HUNGARIAN
HYDROCARBON
STOCKPILING
ASSOCIATION

Annual Report 2011.

1. Introduction

1.1. Main tasks for the year 2011

In 2011, the Hungarian Hydrocarbon Stockpiling Association ("HUSA" or "the Association") set out to ensure the sale of surplus stocks existing in addition to the level of emergency natural gas reserves, prescribed by *Act XXVI of 2006* (hereafter: "Fbkt") *on strategic stockpiling of natural gas* as falling within the interval of 600 to 1200 Mn m³, and specified at 915 Mn m³ by the minister in charge of energy policy in the *(amended) Decree No. 13/2011 (IV. 7.) NFM* (the "Decree") *on the size, sale and replenishment of strategic stockpiles of natural gas.*

Regarding crude oil and oil products stockpiling, tasks included the maintenance of liquid hydrocarbon stocks existing in accordance with the several times amended Act XLIX of 1993 on strategic stockpiling of imported crude oil and oil products (hereafter: "Kt"), corresponding to at least 90 days' domestic consumption in each product group, as well as the fulfilment of the required stock replacements at the lowest possible cost.

In connection with these obligations, the Association had to:

- minimise stockpiling costs and membership fees,
- adjust the level of stocks to the prescribed level of stockpiling,
- continuously examine and inspect the qualitative parameters, renew and preserve the volume of stored products, and
- determine the stockpiling obligations.

1.2. Conditions of stockpiling

The Association operates according to the following principles:

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

The Association pursues exclusively the activities described in the Stockpiling Acts and in the Statutes, or those closely related thereto.

The main elements of the system are:

- Since 2007, the Association's budget separately indicates the cost/revenue structures of the natural gas and crude oil sections;
- Stocks are stored in the Association's own facilities and in rented storage areas;
- The purchase of products to be stored is financed by bank loans; principal repayments on stock purchase loans begin when the stocks are sold;
- Members' contribution fees have to cover the interest due on loans, the storage costs, the operating costs of the Association, and other expenditures related to the maintenance of the quality and quantity of stocks.

1.3. Economic environment

As in previous years, the economic climate in 2011 was still under the effect of the financial crisis having spread from the United States to the European continent, and increasingly turned into a crisis of the real economy. While in previous years the consequences of the crisis mainly bore upon market operators, a recent phenomenon is a crisis affecting individual states as sovereign entities as well, destabilising their central budgets. Weakly performing countries (Greece, in particular), and the strong devaluation of the financial instruments financing their debts, created a precarious situation for the operators of the financial and corporate sectors throughout Europe. The stability of the euro zone was also seriously upset, the effects of which spread to non euro zone countries too. The handling of the resulting imbalances and the necessity to severe budget discipline in Europe led again to a scarcity of resources for the corporate sector. On the regulatory side, the change in the European capital requirement calculation method intensified this phenomenon; in simple terms, this rendered more expensive the traditional banking resources (due to the additional capital requirement), or simply forced financial operators to decrease their total assets, which cut resources for the corporate sector. Moreover, there continues to be a climate of distrust among the actors of the financial sector and toward debtors, which necessitated repeated interventions by regulatory agencies (e.g. the European Central Bank) in order to maintain liquidity.

The above developments at the international level had an effect on the domestic economy as well. Several of the resulting economic policy decisions are unfavourable to growth and resourcing on the short term; additionally, international credit rating agencies gave a bad rating for Hungary and its sovereign foreign-currency debt, making the country lose its investment-grade rating. This created a critical situation to all economic operators whose market perception is related for any reason to the country's rating.

On the whole, the Association was less affected by the unfavourable economic context than in 2009, but it was more exposed than in 2010. However, the difficulties could be handled in 2011 as well, due to the nature of the Association's tasks and adaptation to the unfavourable conditions: with more conservative budget targets (cost and revenues), more stringent savings, a reorganisation of financing and a deliberate investment policy.

As a whole, despite a number of obstacles and negative circumstances, the budget goals were fulfilled according to the expectations or even exceeding them, in accordance with the legal and statutory obligations.

The macroeconomic indicators characterising the economic context, and the primary conditions taken into account in the annual report and for the annual budget plan, are the following.

Performance of the domestic economy (Gross Domestic Product)

The performance of the Hungarian economy as shown by the volume of the Gross Domestic Product (GDP) somewhat increased since 2010. In 2011, the GDP was 1.7 percent higher than a year earlier.

The change in GDP over the last three years shows the effects of the crisis, which started in the financial sector and then turned into a real economy crisis; it indicates a serious decline of economic performance, followed by a slight improvement, which was also reflected in energy consumption (primarily in natural gas consumption where the setback was dramatic).

Table 1
GDP Volume Indexes from 2009 to 2011

Same period of the previous year = 100.0

	Non-adjusted (raw) data (%) I-IV.	Data adjusted for calendar effects (%) I-IV.
2009	**93.2**	**93.3**
2010	**101.3**	**101.2**
2011	**101.7**	**101.7**

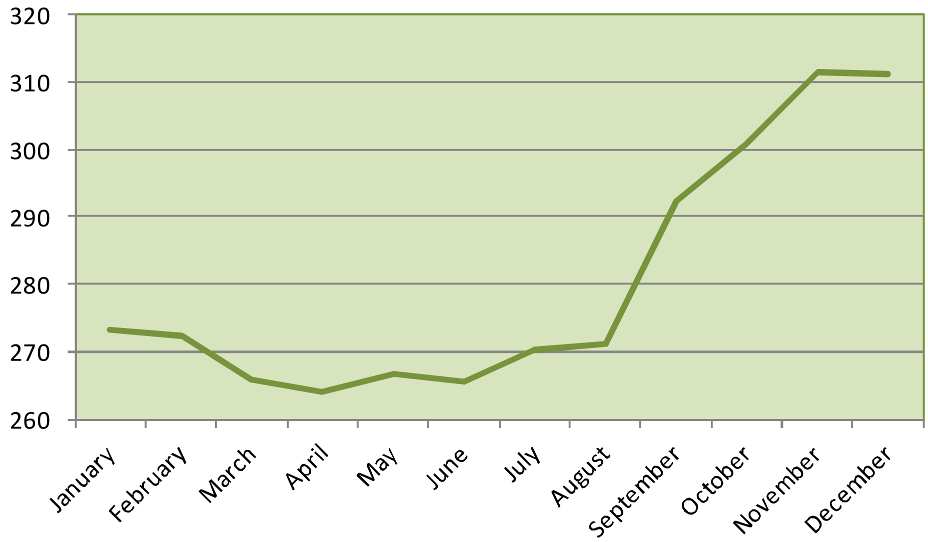
Source: Central Statistical Office

Forint / Euro exchange rate

The exchange rate of the forint was extremely volatile in 2011, especially in the second half of the year. It came close to, and even exceeded the values registered in the beginning of 2009, which used to be regarded as a historically low level.

By the end of 2011, the exchange rate failed to stabilise, and the closing value was particularly weak. This was partly due to the fact that all three principal credit rating agencies (Standard & Poor's, Fitch Ratings, Moody's) downgraded Hungary's sovereign foreign-currency debt to non-investment-grade, maintaining negative outlook; moreover, there were increasing uncertainties over debt financing and the country's intent to cooperate with international institutions. In 2011, the EUR/HUF rate remained in the 263-316 band. The closing value on December 31st was 311.13, and the average annual exchange rate was EUR/HUF 280.32.

Diagram 1
Monthly Average Euro Exchange Rates in 2011



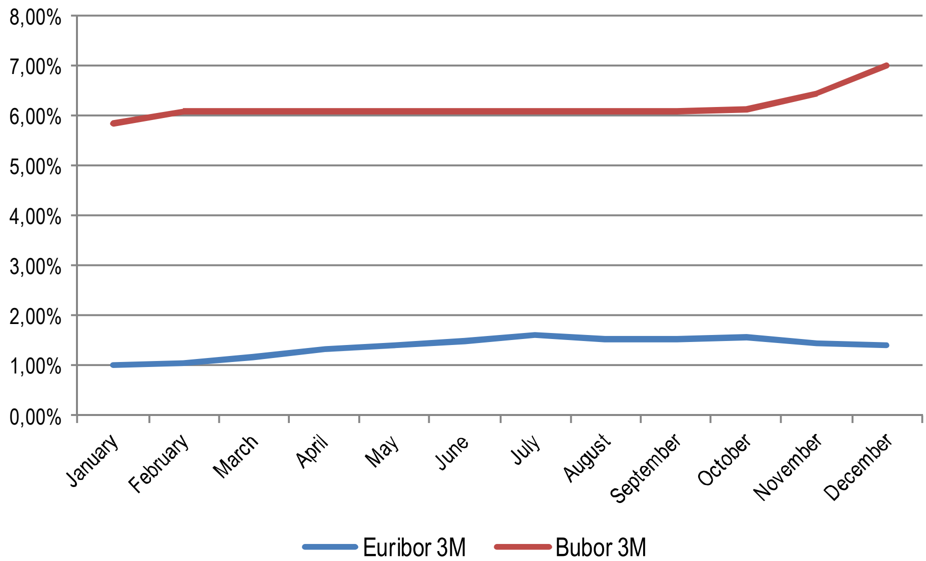
Interest rate context

In 2011, the level of interest rates was still also under the effect of the financial and real economy crises, and a new wave of unfavourable trends. The measures taken by the Hungarian National Bank were motivated by complex and changing considerations, including intents to stabilise the currency, to tackle growth risks and inflation. As a result of the monetary policy decisions taken in 2011, the base rate of the central bank rose to 7%.

In the European Economic Area, the decisive Euro interest rate levels showed an opposite trend to that expected. The economic problems arising in the various member states rendered the stability of the entire Euro zone precarious over a longer period, weakening the growth and interest rate outlook. In 2011, short-term interest rates plunged anew, while the rates were expected to rise on the long term. Market liquidity shrank and regulatory interventions were again necessary in order to maintain its level.

