with Section (3) of Art. 32 of the Oil Stockpiling Act, the Association keeps separate internal accounts of the assets and liabilities, incomes and expenses related, on the one hand, to crude oil and petroleum products stockpiling and, on the other hand, to gas stockpiling; the Association presents these separate internal records in the Supplementary Appendix of the Annual Report.

2.6. Pursuant to Paragraphs (2)-(3) of Art. 155 of the Accounting Act, the auditing of books is mandatory at the Association. Based on the approval of the General Meeting, the audit is carried out by Zsuzsanna Éva Bartha registered auditor of Ernst & Young Könyvvizsgáló Kft. (member of the Chamber of Hungarian Auditors' Budapest Organization, membership number: 005268, registration number: 005237). The annual fee of auditing is HUF 2,900,000. Katalin Arató (1173 Budapest, Fodor u. 84/b, registration number: 132110), financial and accounting manager is responsible for the duties of accounting services.

3. Information related to items of the Balance Sheet and the Profit and Loss Statement

3.1. Changes in intangible and fixed assets (HUF thousand)

	Gross amount	Depreciation	Net amount
I. Intangible assets			
1. Rights			
- Opening value 01/01/2013	47 351.6	23 214.4	24 137.2
- Increase	2 121.3	8 285.3	
- Decrease	941.0	941.0	
- Closing value 31/12/2013	48 531.9	30 558.7	**17 973.2**
2. Intellectual property			
- Opening value 01/01/2013	7 812.5	6 345.0	1 467.5
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value 31/12/2013	7 812.5	6 345.0	**1 467.5**
3. Goodwill			
- Opening value 01/01/2013	6 101 244.9	5 246 702.7	854 542.2
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value 31/12/2013	6 101 244.9	5 246 702.7	**854 542.2**
II. Fixed assets			
1. Real-estate and related rights			
- Opening value 01/01/2013	29 860.1	12 848.5	17 011.6
- Increase	0.0	2 717.4	
- Decrease	0.0	0.0	
- Closing value 31/12/2013	29 860.1	15 565.9	**14 294.2**
2. Other equipment, vehicles			
- Opening value 01/01/2013	109 132.7	67 685.5	41 447.2
- Increase	14 749.8	10 407.6	
- Decrease	18 058.2	12 658.9	
- Closing value 31/12/2013	105 824.3	65 434.2	**40 390.1**
Total closing value 31/12/2013			**928 667.2**

The depreciation accounted in 2013 was entirely a straight-line depreciation as planned.

3.2. In 2005, the Association had a participation of HUF 240,000 thousand (30%) in IPR Vámosgyörk Zrt (Seat: 3291 Vámosgyörk, Kossuth tanya 1.). In 2006 the Association acquired the share packages of 15% of ETSHON, 58.58% of MÁD-OIL Kft. and 0.42% of MKB Nyrt., thus becoming 100% owner. In relation to the share purchase, a negative business value of HUF 814,990 thousand was booked as deferred income.

3.3. Following the 2006 demerger of PETROTÁR Kft., 58.62% of shareholders' equity was transferred to the newly established Péti-Terminál Tároló (PTT) Kft. (Seat: 1037 Budapest, Montevideo u. 1 /b.). The Association maintained its original share of 30% in the new PTT Kft. as well, and later in the year it purchased the remaining 70% of PTT Kft. and became 100% owner. In relation to this acquisition, HUF 854,542 thousand positive goodwill was accounted.

3.4. As of December 1st 2007, Kőolajtároló Zrt, IPR Vámosgyörk Zrt and PTT Kft merged into OPAL Zrt, whose sole owner is the Association.

3.5. In 2004, the Association had majority share of HUF 39,600 thousand (90%) in ÁMEI Zrt (Seat: 2040 Budaörs, Gyár u. 2.). The owners increased the capital in 2005, thus the participation of the Association increased to HUF 140,000 thousand (93%). In 2009, OPAL Tartálypark Zrt acquired a share of 31.8% in the company, through a cash deposit of HUF 70,000 thousand, thus the Association's share decreased to 63.6 %.