Due to the unfavourable developments of 2011 affecting domestic HUF interest rates, the foreign-currency indebtedness of the corporate sector could not be reduced; only the proportion of the different currencies changed. The former dominance of the Euro temporarily weakened as the dollar gained in importance, due to changes in swap costs and margins (for a time it was reasonable to opt for dollar sources and promptly swap, even in the case of Euro debt). The subsequent change in cross rates and the temporary shrinking of dollar liquidity (later resolved with significant central bank participation) altered these possibilities.

Diagram 2
Base Rates of Interest in 2011

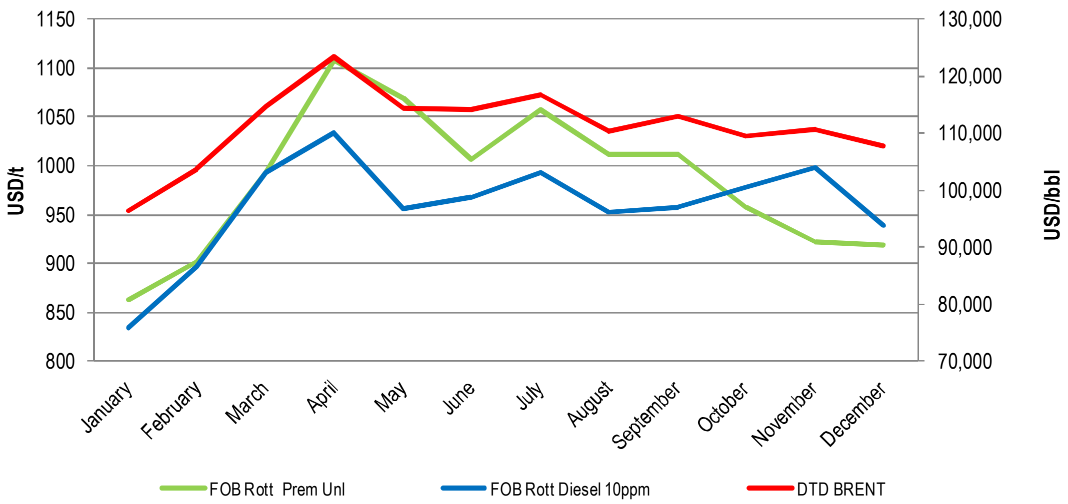


Prices of energy sources and products

In 2011, the stock prices of crude oil and oil products varied within a somewhat larger band than a year earlier. The sharp increase in prices in the first quarter was related to the revolution in Libya, the major oil producing country of North Africa. The loss of production in Libya caused the Brent Crude Oil Quotations to rise to over 120 USD/bbl by the end of the first quarter, from the initial level of 95 USD/bbl. The weakening and collapse of the former dominant power, and the localisation of the political crisis broke the rising trend of oil prices and stabilised the Brent Quotations between 105 and 115 USD/bbl, in spite of the relatively high global crude oil demand reaching 89 Mn bbl/day. Prices varied in the second half of the year and stood at 108 USD/bbl on December 31st.

Considering that no extraordinary events with a potential to disturb oil markets occurred in 2011 (hurricanes, incidents or standstill of major refineries), product quotations followed the crude oil prices. The increasing use of Diesel as opposed to motor gasoline continued; consequently, gasoline prices significantly dropped in the second half of the year. On the European markets, the quotations of gasoil varied between 840-1030 USD/ton and those of gasoline were between 860-1100 USD/ton; the end-of-year closing price was 950 USD/ton for Diesel oil and 930 USD/ton for gasoline.

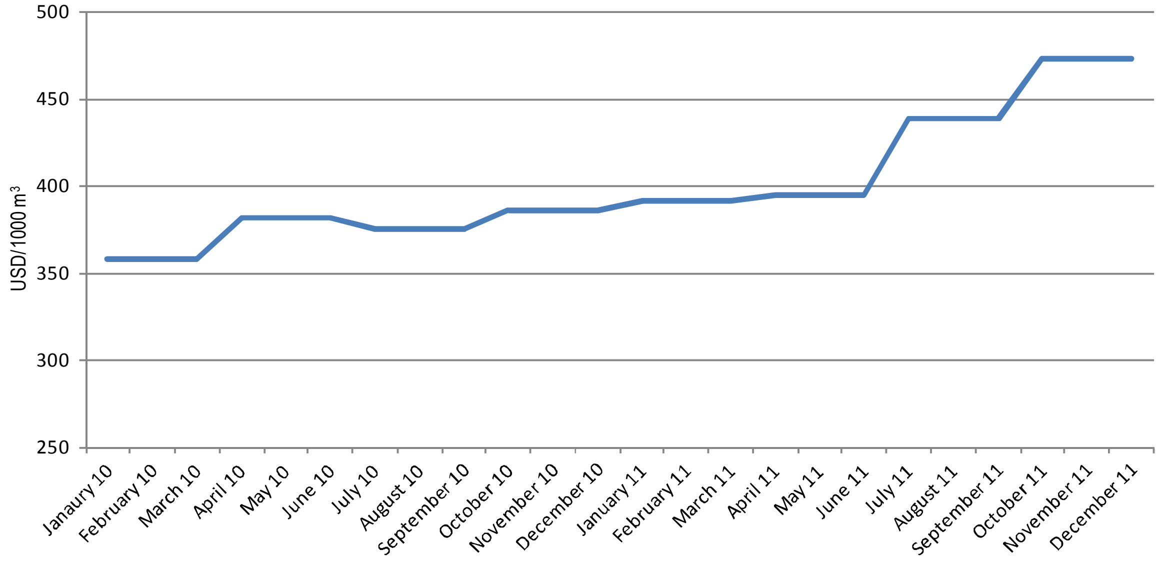
Diagram 3
FOB Rotterdam Product Quotations and Brent Dtd Crude Oil Quotations in 2011



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 gas oil stock prices of the nine months preceding a given quarter. The stabilisation of crude oil and oil product prices in 2010 led to a relatively steady natural gas wholesale price level in the first half of 2011 (380-400 USD/1000 m^3). The rise in crude oil prices in the first quarter of 2011 and the stabilisation of prices at a higher level resulted in a rising trend of the domestic natural gas price as well. The end-of-year closing price was 470 USD/1000 m^3. The spot price of gas volumes transferred at the Austrian-Hungarian border entry point from Baumgarten was much more favourable than the Russian import price, similarly to the trend in recent years.

Diagram 4
Natural Gas Prices in 2010-2011



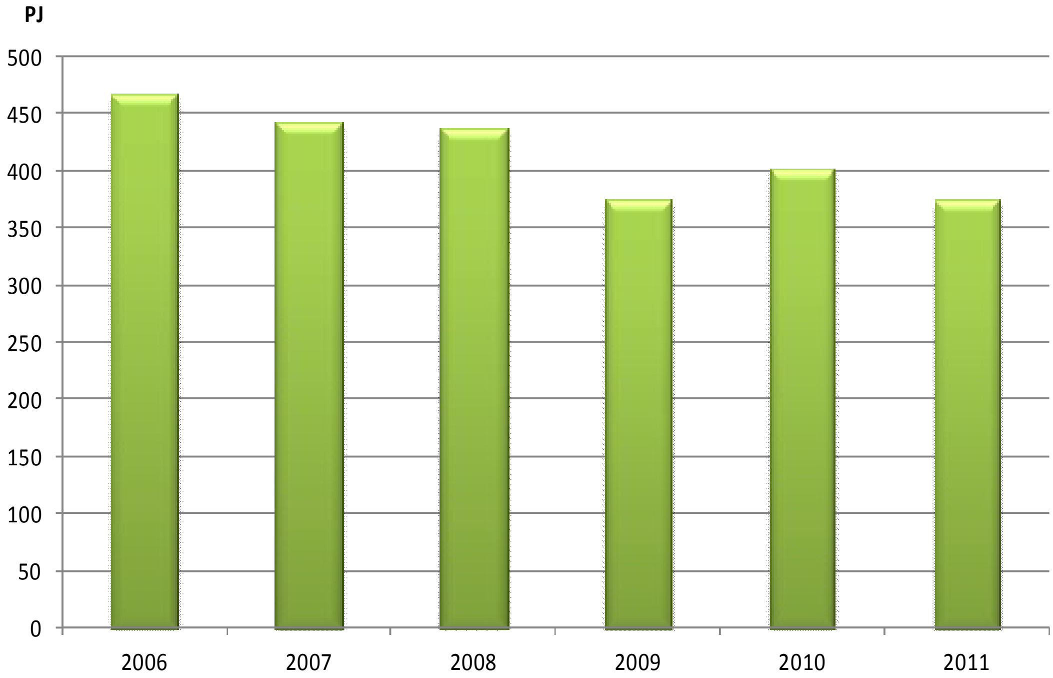
Domestic gas consumption

Annual domestic gas consumption slowly and gradually decreased in 2006, 2007 and 2008, based on the system control data (6.4 percent in total over 3 years). This was followed in 2009 by a dramatic fall of 14.2 percent over the figures of 2008. In 2010, gas consumption somewhat increased due to a longer heating period caused by the unusually low spring temperatures. In 2011, the warm weather in September and October caused the heating season to start later and gas consumption fell to the 2009 level.

Table 2
Annual Domestic Gas Consumption Based on the System Operator's Data

	2006	**2007**	**2008**	**2009**	**2010**	**2011**
PJ	467	442	437	375	402	375
Bn m^3	13.7	13	12.9	11	11.8	11

Diagram 5
Gas Consumption (in the period 2006-2011) Based on the System Operator's Data



2. Fulfilment of the 2011 Plan

The Association fulfilled the objectives for the year 2011 in accordance with the decisions of the General Meeting and the Board of Directors.

2.1. Fulfilment of priority objectives

The Association fully completed its statutory obligations and the tasks prescribed by the governing agencies.

Accordingly,

(i) it ensured the constant availability of

- liquid hydrocarbon stocks corresponding to at least 90 days of domestic consumption as provided by the law ("Kt.");
- strategic natural gas stocks in accordance with the law ("Fbkt.") and the applicable Decree;

(ii) the quality of stockpiled oil products was in conformity with the effective norms.

2.2. Stockpiling obligation

2.2.1. Liquid hydrocarbons

At the end of 2011, the total gross reserves (including immobile stocks) of the oil section amounted to 1 226.5 kt. Reserves decreased by 20.1 kt from the opening level in January, due to the deferred fulfilment to 2012 of a part of the sales contracts related to the stock renewal obligations stipulated in the Statutes.

Table 3
Changes in Oil Stocks, 2011

kt

Stocks	Opening stocks 01/01/2011	Change over the year (balance of purchases and sales)	Closing stocks 31/12/2011	Accounted loss
Crude oil	564.6	-7.7	556.5	0.5
Gasoline	211.5	-2.6	208.8	0.1
Diesel	446.2	-9.8	436.2	0.2
Heating oil	25.1	0.0	25.1	0.0
Total	**1 247.4**	**-20.1**	**1 226.5**	**0.8**

In accordance with the applicable Act (Kt.), the Association has to fulfil its stockpiling obligation in accordance with the directives of the European Union. In 2010, the total adjusted domestic consumption amounted to 3 940 kt; the 90 days' stockpiling obligation calculated on this basis was 971.4 kt. On December 31st, 2011, the total mobile stocks directly available for removal amounted to 1 136.6 kt. On the last day of the year, the stockpiling obligation by product category was fulfilled as follows:

Table 4
Fulfilment of Liquid Hydrocarbon Stockpiling Obligations for 2011

kt

Product group	Domestic consumption (calculated)[1]	Adjusted Domestic consumption[2]	90 days' obligation	Net stocks [3]	Applicable part of crude oil [4]	Total net stocks [5]	Stocks in days
Category 1 [6]	1 341.4	1 207.8	**297.8**	191.7	119.1	**310.9**	**94**
Category 2 [7]	2 983.8	2 661.5	**656.3**	410.4	254.7	**665.1**	**91**
Heating oil	*34.0*	*34.0*	***8.4***	*8.5*	*0.0*	**8.5**	***91***
Category 3 [8]	42.8	36.5	**9.0**	16.6	4.5	**21.1**	**211**
Crude oil				509.4			
Total		3 939.8	971.4	1 136.6		1 005.5	

[1] Imports (without MOL Nyrt.) + domestic sales of MOL Nyrt. in 2010;
[2] Up to 25% of domestic consumption, the quantity of products derived from crude oil extracted in Hungary can be deducted. The consumption data are adjusted in each product group by the quantity derived from 786 kt of crude oil produced in Hungary in 2010;
[3] Breakdown of net stocks of 1 136.6 kt per category, remaining after the deduction of bottom stocks from the 31/12/2011 inventory;
[4] Forty percent of stockpiling obligations can be stored in Categories 1 and 2; in Category 3, 50 percent can be stored in crude oil (or semi-finished products). Based on the output of domestic refineries, these product quantities can be taken into account from net crude oil stocks;
[5] =3+4
[6] Light distillates - gasoline
[7] Middle distillates – Diesel, heating oil, jet fuel, kerosene
[8] Heavy distillates – fuel oil

2.2.2. Natural gas

In January 2011, the Association's opening stock of natural gas was 1 347.6 Mn m^3. In addition to the strategic natural gas stocks stored in the Szőreg-1 facilities of MMBF Zrt, the registers also included 147.6 Mn m^3 natural gas stored in the Zsana facilities of E.ON Storage Zrt, sold in 2010 but not yet transferred (the title was transferred in the first quarter of 2011).

In compliance with the Decree, the Association sold and transferred the ownership of an additional 9.7 Mn GJ natural gas by July 1st, 2011.

Table 5
Changes in Gas Stocks in 2011

Stocks	Opening stocks 01/01/2011		Change over the year		Closing stocks 31/12/2011	
	Mm^3	GJ	Mm^3	GJ	Mm^3	GJ
Natural gas	1 347.6	46 376 138	-429.2	-14 733 200	918.4	31 642 937

3. Fulfilment 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 the Act C of 2000 on accounting. 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 fulfilment 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.

3.1. Fulfilment of the budget plan

The 2011 budget of the Association set out a budget result of HUF 6 511.1 Mn and retained earnings of 19 867.5 Mn. The actual value of the budget result was higher than planned, amounting to HUF 10 950.1 Mn. Retained earnings amounted to HUF 9 289.6 Mn.

3.2. Revenues from contribution fees

The general meeting and the Board of Directors of the Association approved the following contribution fees for 2011:

Table 6
Contribution Fees for 2012

Product	Unit	01/01/2011-31/12/2011	KN 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
Diesel	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

The declarations received and processed until the balance sheet closing date indicate that the income from contribution fees amounted to HUF 38 954.8 Mn in 2011.

Table 7
Income from Contribution Fees

HUF Mn

	2010 Actual	2011 Plan	2011 Actual	2011/2010	2011 Actual/Plan
Oil section	16 499.7	16 138.2	16 397.1	99.4%	101.6
Gas section	21 295.6	23 038.4	22 557.7	105.9%	97.9
Total	**37 795.3**	**39 176.6**	**38 954.8**	**103.1%**	**99.4**

The table shows that the overall income from contribution fees was slightly lower than planned. In the two sections, the difference of about 2% was due to a minor difference in consumption from the plan.

3.3. Costs

Total costs and expenses were 7% lower than the actual figures in 2010. This was 11% lower than planned, partly due to much lower than expected actual financing costs, and also to savings on storage costs.

Table 8
Storage Costs

HUF Mn

	2010 Actual	2011 Plan	2011 Actual	2011/2010	2011 Actual/Plan
Oil section	11 910.7	11 345.4	11 505.2	96.6%	101.4%
Gas section	12 636.9	13 651.6	12 585.1	99.6%	92.2%
	24 547.6	24 997.0	24 090.3	98.1%	96.4%

The lower than planned storage costs in the Gas section were mainly due to the effects of the EUR/HUF exchange rate.

3.3.1. Costs of financing

The following table shows the structure of the Association's financing costs.

Table 9
Net Financing Costs

HUF Mn

	2010 Actual	2011 Plan	2011 Actual	2011/2010 Actual	2011 Actual/Plan
Oil section	2 031.8	2 610.3	1 873.3	92.2%	71.8%
Gas section	3 692.1	4 198.2	2 371.2	64.2%	56.5%
Total	5 723.9	6 808.5	4 244.5	74.2%	62.3%

The decrease of natural gas volumes stored in 2011 resulted in lower financing costs in the gas section in comparison to 2010. Moreover, net financing costs were much lower than planned as a result of the particularly low 3-months EURIBOR interest rate still characterising the entire year of 2011 (barely exceeding 1.1, as opposed to the projected 1.44), the more favourable interest margins obtained for refinancing and the decrease in loans.

Table 10
Gross Interest Paid on Loans Financing Stocks

HUF Mn

	2011 Plan	2011 Actual	Actual/Plan
HUF Loans	0.0	0.0	-
Foreign Currency Loans	5 891.7	4 409.5	75%
Total	5 891.7	4 409.5	75%

3.3.2. Operating costs

The operating costs include the maintenance costs of the Association' work organisation and the costs and expenses ensuring the conditions of its operations.

Table 11
Main Cost Elements

HUF Mn, %

	2010	2011	2011	2011/2010	2011
	Actual	Plan	Actual	Actual	Actual/Plan
Material and material-type costs	8.1	17.0	8.2	101.2%	48.2%
Personnel expenses	401.0	464.0	404.5	100.9%	87.2%
Value of services*	87.9	176.0	76.3	86.8%	43.4%
Other costs	4.2	15.0	3.8	90.5%	25.3%
Other expenditures	23.1	28.0	24.6	106.5%	87.9%
Costs of tangible assets acquired	-1.0	20.0	14.3	-	71.5%
Other income	-	-	-1.7	-	-
Total	**523.3**	**720.0**	**530.0**	101.3%	73.6%

* The amounts indicated in the line "Value of services" contain exclusively the costs of services used for the Association's operations.

Each of the principal budget items ensuring the Association's operations was lower than planned, and their sum is identical with the budget used a year earlier. This shows that particular efforts are being made for saving costs on operations.

3.3.3. Stock maintenance costs

Stock maintenance costs primarily include other costs related to quality inspections, the manipulation of stocks and other costs related to the qualitative and quantitative preservation of goods.

Table 12
Stock Maintenance Costs

HUF Mn

2010 Actual	2011 Plan	2011 Actual	2011/2010 Actual	2011 Actual/Plan
279.4	140.0	89.5	32.0%	63.9%

3.4. Profit at the budget level

The following table shows that, in 2011, expenditures fell by 11% and revenues were as planned. This resulted in an increase of the profit appearing at the budget level (budget result).

The costs and revenues constituting the 2011 budget result are also detailed separately for the Oil/Gas sections in order to facilitate comprehension.