3.6. In 2006, the Association founded MSZKSZ Biztonsági Földgáztároló Zrt with a capital of HUF 1 billion. In the Agreement of Shareholders and on the Allotment of Shares concluded on January 3rd 2007, the Association sold 62% of its ownership ratio to MOL Nyrt. In this shareholders' agreement the owners decided upon a capital increase of HUF 9,020 million, of which HUF 3,000 million from the Association, thus the total participation of the Association is HUF 3,380 million, representing a share of 33.73%. As registered on October 4th 2007, the name of the company was changed to MMBF Földgáztároló Zrt (Seat: 1117 Budapest, Budafoki út 79). By another increase in the equity registered on July 25th 2008, the share capital of the company increased to HUF 22,395 million. The Association contributed to the capital increase with HUF 2,786.8 million, thus the value of investment rose to HUF 6,166.8 million, representing a share of 27.4%. In the 2010 business year, the company started to keep its books in euro, and its equity rose to a value exceeding its share capital. In 2011, a decision was taken to dematerialize the company's shares. In order to remove the difference resulting from the rounding of figures (difference between the nominal value of shares and the total share capital), the owners decided to decrease the share capital. This did not substantially affect the ownership ratios.

In 2013, the majority owner MOL Nyrt decided to sell its share. In accordance with the Share Purchase Agreement made between MOL Nyrt as seller and between MFB Zrt and HUSA as buyers, the majority owner (51%) of the company became MFB Zrt on December 30th 2013, and the participation of HUSA increased to 49%.

3.7. The association has significant participation:

- in Petrotár Kőolajterméktároló és Kereskedelmi Korlátolt Felelősségű Társaság (Seat: 1143 Budapest, Besnyői u. 13) where, in 2008, the owners decided upon a capital increase of 100 Mn HUF, to which the Association did not contribute. Thus the ownership share in the company decreased from 30% to 20%, with an unchanged value of HUF 60 million. In 2009, through demerger, the company founded Petrotár Projekt Kft. During the demerger the capital was also divided, the Association maintained a 20 % share in both companies, meaning a capital of HUF 40 million and HUF 20 million, respectively. On the balance sheet date of February 16th 2011, the Court of Registry registered the capital decrease of Petrotár Projekt Kft to HUF 3,000,000. Thus the capital invested by the Association was reduced to HUF 600,000, still representing 20. Petrotár Project Kft. Was dissolved without going into liquidation and the Company Court of the Budapest-Capital Regional Court ruled its removal from the register of companies as of February 6th 2013.

- of HUF 420,000 thousand (25.93%) in Terméktároló Zártkörűen Működő Részvénytársaság (Seat: 1037 Budapest, Montevideo u. 16/b).

3.8. The line "participation in affiliates" contains the following items:

Participation (Company name)	Book value of Participation 31/12/ 2013 (HUF thousand)	Ownership ratio	Note
OPAL Zrt	13 552 254	100.0%	Subsidiary company
ÁMEI Zrt	140 000	63.6%	Subsidiary company
MMBF Zrt	12 760 995	48.9%	Associated undertaking
TERMÉKTÁROLÓ Zrt	420 000	25.9%	Associated undertaking
PETROTÁR Kft	40 000	20.0%	Associated undertaking
Total	**26 913 249**		

The following table shows the shareholders' equity of the companies on December 31st 2013:

(HUF thousand)	Shareholders equity	Share capital	Capital reserve	Profit reserve	Deposited reserve	Valuation reserve	Retained earnings
OPAL Zrt	18 360 163	4 000 000	3 223	12 385 750	750 000	0	1 221 190
ÁMEI Zrt	612 311	220 000	7 464	367 955	0	0	16 892
MMBF Zrt.[1]	50 425 298	24 535 935	737	16 034 350	790 923	0	9 063 354
Terméktároló Zrt.	2 618 257	1 620 000	0	0	0	0	998 257
Petrotár Kft.[2]	1 373 884	200 000	0	1 163 216	10 668	0	0

1 Since 01/01/2010 books are kept in euro, the components of the equity were converted into forint at the end-of-year exchange rate of the Hungarian National Bank