Table 13
Budget Result

HUF Mn

	2010 Actual	2011 Plan	2011 Actual	2011/2010 Actual	2011 Actual/Plan
REVENUES	**37 795.3**	**39 176.6**	**39 904.4**	*106%*	*102%*
Revenues from contribution fees	37 795.3	39 176.6	38 954.8	*103%*	*99%*
Revenues from sale of booked capacity	–	–	931.0	–	–
Default interest received	–	–	18.6	–	–
COSTS	**31 074.2**	**32 665.5**	**28 954.3**	*93%*	*89%*
Storage fees	24 547.6	24 997.0	24 090.3	*98%*	*96%*
Financing costs	5 723.9	6 808.5	4 244.5	*74%*	*62%*
Operating costs of the Association	523.3	720.0	530.0	*101%*	*74%*
Stock maintenance costs	279.4	140.0	89.5	*32%*	*64%*
BUDGET RESULT	**6 721.1**	**6 511.1**	**10 950.1**	*163%*	*168%*

	OIL			GAS		
	2011 Plan	2011 Actual	2011 Actual/ Plan	2011 Plan	2011 Actual	2011 Actual/ Plan
REVENUES	**16 138.2**	**16 397.4**	*102%*	**23 038.4**	**23 507.0**	*102%*
Revenues from contribution fees	16 138.2	16 397.1	*102%*	23 038.4	22 557.7	*98%*
Revenues from sale of booked capacity	–	–	–	–	931.0	–
Default interest received	–	0.3	–	–	18.3	–
COSTS	**14 455.7**	**13 733.0**	*95%*	**18 209.8**	**15 221.3**	*84%*
- Storage fees	11 345.4	11 505.2	*101%*	13 651.6	12 585.1	*92%*
- Financing costs	2 610.3	1 873.3	*72%*	4 198.2	2 371.2	*56%*
- Operating costs of the Association	360.0	265.0	*74%*	360.0	265.0	*74%*
- Stock maintenance costs	140.0	89.5	*64%*	-	-	-
BUDGET RESULT	**1 682.5**	**2 664.4**	*158%*	**4 828.6**	**8 285.7**	*172%*

3.5. Profit before taxation, capital reserve

The profit before taxation is determined after registering the economic events not taken into account in the budget structure (sales of stocks, purchases, 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 2011, the above correction items produced a loss of HUF 1 660.5 Mn. As a result, the 2011 Balance Sheet Profit amounted to HUF 9 289.6 Mn, increasing the capital reserve.

Table 14
Profit Before Taxation / Capital Reserve in 2011

HUF Mn

	Plan	Actual	Difference
Profit at the budget level (budget result)	6 511.1	10 950.1	4 439.0
Profit from stock sales and stock replacement	11 662.0	8 386.0	-3 276.0
Crude oil replacement			
Revenues		4 630.6	
Costs		2 115.2	
Profit/Loss		2 515.4	
Diesel replacement			
Revenues		10 711.0	
Costs		6 754.8	
Profit/Loss		3 956.2	
Gasoline replacement			
Revenues		5 581.0	
Costs		3 113.0	
Profit/Loss		2 468.0	

Sale of natural gas			
Revenues		27 380.6	
Costs		27 934.2	
Profit/Loss *		-553.6	
Other revenues	163.0	163.0	0.0
Normative losses	0.0	10.8	10.8
Depreciation	-20.0	-15.3	4.7
Adjustment for the purchase of tangible assets	40.0	14.3	-25.7
Exchange rate variations of foreign currency loans and foreign exchange holdings	0.0	-11 742.9	-11 742.9
Repayment of acquisition loans	1 511.0	1 523.6	12.6
Total correction items	13 356.0	-1 660.5	-15 016.5
Retained Earnings /Capital Reserve	**19 867.1**	**9 289.6**	**-10 577.5**

** The loss appearing as a result of the sale of natural gas is due to the fact that the counter-value of the sale, registered at the accounting price, was partly paid in foreign currency (EUR), which caused an exchange rate loss.*

Stock sale and stock replacements

Pursuant to the applicable Act (Fbkt), the minister in charge of energy policy issued Decree No. 13/2011 requiring the Association to sell 9.7 Mn GJ natural gas to the authorised gas market operators specified in the same Decree. By July 1st, 2011 (the deadline appearing in the Decree), the Association handed over the required gas volumes and transferred the related mobile withdrawal and injection capacities.

The actual replacement of Diesel fuel stocks started in the previous year was completed in early 2011, with the sale of 17.7 kt crude oil purchased for Diesel replacement, and the purchase of 14.2 kt winter grade Diesel fuel. For the purpose of product replacement, 26.9 kt motor gasoline was exchanged; in January 2012, the purchased 2.6 kt motor gasoline was physically delivered. In connection with the Diesel stock renewals, 52.3 kt products were exchanged, through joint purchases and sales of crude oil, in order to ensure the required level of stocks. As a part of this, the physical delivery of 23.8 kt Diesel purchase and 10 kt crude oil sale was deferred to January 2012.

The retained earnings from stock replacements and sales amounted to HUF 8 386 Mn.

Other revenues

Other revenues (HUF 163 Mn) comprised the last portion of the negative goodwill of the purchase of IPRV Zrt, accounted as revenue in 2011.

Exchange gain (loss) on foreign exchange loans

At the end of 2011, the EUR/HUF closing exchange rate was HUF 32.38 higher than the 2010 closing rate. The exchange loss (from refinancing), accounted in the course of the year and on the balance-sheet date, constitutes a total of HUF 19 709 Mn gross unrealised exchange loss.

Table 15
Net Exchange Loss

HUF Mn

			Difference	
2010 Actual	2011 Plan	2011 Actual	Re: 2010 Actual	Re: 2011 Plan
-4 399.4	0.0	-11 742.9	-7 343.5	-11 742.9

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 16
Loss Norms

Product category		**Storage in above-ground tanks**				**Manipulation** [2]
		Fixed-roof		Floating-roof		
		Winter	Summer	Winter	Summer	
1 Gasoline	MF Decree (%/month) [1]	0.10	0.20	0.05	0.10	3.00
	HUSA (%/year)	0.215				0.30
2. Diesel, kerosene	MF Decree (%/month) [1]	0.03	0.08	0.015	0.04	2.00
	HUSA (%/year)	0.15				0.30
3. Fuel oil	MF Decree (%/month) [1]	0.03	0.08	0.015	0.04	2.00
	HUSA (%/year)	0.15				0.30

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 oil and oil products decrease the assets of the Association. Since the 2005 Budget, no losses were planned ("0" loss plan). Accounted on the basis of end-of-year stock inventories, the actual profit in 2011 was HUF 10.8 Mn, which increased the profit.

Table 17
Normative Losses

HUF Mn

			Difference	
2010 Actual	2011 Plan	2011 Actual	Re: 2010 Actual	Re: 2011 Plan
79.3	0	-10.8	-90.1	-10.8

Repayment of loans

In 2010, a total of HUF 1 523.7 Mn principal repayment was made from the loans taken in 2006 for the purchase of shares in KT Zrt and IPR Celldömölk (10-year loan), and 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.

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.

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 2011, HUF 15.3 Mn depreciation was accounted.

4. 2011 Balance Sheet, Financial Position of the Association

4.1. 2011 Balance Sheet

The end-of-year balance of assets and sources was HUF 258 912.8 Mn. The Assets Employed amounted to HUF 21 267.9 Mn, mainly composed of the net value of participations in various companies.

The value of current assets was HUF 233 493.2 Mn, of which the book value of stocks was HUF 184 176.7 Mn. Receivables amounted to HUF 6 717.8 Mn and liquid assets represented HUF 42 598.7 Mn.

Among sources, the value of the Association's own sources was HUF 109 681.7 Mn, which comprises the profits made in previous years and in 2011.

Liabilities totalled HUF 148 786.3 Mn. Of these, short-term liabilities amounted to HUF 80 698.3 Mn, mainly composed of short-term loans (HUF 74 847.1 Mn) and the part of long-term loans falling due within one year. Accounts payable to suppliers amounted to HUF 5 745.3 Mn.

The value of accrued and deferred liabilities was HUF 444.8 Mn. The main items composing this were the proceeds from the resale of HUF 402.6 Mn capacity booking fee, the deferral of HUF 26 Mn extraordinary income, HUF 16.2 Mn unpaid interest on loans and other accrued costs.

The 2011 Balance Sheet and Profit and Loss Statement of the Association are contained in the Report.

4.2. Financial position, liquidity

The Balance Sheet data and the related Supplementary Notes indicate that the financial position of the Association has become stable as a whole, and also on the various maturity horizons. The year 2009, when the creation of natural gas reserves was completed and the necessary financing was ensured, can be considered as a special year, with considerable challenges in economic management. The Association was able to tackle these tasks, as well as the difficulties arising from the economic context (repeated waves of the economic crisis) without having to face critical liquidity problems. The 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. The results even allowed a reduction of contribution fees despite the remaining level of obligations in a context of increasing expenditures.

On December 31st, the book value (registration value) of stocks was HUF 184.2 Bn. The principal value of loans financing stocks amounted to HUF 140.7 Bn. The market value of stocks was HUF 378.6 Bn on December 31st. The following summary table shows that stocks are financed by Euro loans. The liabilities falling due within one year are covered by the existing stocks.

Table 18
Loan Portfolio of the Association on December 30th 2011

HUF Bn

HUF loans (HUF Mn)	**Average margin**	**Credit line**	**Amount drawn**
Acquisition loans	BUBOR+25 bp	1 000.00	1 000.00
(A) Total		**1 000.00**	**1 000.00**

		HUF/EURO=	*311.13*
Foreign exchange loans (EUR Mn)	**Average margin**	**Credit line**	**Amount drawn**
Loans financing stocks	EURIBOR+216 bp	452.30	452.30
Acquisition loans	EURIBOR+31 bp	3.89	3.89
Total EUR		**456.19**	**456.19**
(B) *HUF equivalent (total EUR)*		*141 934.39*	*141 934.39*
Total in HUF (A)+(B)		**142 934.39**	**142 934.39**

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

Table 19
Main Indicators of the Association's financial position

	2008	2009	2010	2011	2011/2010
Equity ratio Equity / Total sources %	50.34	37.11	41.62	42.36	101.78%
Liquidity ratio Liquid assets + Receivables / Short-term liabilities %	12.67	20.37	20.10	61.11	304.04%
Indebtedness ratio Liabilities + Accrued expenses / Equity capital	0.98	1.69	1.40	1.36	97.18%

5. 2011 Activity of Affiliated Companies

5.1. Affiliated companies

The Association has the following participations in other companies.

Table 20
Affiliated Companies (December 31st 2011)

Company name	HUSA ownership stake (%)	Value of participation HUF Mn
OPAL Tartálypark Zrt	100.0	13 552.3
ÁMEI Zrt	63.6	140.0
MMBF Földgáztároló Zrt	27.4	6 166.8
Terméktároló Zrt.	25.9	420.0
Petrotár Kft	20.0	40.0
Petrotár Projekt Kft	20.0	0.6
Total		**20 319.7**

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.

5.1.1. 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.

ÁMEI Zrt

ÁMEI Zrt. is specialised 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%.

Investment in ÁMEI Zrt mainly has a strategic importance. The Association's majority stake still allows ÁMEI Zrt to preserve its independence and it became a transparently operating accredited quality control agency.

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 fulfilment of the tasks set out in the natural gas stockpiling Act (Fbkt), initially as project company and later as storage company.

The sale of the majority stake (62%) to MOL in 2007 was followed by two capital increases. In December 2011, the registered capital amounted to EUR 82 687 195 in which HUSA had a stake of 27.54%.

On December 15, 2009, the level of preparedness of the storage facility reached that required in the custody agreement, and the filling of 1 200 Mn m^3 natural gas was completed at about the same time. Since then (until the end of 2011), no release was made from the strategic reserves. However, the stock sales provided by the Decree were completed, decreasing the level of HUSA-owned strategic stocks to 915 Mn m^3.

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 26%, 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. As a result of the investment, 100 thousand m^3 new and 43 thousand m^3 modernised storage capacities operated in Pétfürdő. On the initiative of HUSA, a new storage company called Péti Terminál Tároló Kft was created in 2006 through spin-off from the former company, with the participation of the same owners. In November 2007, this was merged into OPAL Tartálypark Zrt and ceased to exist as a separate entity. After the division, Extercom Kft chose not to participate in Petrotár Kft, and the owners remaining were HUSA and Petrodyne-Pét Kft. After several ownership changes, the present owners are HUSA and Petrotár Invest Tanácsadó Kft.

Today, Petrotár Kft has 43 thousand m^3 storage capacity, 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 through demerger, the company created Petrotár Projekt Kft, which does not pursue activities. The share of the Association (20% in both companies) remained the same.

On December 30th 2011, Petrotár Kft and OPAL Tartálypark Zrt entered into a capacity reservation and operational agreement (terminating the service and operational agreement formerly existing between them) for the fulfilment of the filling and offloading tasks required at the Pétfürdő site of OPAL Tartálypark Zrt. Thus Petrotár Kft is no longer involved in operational tasks at that site.

5.1.2. Activity and financial position of the storage companies in 2011

The data and information available on the 2011 performance of the storage companies shows the proper fulfilment of their contractual obligations. Loan repayments are regular and the companies' financial position is sound.

The dividend paid to the Association was HUF 500 Mn from OPAL Zrt and HUF 375.9 Mn from TT Zrt in accordance with the ownership ratios. The 2011 activity of the storage companies corresponded to the plans. The cash flow was as planned and met the creditors' expectations. The profit figures and the changes in equity of the storage companies are described in the Supplementary Notes.

ÁMEI Zrt continues to operate on a shrinking market. Sales revenues decline due to the setback in imports, the decline of turnover linked to the economic crisis and to less stringent testing and certification rules. In addition to lower than expected sales, there was also a strong effort to hold back costs and expenditures. As a result, the after-tax profit was HUF 19.1 Mn at the end of 2011.

5.2. Storage of stocks

On December 31st 2011, the Association had the following stocks in storage facilities:

Table 21
Oil and Oil Products

tons

Storage company	Storage site	Gasoline	Diesel	Heating oil	Crude oil
OPAL Tartálypark Zrt	Százhalombatta				260 487.21
	Tiszaújváros				134 377.06
	Celldömölk	30 067.36	65 212.54		
	Vámosgyörk	29 372.15	66 544.04		
	Pétfürdő		50 347.74		
	Szajol	14 360.65			
	Komárom		16 705.73		
OPAL Tartálypark Zrt in Total		**73 800.15**	**198 810.05**	**0.00**	**394 864.26**
MOL Nyrt.	Százhalombatta	0.00	0.00	6 125.30	65 488.00
	Tiszaújváros	0.00	0.00	19 005.65	96 138.95
MOL Nyrt in Total		**0.00**	**0.00**	**25 130.95**	**161 626.95**
Terméktároló Zrt	Tiszaújváros	79 142.74	71 688.24		
	Komárom	14 305.34	48 949.39		
	Százhalombatta	4 344.17			
	Szajol	37 187.00	108 268,38		
Terméktároló Zrt in Total		**134 979.25**	**228 906.01**	**0.00**	**0.00**
MÁD-OIL Kft in Total		**0.00**	**8 453.85**	**0.00**	**0.00**
Altogether		**208 779.40**	**436 169.91**	**25 130.95**	**556 491.21**

Table 22
Natural Gas

Storage company	Storage site	Quantity	
		Mm^3	GJ
MMBF Zrt	Szőreg I	918.4	31 642 937

The Association uses these storage capacities on the basis of custody agreements and capacity reservation agreements made with the storage companies.

6. Monitoring Activity of the Association in 2011

The control activity of the Association covers two main areas:

– Verification of the payment of contribution fees constituting the basic source of income for the Association's activity, making sure that the calculation and payment of the fees are in accordance with the applicable Acts ("Kt" and "Fbkt") and the Statutes.

– Inspections at the affiliated storage companies and their facilities in order to verify the fulfilment of their contractual obligations, the preservation of the quantity and quality of the Association's products and the fulfilment and maintenance of storage conditions that have to comply with complex technical, safety and environment protection criteria.

6.1. Contribution fee payment

6.1.1. Number of member companies

The number of active members registered by the Association and paying a contribution fee throughout the year was 57, corresponding to the number of companies invited to the General Meeting at the end of 2011. This was less than a year earlier when the number of members was 63. This was due to a marked decrease in the membership of the oil section (from 40 to 29), which was not compensated by a slight increase in the number of gas section members.

Table 23
Number of Member Companies

	2005	2006	2007	2008	2009	2010	2011
Oil section	25	26	24	25	30	40	29
Gas section	0	0	20	20	20	24	29
Total*	**25**	**26**	**43**	**44**	**49**	**63**	**57**

Note:

- One company is a member in both sections, so the total number of members is the sum of the two sections' membership less one.

Membership in the oil section decreased as a result of the modification of the Act on oil and oil products stockpiling ("Kt"), entering into force on July 1st 2010, as a result of which oil products used in the chemical industry and lubricants were no longer covered by the Act. Consequently, the membership of the companies exclusively engaged in the sale and use of these products automatically ended at the end of the year. After July 1st 2010, the number of members in the natural gas section increased as new traders and service providers entered the liberalised gas market.

6.1.2 Oil section

The modification of the Act on oil and oil products stockpiling ("Kt") on July 1st 2010 fundamentally changed the contribution fee payment system in the oil section. This even influenced the contribution fee declaration and payment discipline in 2011. While, until July 1st 2010, member companies could not place into free circulation or sell imported oil products before presenting the attestation of their contribution fee payment (issued by HUSA) to the customs authority, the new law requires the declaration to be filed and the payment to be made to HUSA only after placement into free circulation or sale of the products.

As a main checkpoint, the National Tax and Customs Administration (hereafter: "NAV") cross checks the data of the declarations filed by HUSA members with NAV's own customs and excise registry, and endorses the declarations according to the accuracy of the information contained therein. Under this cooperation, NAV sends data to the Association on a monthly level for verification against the data supplied by member companies.

In 2011, the quantity of oil products for energy production (according the HUSA records) was 4 314.46 kt, while the data supplied by NAV show 4 314.08 kt. The difference between the two registers (0.009%) is due to the different methods used for converting litres to tons, and for rounding conversion figures.

In the new contribution payment system, the number and size of tax reclaims is much lower than in the former payment system. In 2011, members reclaimed HUF 891.7 Mn contribution fees on 18.32 kt oil products. Most of the reclaims concern aviation gasoline for the Hungarian Defence Force and a smaller part is related to oil products for the operation of aircrafts used in international aviation.

Contribution fees paid by members of the oil section in 2011 amounted to HUF 16 397.1 Mn, which is somewhat higher (1.6%) than what was projected, and is only HUF 100 Mn lower than the figure of the previous year. The reason of the decrease is the fall in fuel consumption, as the decline in gasoline consumption was not fully compensated by the higher demand for gas oil.

6.1.3 Gas section

Members of the gas section have to 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; the members pay contribution fees according to the figures declared. Each month, the data are collated with those of the system operator.

The Association's registry shows that the quantity of natural gas falling under the Act on strategic natural gas stockpiling (Fbkt.) and requiring contribution fee payment was 368 GJ (10 834 Mn m^3) in 2011; according to the system operator's figures, the natural gas consumption of the country was 375 Mn GJ (11 035 Mn m^3). The 1.9% 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 take-up of natural 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.

The members of the gas section paid HUF 22 557.7 Mn contribution fee to HUSA on 368 Mn GJ (10 834 Mn m^3) gas consumption in 2011. This level of contribution payment was HUF 480 Mn (2.1%) lower than planned, due to lower than expected sales (11 200 Mn m^3). Gas consumption was also less than expected as the heating season started relatively late because of the mild weather in September and October.