2 The data are not final

3.9. Book value of inventories on December 31st 2013

	Unit	Stored quantity	Inventory value (HUF thousand)	Division acc. to volume (%)
Crude oil	tons	492 852,93	61 568 968	45.1
Gasoline ESZ 95	liters at 15ºC	302 841 288,00	40 209 576	17.1
Gas oil EN 590	liters at 15ºC	522 032 002,00	76 896 814	35.6
Heating oil for power generation	tons	8 531,27	586 095	2.2
			179 261 453	**100.0**
Natural gas	GJ	23 523 337,52	44 655 734	
			223 917 187	

3.10. Accounts receivable were settled by the balance sheet closing date.

Other receivables (HUF thousand)	**31/12/2012**	**31/12/2013**
Advances	6 961	6 080
Receivables from employees	0	11 067
Local taxes, health care benefit contribution in excess	20	6
Account for natural gas contribution fees	1 705 443	1 384 263
Account for crude oil contribution fees	1 171 035	2 436 941
Deferred, technical VAT advances	264 698	246 037
Value-added tax	5 470 580	2 160 038
	8 618 737	**6 244 432**

	31/12/2012	**31/12/2013**
PREPAYMENTS AND ACCRUED INCOME (HUF thousand)	**3 738 796**	**3 866 394**
Capacity reservation fee for Q1 (Jan.-March)	3 727 753	3 814 058
Office rent, operating cost	8 082	6 320
Insurance fees	960	4 446
Subscription fee of trade literature	101	52
Software support fee	131	0
IT security package fee	0	316
Collateral agent fee	0	402
Accrued costs and expenses	**3 737 027**	**3 825 594**
Income from ticket sales	0	27 099
Interest on fixed deposits	1 769	13 701
Accrued income	**1 769**	**40 800**

No special provisions were made for future costs, expected liabilities or under other titles in the 2013 business year.

3.11. The following table shows liabilities related to long-term acquisition loans, on December 31st 2013:

	Loan portfolio on 31-12-2012	Loan portfolio on 31-12-2013	Loan expiration date	Short term part
IPRV ZRT	EUR 1.91 Mn	EUR 0.64 Mn	20-03-2014	EUR 0.64 Mn
PTT KFT	HUF 600 Bn	HUF 200 Mn	20-01-2014	HUF 200 Mn

3.12. Of long-term loans, HUF 3 655 297 thousand (part falling due in 2014) was transferred to short-term loans. After the transfer, the balance-sheet value of short-term loans was HUF 45 519 607 thousand.

3.13. Charges related to loans:

In connection with acquisition loan agreements, the Association agreed on granting debt collection rights to creditors, with respect to the bank accounts held at creditors.

As a security to creditors with which the Association entered into loan agreements financing stocks, the Association agreed on the assignment of the insurance income derived from insurance contracts made by companies with which the Association has a contract relating to stockpiling, and of the income from the sale of stocks.

Additional charges:

Right of creditors over one equity share of a nominal value of HUF 4,000,000,000 in OPAL Zrt (Seat: 1037 Budapest, Montevideo utca 16), in which the Association is currently sole owner, as a collateral of the refinancing loan agreement made on October 31st 2007.

Option right of MOL Nyrt on the shares held by the Association in MMBF Zrt (Seat: 1117 Budapest, Budafoki út 79), according to which MOL Nyrt may decide unilaterally to purchase all (and not less than all of) the shares of the Association in MMBF Zrt in case that the duty, provided by law to ensure the strategic stockpiling of natural gas ceases to exist, or in case the Association is in delay for more than ninety (90) days in the payment of the storage fee payable on the basis of the long-term natural gas storage agreement. MOL Nyrt may exercise its option right to purchase within ninety (90) days following the date of the above events. The option right was founded on January 4th 2012. With the sale of the participation of MOL Nyrt on December 30th 2013, the right to purchase ceased to exist.

3.14. Accounts payable to suppliers shows HUF 114 638 thousand, and short-term liabilities to affiliates shows HUF 1 063 771 thousand. Accounts payable to suppliers were fully settled by the Balance Sheet closing date.

3.15.

Other liabilities (HUF thousand)	31/12/2012	31/12/2013
Tax and contributions	12 324	13 765
Crude oil contribution fee account	0	50 542
Natural gas contribution fee account	0	616 774
Accounting of settlement of income	287	28
	12 611	**681 109**

3.16. The average statistical permanent staff of the Association is 14 persons, wages in value of HUF 234 388 thousand were paid to them in the course of the year. The Association awarded employees HUF 1 001 thousand fringe benefits and provided interest-free loans to 4 persons in a value of HUF 36.3 Mn as of December 31st 2013. All employees belong to the employment category of intellectual workers.

3.17. The Board of Directors and the Supervisory Board of the Association received fees in value of HUF 90 810 thousand. No guarantee, loans or advance payments were granted to them.

3.18. The Association was involved in one lawsuit in 2013. The fulfillment of the contract of deposit concluded on July 23rd 2007 between NAFTA DEPO Szolgáltató Kft and the Association was being disputed; the Association sent back the invoices issued by the Depositary without settlement. NAFTA DEPO Kft transferred its receivables to two companies, which initiated a damage suit against the Association. In accordance with the final court decision, issued on January 16th 2014, the Association paid HUF 13.56 Mn damages.

Currently, the Association has no lawsuits pending.

3.19. Under the applicable law, the Association has no such obligations and tasks relating to environmental protection, which would require the forming of provisions. Moreover, the Association has no hazardous waste or noxious substance in its possession and it does not hold tangible assets directly intended for the protection of the environment.

3.20. Net assets

3.20.1. Changes in the structure of assets

Elements of assets	31/12/2012	31/12/2013	Percentage (%)		Change (%)
	HUF thousand	*HUF thousand*	**2012**	**2013**	**2013/2012**
Assets employed	21 258 260	27 868 037	8.7	10.1	131.1
Current assets	219 393 613	244 323 435	89.8	88.5	111.4
Accruals	3 738 796	3 866 394	1.5	1.4	103.4
Total assets	244 390 669	276 390 669	100.0	100.0	113.0

3.20.2. Changes in the structure of resources

Elements of resources	21/12/2012	31/12/2013	Percentage (%)		Change (%)
	HUF thousand	*HUF thousand*	**2012**	**2013**	**2013/2012**
Shareholders' equity (capital reserve)	140 646 401	190 896 484	57.6		135.7
Provisions	47 157	0	0.0		0.0
Liabilities	103 657 015	85 086 695	42.4		82.1
Deferrals	37 096	74 687	0.0	0.0	201.3
Total resources	244 390 669	276 057 866	100.0	100.0	113.0

4. Cash flow statement

Cash flow from ordinary activities (HUF thousand)

		2012	2013
1	Profit before taxation*	30 235 428	44 708 888
2	Change in loans not involving monetary movement	-9 182 265	-
3	Accounted depreciation	20 727	21 410
4	Accounted loss in value	15	-
5	Difference between provisions made and used	47 157	-47 157
6	Gains/losses on sales of assets employed	-3 261	221
7	Change in accounts payable	-4 549 866	-17 044
8	Change in other short-term liabilities	-24 623	599 934
9	Change in deferrals	-407 709	37 591
10	Change in accounts receivable	-137 325	-2 176 633
11	Change in current assets (w/out acc. receivable, cash)	-18 548 376	-20 718 653
12	Change in accruals	412 792	-127 598
13	Tax paid (on profits)	-	-
14	Dividend paid	-	-
Operating cash flow (lines 1 to 13)		**-2 137 306**	**22 280 959**

** Adjusted by dividend received.*

Cash flow from investment activities (HUF thousand)

		2012	2013
15	Purchase of assets employed	-19 686	-6 631 187
16	Sale of assets employed	11 889	6 028
17	Dividend received	732 269	5 531 946
Cash flow from investments (lines 15 to 17)		**889 896**	**-1 093 213**

Cash flow from financial transactions (HUF thousand)

	2012	2013
Proceeds from the issue of stocks	-	-
Proceeds from the issue of bonds	-	-
Loans received	94 117 562	74 969 775
Liquid assets received definitely	-	-
Retirement of stock (capital reduction)	-	-
Repayment of bonds	-	-
Repayment of loans	-125 490 060	-94 122 985
Liquid assets transferred definitely	-	-
Cash flow from financial activities (lines 18 to 25)	**-31 372 498**	**-19 153 210**

Change of liquid assets (± I ± II ± III): (HUF thousand)