6.1.4 Improved procedures for monitoring contribution fee payment

The change in the contribution fee payment system made it necessary to transform the control and monitoring activities of the Association, and to increase the frequency and efficiency of off-site activities (based on data supply) and on-site inspections. In this aim, the scope of the new cooperation agreement with NAV was broadened with an information technology element. The aim of the joint information technology project is the development of a new membership registration system, with the following main functions:

- recording the primary data of member companies;
- recording the data of the declarations, reclaims and deductions submitted by members;
- recording the members' payment obligations and their fulfilment;
- sending of automatic financial transactions to the financial system, receiving and recording of data on the accounting of financial transactions;
- issuing of attestations to the member companies, creating the possibility of electronic declaration on an online portal developed for this purpose;
- electronic transfer of the data sent by members of the oil section, to the customs and excise authority of NAV; automatic checking of the data at NAV, and electronic endorsement of data accuracy transferred to HUSA and members (replacing the current paper-based system);

- under the cooperation between NAV and HUSA, the customs and excise data, supplied by NAV through the electronic communication system created for this purpose, are automatically received and processed.

In the first phase of the project, an internal membership registration system was introduced in early October 2011. In the second phase, an online portal for the submission of declarations and data is expected to be introduced in September 2012; this should greatly ease the filling and filing of declarations and the current paper-based system could be completely substituted. In the third phase, a communication channel with a single-point-of-contact is planned to be created with NAV by the middle of 2013, containing the electronic endorsement and the “one-stop-shop” features.

The purpose of the risk-based monitoring system is to allow the planning and implementation of on-site reviews at member companies in taking account of the payment risk of contributions. Accordingly, lower-risk members will be reviewed once a year, while members presenting higher risks will be inspected more often. The risk rating of companies is 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 are also taken into consideration.

6.1.5 Contact with entities providing monitoring support

Based on the authorisation given by the Act on strategic crude oil stockpiling (“Kt”, Article 40/A) and Act CXXVI of 2003 (Article 16 (6) n)) on the implementation of the Community customs legislation, the Association maintains contact with the National Tax and Customs Administration. In 2011, the two entities reviewed the cooperation agreement existing between them since 2004, modifying and extending the text according to changes in legislation. The new agreement regulates in detail the endorsement stipulated in Kt Article 38 (6), with regard to the procedure, the persons responsible, the data supply required for calculating the stockpiling obligations and for checking the declarations made by members, as well as the information technology-related cooperation that should introduce the one-stop-shop and the electronic endorsement features.

In the area of natural gas market monitoring, cooperation with the operator of the high-pressure natural gas transmission system (“the system operator”), based on the authorisation of the Statutes (Article 17/A.8.3), is of particular importance. In this framework, the Association is given access to the natural gas transmission IT platform, and to the gas transmission data specifically included for use by HUSA.

6.2 Monitoring of storage companies and storage sites

Another key area of monitoring by HUSA concerns the creation of strategic stockpiles and the fulfilment of stockpiling conditions in accordance with the storage agreements made with storage companies, the relevant legislation and the Statutes.

In a targeted review in 2011, we checked at all storage sites whether the available offloading capacities corresponded to the data reported by storage companies, and whether the instruments and equipment needed for offloading crude oil were ensured. The findings were recorded in an inspection report and, when necessary, we required a modification of data supply or a supplement to be added to the custody agreement. Under the regular annual on-site inspections, were checked the existence of the operating conditions of the storage sites, the authorisations of the sites and those of the storage tanks, as well as the volumes and quality of stocks.

For the quantitative monitoring of stocks, the stock registration information system actually introduced in May 1st 2011 provides valuable support. This allows making time series inquiries according to different parameters for analysing 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 crude oil and oil product stocks owned by HUSA; it also registers the main parameters of custody agreements.

7. Organisational Structure of the Association

At the time of preparing the balance sheet, the staff of the Association consisted of 13 full-time employees. In 2011 the statistical average staff was 13.1 persons. Over the last year, one assistant manager and one IT professional were replaced.

8. International Relations of the Association

In 2011, the Association continued the activities started in previous years in the field of international relations. These covered the following main areas:

- Cooperation with the International Energy Agency (IEA)
- Participation in the Community's stockpiling activity
- Active participation in the work of ACOMES and ELABCO operating at an international level
- Professional support to the Government at V4 events
- Professional assistance to CEE countries for establishing the legal and organisational framework of their stockpiling systems.

IEA

In the course of 2011, IEA invited the Association's experts as speakers or participants to the following event:

June 28-30, 2011, Paris

Review of Hungary's energy market and stockpiling practice.

ACOMES, ELABCO

The Association remains an active member of the Organization of European Stockpiling Associations (ACOMES). In September 2011, the Croatian stockpiling organisation (HANDA) was the host of the annual conference held in Dubrovnik. The Association did not attend the event.

The following were the major topics of the conference:

a) The stock release measure of the International Energy Agency in June 2011;
b) Market experience concerning the trade and storage of biofuel;
c) The role of storage organisations in national crisis management systems;
d) Crude oil sales models of storage organisations;
e) Effect of the new EU directive on stockpiling practices:
   - Day-to-day cooperation
   - Legislative framework
   - Data supply
f) Current issues in storage:

– Tank bottoms
– Storage agreements
– ISO certificate for stockpiling.

In June 2011, HANDA hosted also the annual meeting of the Benchmarking Team of ACOMES. Held in Zagreb, the meeting's topics remained the comparison of cost analyses of member organisations, financing solutions, and the cost review of tank construction investments.

In October 2011, ZRSBR (the stockpiling organisation of Slovenia) hosted the annual ELABCO meeting in Portoroz. The Managing Director of the ÁMEI Zrt participated to the conference. The main topics of the trade meeting included the following:

– Measurement of aging parameters of gasoline; how to obtain more precise results;
– Evaluation of Round Robin tests;
– Organisational issues.

"North-South" working group

The regional cooperation of V-4 countries in the energy sector was transformed and extended. The European Commission created the "High Level Group of North-South Interconnections" in 2011, which operates as a regional working group for promoting infrastructure projects of common regional importance, in three areas: electricity, gas and oil. The members of the "North-South" oil working group are: Austria, Croatia, Romania and Bulgaria. HUSA supports the work of the team in close cooperation with the Ministry of National Development and MOL.

Regional relations

With the active participation of the staff of the Hungarian Hydrocarbon Stockpiling Association, the intergovernmental agreement between Croatia and Hungary was signed (the Hungarian parliament adopted it in March 2011). The preparation of the intergovernmental agreement between Romania and Hungary concerning the strategic stockpiling of crude oil and oil products started this year.

Trade meetings with government and oil industry representatives of the Serbian Republic continued to be held. The sharing of HUSA experience included also a visit to the Vámosgyörk site of OPAL Zrt.

Budapest, March 30th 2012

Dr. Béla Bártfai Managing Director	Dr. Mónika Kék Assistant Managing Director

Statistical number: 18053302-9199-529-01

Budapest Metropolitan Court Reg. No.: 5599

Hungarian Hydrocarbon Stockpiling Association

1037 Budapest, Montevideo u. 16/b

Annual Report

2011

Dated: 30 March 2011 Head (Representative) of the Entity

Stamp

Statistical number: 18053302-9199-529-01
Budapest Metropolitan Court Reg. No.: 5599

BALANCE SHEET 'A' Assets

(HUF thousand)

Line no.	Description	Prior year	Prior Year(s) Adjustments	31/12/2011
a	B	c	d	E
1	**A. Assets employed**	21 262 014	0	21 267 944
2	I. INTANGIBLE ASSETS	860 640	0	887 659
3	Capitalised Value of Establishment and Restructuring			
4	Capitalised Value of R+D			
5	Rights	4 630		31 649
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	61 870	0	60 631
11	Real-estates and related rights	22 446		19 729
12	Machinery and Equipment			
13	Other Equipment, fittings and vehicles	39 424		40 902
14	Breeding Livestock			
15	Capital expenditures, renovation			
16	Advance payment on Capital Expenditures			
17	Reassessment of Fixed Assets			
18	III. FINANCIAL INVESTMENTS	20 339 504	0	20 319 654
19	Participations in affiliates	20 339 054		20 319 654
20	Long-term loans granted to affiliates			
21	Other participations			
22	Long-term loans granted to other participations			
23	Other long-term loans granted	450		
24	Long-term credit securities			
25	Reassessment of Financial Investments			

Dated: 30 March 2012 Head (Representative) of the Entity

stamp

Statistical number: 18053302-9199-529-01
Budapest Metropolitan Court Reg. No.: 5599

BALANCE SHEET 'A' Assets

(HUF thousand)

Line no.	Description	Prior year	Prior Year(s) Adjustments	31/12/2011
a	B	c	d	E
26	**B. Current assets**	216 379 437	0	233 493 244
27	I. INVENTORIES	206 451 542	0	184 176 762
28	Materials			
29	Work in progress and semi-finished products			
30	Growing, feeding and other livestock			
31	Finished goods			
32	Goods	206 451 542		184 176 762
33	Advance payment for Inventories			
34	II. RECEIVABLES	6 913 703	0	6 717 828
35	Accounts Receivable (Trade Receivables)			
36	Receivables from affiliates			54 064
37	Receivables from other participations			
38	Receivables from bills of exchange			
39	Other receivables	6 913 703		6 663 764
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	3 014 192	0	42 598 654
46	Cash in hand, cheques	702		498
47	Bank accounts	3 013 490		42 598 156
48	**C. Accruals**	3 568 712	0	4 151 588
49	Accrued revenue	155 211		67 428
50	Accrued costs and expenses	3 413 501		4 084 160
51	Deferred expenses			
52	**Total assets**	241 210 163	0	258 912 776

Dated: 30 March 30 2012

Head (Representative) of the Entity

stamp

Statistical number: 18053302-9199-529-01
Budapest Metropolitan Court Reg. No.: 5599

BALANCE SHEET 'A' Liabilities

(HUF thousand)

Line no.	Description	Prior year	Prior Year(s) Adjustments	31/12/2011
a	b	c	D	E
53	**D. Shareholders' Equity**	100 392 117	0	109 681 706
54	I. SHARE CAPITAL			
55	of which: Own Shares and Stocks repurchased			
56	II. CALLED UP CAPITAL NOT FUNDED (-)			
57	III. CAPITAL RESERVE	100 392 117		109 681 706
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**	140 640 041	0	148 786 265
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	84 169 276	0	68 088 007
72	Long term loans received			
73	Transferable bonds			
74	Payable for Bond issue			
75	Investment and development loans			
76	Other long-term loans	84 169 276		68 088 007
77	Long-term liabilities to affiliates			
78	Long-term liabilities to other participations			
79	Other long-term liabilities			