2012	2013
-32 785 332	2 034 536

5. Indicators of assets, financial position and revenues

5.1. Indicators of assets

5.1.1. Equity Ratio

	31/12/2012		**31/12/2013**	
$\frac{\text{Equity}}{\text{Total assets}}$	$\frac{140\,649\,401}{244\,390\,669}$	= 0.58	$\frac{109\,681\,706}{258\,912\,776}$	= 0.69

5.1.2. Borrowed Capital Ratio

	31/12/2012		**31/12/2013**	
$\frac{\text{Borrowed capital}}{\text{Total assets}}$	$\frac{103\,741\,268}{244\,390\,669}$	= 0.42	$\frac{85\,161\,382}{276\,057\,866}$	= 0.31

5.1.3. Leverage Ratio

	31/12/2012		**31/12/2013**	
$\frac{\text{Borrowed capital}}{\text{Equity}}$	$\frac{103\,741\,268}{140\,649\,401}$	= 0.74	$\frac{85\,161\,382}{190\,896\,484}$	= 0.45

The Association was established with "0" registered capital. Its assets are financed from short-term and medium-term loans and its investments by long-term loans.

5.1.4. Coverage of Assets Employed

	31/12/2012		**31/12/2013**	
Equity + long-term liabilities / Assets employed	191 282 630 / 21 258 260	= 9.00	228 604 054 / 27 868 037	= 8.20

5.1.5. Working Capital

	31/12/2012		**31/12/2013**	
Current assets – short-term liabilities / Equity	166 369 827 / 140 649 401	= 1.18	196 944 310 / 190 896 484	= 1.03

The above ratios show that the fixed assets of the Association are largely covered by long-term sources. Meanwhile, the major part of current assets not financed by short-term sources are also covered by own sources.

5.2. Financial liquidity indicators

5.2.1. Liquidity ratio

	31/12/2012		**31/12/2013**	
Current assets / Short-term liabilities	219 393 613 / 53 023 786	= 4.14	244 323 435 / 47 379 125	= 5.16

A ratio value higher than 1 indicates good liquidity position.

5.2.2. Long-term Indebtedness Ratio

	31/12/2012		**31/12/2013**	
Debt portfolio / Long-term liabilities + Equity	102 380 387 / 191 282 630	= 0.54	83 227 177 / 228 604 054	= 0.36

Due to the non-profit nature of the Association's activity, the calculation of profitability ratios is practically irrelevant.

6. Balance Sheet, Profit and Loss Statement for the Oil and the Gas Sections

ASSETS (HUF thousand)

	Description	Oil Section 31/12/2013	Gas Section 31/12/2013	Total
1	**A. Assets employed**	14 629 649	13 238 388	27 868 037
2	I. INTANGIBLE ASSETS	436 992	436 991	873 983
3	Capitalized Value of Establishment and Restructuring			
4	Capitalized Value of R+D			
5	Rights	8 987	8 986	17 973
6	Intellectual Property	734	734	1 468
7	Business Value-Goodwill	427 271	427 271	854 542
8	Advance payment for Intangibles			
9	Reassessment of Intangible Assets			
10	II. FIXED ASSETS	27 342	27 342	54 684
11	Real-estates and related rights	7 147	7 147	14 294
12	Machinery and Equipment			
13	Other Equipment, fittings and vehicles	20 195	20 195	40 390
14	Breeding Livestock			
15	Capital expenditures, renovation			
16	Advance payment on Capital Expenditures			
17	Reassessment of Fixed Assets			
18	III. FINANCIAL INVESTMENTS	14 165 315	12 774 055	26 939 370
19	Participations in affiliates	14 152 254	12 760 995	26 913 249
20	Long-term loans granted to affiliates			
21	Other participations			
22	Long-term loans granted to other participations			
23	Other long-term loans granted	13 061	13 060	26 121
24	Long-term credit securities			
25	Reassessment of Financial Investments			
26	**B. Current assets**	191 740 264	52 583 171	244 323 435
27	I. INVENTORIES	179 261 453	44 655 734	223 917 187
28	Materials			
29	Work in progress and semi-finished products			
30	Growing, feeding and other livestock			
31	Finished goods			
32	Goods	179 261 453	44 655 734	223 917 187
33	Advance payment for Inventories			
34	II. RECEIVABLES	5 962 513	2 595 877	8 558 390
35	Accounts Receivable (Trade Receivables)	2 313 958	0	2 313 958
36	Receivables from affiliates			
37	Receivables from other participations			
38	Receivables from bills of exchange			
39	Other receivables	3 648 555	2 595 877	6 244 432

ASSETS (cont.)

40	III. SECURITIES	0	0	0
41	Participations in affiliates			
42	Other participations			
43	Own shares and holdings			
44	Credit securities for trading			
45	IV. CASH	6 516 298	5 331 560	11 847 858
46	Cash in hand, cheques	245	244	489
47	Bank accounts	6 516 053	5 331 316	11 847 369
48	**C. Accruals**	40 403	3 825 991	3 866 394
49	Accrued revenue	34 635	6 165	40 800
50	Accrued costs and expenses	5 768	3 819 826	3 825 594
51	Deferred expenses			
		206 410 316	69 647 550	276 057 866
52	Total assets	0	0	0

LIABILITIES (HUF thousand)

Line no.	Description	Oil Section 31/12/2013	Gas Section 31/12/2013	Total
53	**D. Shareholders' Equity**	95 448 242	95 448 242	190 896 484
54	I. SHARE CAPITAL			
55	of which: Own Shares and Stocks repurchased			
56	II. CALLED UP CAPITAL NOT FUNDED (-)			
57	III. CAPITAL RESERVE	95 448 242	95 448 242	190 896 484
58	IV. ACCUMULATED PROFIT RESERVE			
59	V. DEPOSITED RESERVE			
60	VI. VALUATION RESERVE			
61	VII. RETAINED EARNING (for the period)			
62	**E. Provisions, Allowances**	0	0	0
63	Provisions for Expected Losses			
64	Provisions for Expected Obligations			
65	Other Provisions, Allowances			
66	**F. Liabilities**	37 015 863	48 070 832	85 086 695
67	I. BACKDATED LIABILITIES	0	0	0
68	Backdated liabilities to affiliates			
69	Backdated liabilities to other participations			
70	Backdated liabilities to other businesses			
71	II. LONG-TERM LOANS	16 214 255	21 493 315	37 707 570
72	Long term loans received			
73	Transferable bonds			
74	Payable for Bond issue			
75	Investment and development loans			
76	Other long-term loans	16 214 255	21 493 315	37 707 570
77	Long-term liabilities to affiliates			
78	Long-term liabilities to other participations			
79	Other long-term liabilities			

LIABILITIES (cont.)

80	III. SHORT-TERM LIABILITIES	20 801 608	26 577 517	47 379 125
81	Short-term credits			
82	Of which: convertible bonds			
83	Short-term loans	19 573 431	25 946 176	45 519 607
84	Advances received from customers			
85	Accounts payable to Suppliers (trade creditors)	106 968	7 670	114 638
86	Debts under bills of exchange			
87	Short-term liabilities to affiliates	1 063 771	0	1 063 771
88	Short-term liabilities to other participations			
89	Other short-term liabilities	57 438	623 671	681 109
90	G. Deferrals	16 966	57 721	74 687
91	Accrued income	0	54 928	54 928
92	Accrued costs and expenditures	16 966	2 793	19 759
93	Differed receivables			
94	Total liabilities	132 481 071	143 576 795	276 057 866

PROFIT AND LOSS STATEMENT (HUF thousand)