Dated: 30 March 2012 Head (Representative) of the Entity

stamp

Statistical number: 18053302-9199-529-01
Budapest Metropolitan Court Reg. No.: 5599

BALANCE SHEET 'A' Liabilities

(HUF thousand)

Line no.	Description	Prior year	Prior Year(s) Adjustments	31/12/2011
a	B	c	d	E
80	III. SHORT-TERM LIABILITIES	56 470 765	0	80 698 258
81	Short-term credits			
82	Of which: convertible bonds			
83	Short-term loans	54 592 301		74 847 141
84	Advances received from customers	257 843		88 550
85	Accounts payable to Suppliers (trade creditors)	517 927		4 693 073
86	Debts under bills of exchange			
87	Short-term liabilities to affiliates	774 814		1 052 246
88	Short-term liabilities to other participations			
89	Other short-term liabilities	327 880		17 248
90	**G. Deferrals**	178 005	0	444 805
91	Accrued income			428 648
92	Accrued costs and expenditures	15 007		16 157
93	Differed receivables	162 998		
94	**Total liabilities**	241 210 163	0	258 912 776

Dated: 30 March 2012

stamp

Head (Representative) of the Entity

Statistical number: 18053302-9199-529-01
Budapest Metropolitan Court Reg. No.: 5599

PROFIT AND LOSS STATEMENT 'A'
(total cost method) (HUF thousand)

Line no.	Description	Prior year	Prior Year(s) Adjustments	31/12/2011
a	B	c	d	E
1	1 Net Domestic Sales	18 694 526		49 248 597
2	2 Net Export Sales			
3	**I. Net Sales (01+02)**	18 694 526	0	49 248 597
4	3 Change in Inventories of own Production±			
5	4 Capitalised Value of assets from own Production			
6	**II. Capitalised Value of own Production (±03+04)**	0	0	
7	**III. Other Revenues**	38 036 995		39 139 964
8	Of which: Member Contribution Fee, oil section	16 499 693		16 397 088
9	Member Contribution Fee, gas section	21 295 630		22 557 660
10	5 Material Expenses	28 842		32 521
11	6 Value of Services	24 914 902		23 497 226
12	7 Other services	4 236		3 828
13	8 Cost of Sales	15 264 122		39 906 349
14	9 Value of services sold (mediated)			758 987
15	**IV. Expenses (05+06+07+08+09)**	40 212 102	0	64 198 911
16	10 Wages and Salaries	303 610		211 757
17	11 Other personnel Expenses	15 673		110 831
18	12 Social Security	81 750		81 943
19	**V. Total Personnel Expenses (10+11+12)**	401 033	0	404 531
20	**VI. Depreciation**	15 611		15 249
21	**VII. Other Expenses**	492 459		17 436
22	Of which: loss of value			
23	**A. OPERATING (BUSINESS) PROFIT (I+II+III+IV+V+VI+VII)**	15 610 316	0	23 752 434

Dated: 30 March 2012 Head (Representative) of the Entity

stamp

Statistical number: 18053302-9199-529-01
Budapest Metropolitan Court Reg. No.: 5599

PROFIT AND LOSS STATEMENT 'A'

(total cost method) (HUF thousand)

Line no.	Description	Prior year	Prior Year(s) Adjustments	31/12/2011
a	B	c	d	E
24	13 Dividends received	976 708		911 051
25	Of which: from affiliates	976 708		911 051
26	14 P/L of Equity sales			
27	Of which: from affiliates			
28	15 Interest Income on Financial Investments			
29	Of which: from affiliates			
30	16 Other interest or interest bearing income	242 312		1 016 733
31	Of which: from affiliates			
32	17 Other Income of Financial Activity	2 374 020		7 966 143
33	**VIII. Income of Financial Activity (13+14+15+16+17)**	3 593 040	0	9 893 927
34	18 Exchange loss on Financial Investments			
35	Of which: to affiliates			
36	19 Interest Paid	5 384 999		4 515 518
37	Of which: to affiliates	120 504		
38	20 Write-off of Financial Investments			
39	21 Other Expenses of Financial Activities	6 783 610		19 842 032
40	**IX. Expenses of Financial Activities (15+19±20+21)**	12 168 609	0	24 357 550
41	**B. PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)**	-8 575 569	0	-14 463 623
42	**C. INCOME OF ORDINARY ACTIVITIES (±A±B)**	7 034 747	0	9 288 811
43	**X. Extraordinary Income**			777
44	**XI. Extraordinary Expenses**			
45	**D. INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)**	0	0	777
46	**E. PROFIT BEFORE TAXATION (±C±D)**	7 034 747	0	9 289 588
47	**XII. Retained earning of the capital reserve**	7 034 747	0	9 289 588

Dated: 30 March 2012 Head (Representative) of the Entity

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Independent Auditor’s Report

To the owners of the Hungarian Hydrocarbon Stockpiling Association

Report on the Annual Report of the Hungarian Hydrocarbon Stockpiling Association

We have audited the accompanying 2011 Annual Report of the Hungarian Hydrocarbon Stockpiling Association, which comprises the Balance Sheet dated 31 December 2011 (in which total assets and liabilities are both HUF 258,912,776 thousand; the retained earnings of the year amount to HUF 9,289,588 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

The management is responsible for the preparation and fair presentation of the Annual Report in accordance with the Act on Accounting and the general accounting principles accepted in Hungary, 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

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.

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

Opinion

We have audited the Annual Report of the Hungarian Hydrocarbon Stockpiling Association, its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing, and gained sufficient and appropriate evidence that the Annual Report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. 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 31 December 2011, and of the results of its operations for the year then ended.

Other Reporting Requirements relating to the Business Report

We have examined the Business Report of the Hungarian Hydrocarbon Stockpiling Association for the year ended 31 December 2011, accompanying the attached 2011 Annual Report.

The management is responsible for preparing the Business Report in accordance with the general accounting principles accepted in Hungary. 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 2011 is consistent with the statements of the Annual Report of the Hungarian Hydrocarbon Stockpiling Association prepared for the same year.

Budapest, 30 March 2012

Bakonyiné Judit Orosz
Ecovis Audit Budapest Kft
1036 Budapest, Bécsi út 52
Registration No.: 001591

Katalin Kiss
Registered Auditor
Chamber membership No.: 005037

SUPPLEMENTARY NOTES TO THE ANNUAL REPORT FOR 2011

1. General information

1.1. Name of business entity: Hungarian Hydrocarbon Stockpiling Association

1.2. Abbreviated name: HUSA

1.3. Headquarters: 1037 Budapest, Montevideo u. 16/b.

1.4. Year of establishment: 1993

1.5. Year of starting operation: 1993

1.6. Corporate form: other civil organization

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

1.8. Owners: N/A

1.9. Method of bookkeeping: double entry bookkeeping

1.10. Balance sheet: Type 'A', balance sheet date (business year = calendar year): 31 December

1.11. Balance sheet prepared on: February 10^{th} 2012

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

1.13. Currency of the annual report: HUF

1.14. Core activities: implementation of stockpiling as defined in Acts XLIX of 1993 and XXVI of 2006

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

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

Dr. Béla Bártfai

1037 Budapest, Remetehegyi út 38/A

2. Accounting methods, accounting policy

2.1. The Association keeps its books and records in accordance with Act C of 2000 on Accounting ("Szmt" or "Act C of 2000"), Act XLIX of 1993 on the creation of strategic stocks of imported crude oil and oil products ("Kt" or "Act XLIX of 1993") and Act XXVI of 2006 on the creation of strategic stocks of natural gas ("Fbkt" or "Act XXVI of 2006"). Of the regulations required for operation, the Association disposes of the consolidated Statutes, Rules of Organization and Operation, Cash Management Regulations, as well and as the Rules on Valuation, Inventory and Cost Price Calculation included in the Accounting Policy, all approved by the competent minister.

2.2. Section (1) of Article 29 of the subsequently amended Act XLIX of 1993 regulating the founding of the Association, 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 Ásványolajtermék Minőségellenőrzési Zrt and in OPAL Tartálypark 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. 33 of Act XLIX of 1993, in relation to the annual report we also prepare a detailed report including figures and text on the fulfilment 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. 11 and Section (6) of Art. 35 of Act XLIX of 1993) the Association has no tax payment obligation, increases the amount of the capital reserve. Pursuant to Art. 35, shareholders equity can only include share capital and capital reserve, which means that called up capital not funded, accumulated profit reserve, deposited reserve, valuation reserve and retained earnings cannot appear in the balance sheet of the 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.

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 Katalin Kiss (registration number: 005037), the auditor of ECOVIS Audit Budapest Kft. The annual fee of auditing is HUF 2,948,000. Katalin Arató (1173 Budapest, Füstifecske u. 51, registration number: 132110), financial and accounting manager is responsible for the duties of accounting services.

3. Information related to the 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	15 545.6	10 915.6	4 630.0
- Increase	30 480.6	3 462.0	
- Decrease	0.0	0.0	
- Closing value	46 026.2	14 377.6	**31 648.6**
2. Intellectual property			
- Opening value	7 812.5	6 345.0	1 467.5
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value	7 812.5	6 345.0	**1 467.5**
3. Goodwill			
- Opening value	6 101 244.9	5 246 702.7	854 542.2
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value	6 101 244.9	5 246 702.7	**854 542.2**
II. Fixed assets			
1. Real-estate and related rights			
- Opening value	29 860.1	7 413.7	22 446.4
- Increase	0.0	2 717.4	
- Decrease	0.0	0.0	
- Closing value	29 860.1	10 131.1	**19 729.0**
2. Other equipment, vehicles			
- Opening value	105 016.2	65 591.8	39 424.4
- Increase	13 812.0	9 070.0	
- Decrease	9 704.6	6 439.9	
- Closing value	109 123.6	68 221.9	**40 901.7**
Total closing value			**948 289.0**

The depreciation accounted in 2011 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, of which HUF 162,998 thousand was booked under revenues in 2011.