Line no.	Description	Oil Section 31/12/2013	Gas Section 31/12/2013	Total
1	1 Net Domestic Sales	118 823 780	8 957 801	127 781 581
2	2 Net Export Sales	81 557	0	81 557
3	**I. Net Sales (01+02)**	118 905 337	8 957 801	127 863 138
4	3 Change in Inventories of own Production±			
5	4 Capitalized Value of assets from own Production			
6	**II. Capitalized Value of own Production (±03+04)**	0	0	0
7	**III. Other Revenues**	15 898 482	12 994 034	28 892 516
8	Of which: Member Contribution Fee, oil section	15 870 790		15 870 790
9	Member Contribution Fee, gas section		12 966 343	12 966 343
10	5 Material Expenses	20 164	20 164	40 328
11	6 Value of Services	10 805 093	15 195 825	26 000 918
12	7 Other services	5 831	5 830	11 661
13	8 Cost of Sales	72 939 717	8 957 801	81 897 518
14	9 Value of services sold (mediated)	137	137	274
15	**IV. Expenses (05+06+07+08+09)**	83 770 942	24 179 757	107 950 699
16	10 Wages and Salaries	117 194	117 194	234 388
17	11 Other personnel Expenses	51 822	51 821	103 643
18	12 Social Security	44 437	44 436	88 873
19	**V. Total Personnel Expenses (10+11+12)**	213 453	213 451	426 904
20	**VI. Depreciation**	10 705	10 705	21 410
21	**VII. Other Expenses**	9 558	9 557	19 115
22	Of which: loss of value			
23	**A. OPERATING (BUSINESS) PROFIT (I+II+III+IV+V+VI+VII)**	50 799 162	-2 461 635	48 337 526

PROFIT AND LOSS STATEMENT (cont.)

24	**13 Dividends received**	4 702 098	829 848	5 531 946
25	**Of which: from affiliates**	4 702 098	829 848	5 531 946
26	**14 P/L of Equity sales**			
27	**Of which: from affiliates**			
28	**15 Interest Income on Financial Investments**	192	0	192
29	**Of which: from affiliates**			
30	**16 Other interest or interest bearing income**	295 222	241 545	536 767
31	**Of which: from affiliates**			
32	**17 Other Income of Financial Activity**	1 120 709	1 485 591	2 606 300
33	**VIII. Income of Financial Activity (13+14+15+16+17)**	6 118 221	2 556 984	8 675 205
34	**18 Exchange loss on Financial Investments**			
35	**Of which: to affiliates**			
36	**19 Interest Paid**	1 183 263	1 469 959	2 653 222
37	**Of which: to affiliates**			
38	**20 Write-off of Financial Investments**			
39	**21 Other Expenses of Financial Activities**	1 768 343	2 344 082	4 112 425
40	**IX. Expenses of Financial Activities (15+19±20+21)**	2 951 606	3 814 041	6 765 647
41	**B. PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)**	3 166 615	-1 257 057	1 909 558
42	**C. INCOME OF ORDINARY ACTIVITIES (±A±B)**	53 965 777	-3 718 693	50 247 084
43	**X. Extraordinary Income**			
44	**XI. Extraordinary Expenses**			
45	**D. INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)**	0	0	0
46	**E. PROFIT BEFORE TAXATION (±C±D)**	53 965 777	-3 718 693	50 247 084
47	**XII. Retained earning of the capital reserve**	53 965 777	-3 718 693	50 247 084

7. Preparations for a new task

The Modifying Act, effective since the end of 2012, also amended the Oil Stockpiling Act, defining an additional task for HUSA. Accordingly, a marking and monitoring system has to be created and operated for the monitoring of petroleum products placed into free circulation, imported and used. However, it will probably be necessary to defer the July 1st 2014 deadline originally set for the introduction of the system, considering that the implementing regulation[1] containing the detailed rules of the system has not yet been published due to the notification procedure under course of the European Union. Without this regulation, the Association may not engage the contractor for the implementation and operation of the system.

For the legal and consultancy services related to the marking and monitoring of petroleum products, the Board of Directors approved an appropriation of HUF 30 Mn at the January 16th 2013 meeting; this was later increased to HUF 50 Mn by decision No. 10/2014 (May 14th).

A smaller part of this fund (HUF 3 Mn) was used in connection to the year 2012; however, the larger portion belongs to the 2013 budget (HUF 20 Mn). These expenses were appropriated for legal and consultancy services and no other costs were incurred in relation to this task in the 2013 budget.

Budapest, April 23rd 2013

Dr. Béla Bártfai	Zsuzsanna Dávid
Managing Director	Deputy Managing Director

[1] The draft regulation concerning „The detailed rules for the operation of the petroleum products monitoring and marking system, and the characteristics of the marking substance", prepared by the National Ministry of Development (NFM), was submitted to the European Commission for notification procedure on August 28th 2013.