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

3.5. In 2004, the Association had majority share of HUF 39,600 thousand (90%) in Ásvány-olajtermék Minőségellenőrzési 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 3 January 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 4 October 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 25 July 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 dematerialise 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.

3.7. The association has a significant share:

- 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 16 February 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%.

- 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/ 2011 (HUF thousand)	Ownership ratio	Note
OPAL Zrt	13 552 254	100%	Subsidiary company
ÁMEI Zrt	140 000	63.6%	Subsidiary company
MMBF Zrt	6 166 800	27.4%	Associated undertaking
TERMÉKTÁROLÓ Zrt	420 000	26%	Associated undertaking
PETROTÁR Kft	40 000	20%	Associated undertaking
PETROTÁR PROJEKT Kft	600	20%	Associated undertaking
Total	20 319 654		

The following table shows the development of the shareholders’ equity of the companies in 2011:

(HUF thousand)	Shareholders’ equity	Share capital	Capital reserve	Profit reserve	Deposited reserve	Valuation reserve	Retained earnings
OPAL Zrt	20 019 680	4 000 000	3 223	13 490 024	1 057 003	0	1 469 430
ÁMEI Zrt	577 431	220 000	7 464	328 417	2 418	0	19 132
Petrotár Kft*	1 744 203	200 000	0	1 427 133	25 870	0	91 200
Petrotár Projekt Kft	3 942	3 000	0	5 180	0	0	-4 238
MMBF Zrt**	38 085 588	25 726 467	773	3 873 932	991 038	0	7 493 379
TT Zrt	2 438 970	1 620 000	0	76 883	0	0	742 087

*The data are not final.
**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.

3.9. Book value of inventories

	Unit	Stored quantity (tons)	Inventory value (HUF thousand)	Division (%)
Crude oil	tons	557 750.46	37 159 188	45.4
Gasoline 95	litres at 15ºC	280 408 264.00	26 566 711	17.0
Diesel	litres at 15ºC	520 792 194.00	58 657 635	35.5
Heating oil for power generation	tons	25 130.95	1 726 493	2.0
			124 110 028	**100.0**
Natural gas	GJ	31 642 937.52	60 066 734	
			184 176 762	

3.10. Accounts receivable were satisfied by the closing date of the Balance Sheet.

Other receivables

	HUF thousand
Advances	6 927
Receivables from employees	519
Account for natural gas contribution fees	2 549 134
Account for crude oil contribution fees	2 402 506
Deferred, technical VAT advances	247 629
Value-added tax	1 457 049
	6 663 764

	HUF thousand
PREPAYMENTS AND ACCRUED INCOME	**4 151 588**
Capacity reservation fee for January-March 2012	3 727 487
Historical value for the sale of mobile storage capacities	348 441
Office rent, operating cost	6 957
Insurance fees	1 005
Subscription fee of trade literature	270
Accrued costs and expenses	**4 084 160**
Interest on fixed deposits	67 428
Accrued income	**67 428**

In the 2011 business year, there was no need to create provisions for future costs, expected liabilities or any other purpose.

3.11. The receivables from affiliates amount to HUF 54,064 thousand, including HUF 19,939 thousand receivables from OPAL Tartálypark Zrt and HUF 35,125 thousand from Petrotár Kft.

3.12. The following table shows liabilities related to long-term acquisition loans, on 31 December 2011:

	Loan portfolio on 31-12-2011	Loan expiration date	Short term part
IPRC ZRT	EUR 0.71 Mn	30-12-2012	EUR 0.71 Mn
IPRV ZRT	EUR 3.19 Mn	20-03-2014	EUR 1.28 Mn
PTT KFT	HUF 1.0 Bn	20-01-2014	HUF 0.4 Bn

3.13. Of long-term loans, HUF 179,341 thousand (part falling due in 2012) was transferred to short-term loans. After the transfer, the balance-sheet value of short-term loans was HUF 74,847,141 thousand.

3.14. 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 31 October 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 4 January 2012.

3.15. Accounts payable to suppliers shows HUF 4,693,073 thousand, and short-term liabilities to affiliates shows HUF 1,052,246 thousand. By the Balance Sheet closing date, accounts payable to suppliers were settled in entirety.

3.16.

Other liabilities	HUF thousand
Tax and contributions	787
Accounting of settlement of fringe benefits	615
Crude oil contribution fee account	3 701
Accounting of settlement of income	12 145
	17 248

3.17. The average statistical permanent staff of the Association is 13.1 persons, wages in value of HUF 211,757 thousand were paid to them in the course of the year. The Association awarded employees HUF 13,482 thousand as fringe benefits. All employees belong to the employment category of intellectual workers.

3.18. The Board of Directors and the Supervisory Board of the Association received fees in value of HUF 91,560 thousand. No guarantee, loans or advance payments granted were to them.

3.19. The Association is involved in one lawsuit in progress. The fulfilment of the contract of deposit concluded on 23 July 2007 between NAFTA DEPO Szolgáltató Kft and the Association is currently 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, which suit is yet ongoing.

3.20. Net assets

a) Changes in the structure of assets

Elements of assets	2010	2011	Percentage (%)		Change (%)
	HUF thousand	*HUF thousand*	**2010**	**2011**	**2011/2010**
Assets employed	21 262 014	21 267 944	8.8	8.2	100.0
Current assets	216 379 437	233 493 244	89.7	90.2	107.9
Accruals	3 568 712	4 151 588	1.5	1.6	116.3
Total assets	241 210 163	258 912 776	100.0	100.0	107.3

b) Changes in the structure of resources

Elements of resources	2010	2011	Percentage (%)		Change (%)
	HUF thousand	*HUF thousand*	**2010**	**2011**	**2011/2010**
Shareholders' equity (capital reserve)	100 392 117	109 681 706	41.6	42.4	109.3
Provisions	0	0	0.0	0.0	0.0
Liabilities	140 640 041	148 786 265	58.3	57.5	105.8
Deferrals	178 005	444 805	0.1	0.2	249.9
Total resources	241 210 163	258 912 776	100.0	100.0	107.3

4. Cash-Flow Statement

I. Cash flow from ordinary activities (HUF thousand)

	2010	2011
Profit before taxation*	6 058 039	8 378 537
Accounted depreciation	15 611	15 249
Accounted loss in value	-	-
Difference between provisions made and used	-	-
Gains/losses on sales of assets employed	-872	-24
Change in accounts payable	-34 383 928	4 452 578
Change in other short-term liabilities	538 117	-479 925
Change in deferrals	-254 674	266 800
Change in accounts receivable	504 810	0
Change in current assets (w/out acc. receivable, cash)	11 823 920	22 470 656
Change in accruals	-2 512 606	-582 876
Tax paid (on profits)	-	-
Dividend paid	-	-
Operating cash flow (lines 1 to 13)	**-18 211 583**	**34 520 995**

** Adjusted by dividend received, financially unrealised revenues and costs.*

II. Cash flow from investment activities (HUF thousand)

	2010	2011
Purchase of assets employed	-20 517	-24 419
Sale of assets employed	12 034	3 264
Dividend received	976 708	911 051
Cash flow from investments (lines 14 to 16)	**968 225**	**889 896**

III. Cash flow from financial transactions (HUF thousand)

		2010	2011
17	Proceeds from the issue of stocks	-	-
18	Proceeds from the issue of bonds	-	-
18	Loans received	165 728 085	142 935 148
19	Liquid assets received definitely	-	-
20	Retirement of stock (capital reduction)	-	-
21	Repayment of bonds	-	-
22	Repayment of loans	-149 004 402	-138 761 577
23	Liquid assets transferred definitely	-	-
Cash flow from financial activities (lines 17 to 24)		**16 723 683**	**4 173 571**

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

2010	2011
-519 675	39 584 462

5. Indicators of assets, financial position and revenues

5.1. Indicators of assets

a.) Equity Ratio

	2010			2011		
Equity / Total assets	100 392 117 / 241 210 163	=	0.42	109 681 706 / 258 912 776	=	0.42

b.) Borrowed Capital Ratio

	2010			2011		
Borrowed capital / Total assets	138 761 577 / 241 210 163	=	0.58	142 935 148 / 258 912 776	=	0.55

c.) Leverage Ratio

	2010			2011		
Borrowed capital / Equity	138 761 577 / 100 392 117	=	1.38	142 935 148 / 109 681 706	=	1.30

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

d) Coverage of Assets Employed

	2010			2011		
Equity + long-term liabilities / Assets employed	184 561 393 / 21 262 014	=	8.68	177 769 713 / 21 267 944	=	8.36

e) Working Capital

	2010			2011		
Current assets – short-term liabilities / Equity	159 908 672 / 100 392 117	=	1.59	152 794 986 / 109 681 706	=	1.39

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

a) Liquidity ratio

	2010		2011	
Current assets / Short-term liabilities	216 379 437 / 56 470 765	= 3.83	233 493 244 / 80 698 258	= 2.89

$$\frac{\text{Current assets}}{\text{Short-term liabilities}} \qquad \frac{216\,379\,437}{56\,470\,765} = 3.83 \qquad \frac{233\,493\,244}{80\,698\,258} = 2.89$$

A ratio value higher than 1 indicates a good liquidity position.

b) Long-term Indebtedness Ratio

	2010		2011	
Debt portfolio / Long-term liabilities + Equity	138 761 577 / 184 561 393	= 0.75	142 935 148 / 177 769 713	= 0.80

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

Budapest, March 30, 2012

Dr. Béla Bártfai
Managing Director

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Assistant Managing Director