BUDGET
FOR THE YEAR
2014

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BUSINESS POLICY
OF THE HUNGARIAN HYDROCARBON STOCKPILING ASSOCIATION

The Hungarian Hydrocarbon Stockpiling Association (referred to as “the Association” or “HUSA”) seeks to ensure the proper fulfilment of the obligations contained in Act No. XXIII of 2013 on creating strategic 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 strategic stockpiling of natural gas (referred to as “the Gas Stockpiling Act”; the two Acts are also referred to together as “the Stockpiling Acts”), exercising the rights provided by the Stockpiling Acts.

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 through competitive tendering procedure.

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

The purchases and sales of the Association (including the fulfilment of storage space requirements and the use of other services) are made within the framework of open or restricted competitive procedures, tenders or equivalent proceedings. HUSA is not subject to Act No. CVIII of 2011 on Public Procurement. In order to ensure the price level of purchases and sales, as well as the fulfilment of the annual budget estimates, the Association may conclude derivative, forward and option contracts on the commodity exchange and financial markets as needed and possible.

The Association ensures external resources for its operations from banks and other financial service providers by competitive tendering, and strives to obtain the most favourable conditions possible. On the financial and capital markets, risks and costs are optimised. In accordance with its ownership ratios in the storage companies and in ÁMEI Zrt, the Association participates in their management and control with a view to making economical use of budgetary resources. Its acquisition efforts also serve to achieve a more direct control and reduction of costs.

The Association cooperates with the international organizations concerned or engaged in the strategic stockpiling of hydrocarbon energy sources, primarily with the competent bodies of the International Energy Agency (IEA) and the European Commission. It plays an active role in the consultations and coordination efforts pursued jointly with the foreign partner institutions, and participates in the Annual Coordination Meetings of Strategic Stockpiling Organizations (ACOMES).

BUDGET FOR THE YEAR 2014

Introduction – Budget Foundations

In 2014, the Association's objectives are to ensure the purchase, sale, safe storage, quantitative and qualitative maintenance of the stocks of crude oil, petroleum products and natural gas prescribed by the effective law, as well as the operation, after July 1st 2014, of a monitoring and marking system that allows the continuous observation of petroleum products placed into free circulation, imported and utilized (Article 12, paragraphs (2) and (3) of the Oil Stockpiling Act).

In connection with these objectives, the Association has to:

- optimise the storage, financing and operating costs and the revenues from contribution fees,
- determine the stockpiling obligations,
- adjust the level of stocks to the prescribed level of stockpiling,
- systematically examine qualitative parameters and preserve the volume of stored products,
- set up and ensure the continuous operation of the fuel marking and monitoring system.

Pursuant to the provisions in force of the Oil Stockpiling Act, the crude oil and petroleum product stockpiling obligations are determined according to the net imports data of the previous year; thus the obligations for 2014 are based on the net imports data expected for 2013.

The entire motor gasoline and Diesel fuel stocks of the Association are of standard quality, of non-biological origin. The crude oil and petroleum product stock replacements planned for the year 2014 arise from the stock renewal obligations due every 6 years.

According to the Gas Stockpiling Act, the Association has to dispose of at least 600 Mn m³ and at most 1200 Mn m³ strategic stocks of natural gas, as described in the decree issued by the minister in charge of energy policy. According to the law applicable when preparing the Business Plan (described in detail in Section 1.2), the strategic stocks of natural gas stood at 615 Mn m³ after July 1st 2013, and this level has to be raised to 1200 Mn m³ by June 30th 2015.

The main elements of the system are the following:

- In the budget of the Association, the cost and revenue structures of natural gas and crude oil stockpiling are presented separately (since 2007),
- Stocks are stored in the Association's own facilities and in rented storage areas,
- The purchase of products to be stored is realised with external financing; principle repayments on stock purchase loans and other external funds are made when the stocks are sold or the external funds are refinanced,
- The collected contribution fees have to cover the interest due on loans and other external funds, the storage costs, the operating costs of the Association, and other expenditures related to the maintenance of the quality and quantity of stocks.

1. Stockpiling Obligation

1.1. Oil Section

1.1.1. Expected Stockpiling Obligation for 2014

Pursuant to the effective Oil Stockpiling Act, the final deadline for determining the 2014 stockpiling obligation is March 31st 2014, and all purchases required for the fulfilment of the 90 days' stockpiling obligation have to be made by July 31st 2014. When preparing the present budget, the Association based its estimates on the actual data of 2013 and on the net imports figures expected until the end of the year. The estimated obligation for 2014 (based on net imports expected for 2013) is presented in the following table.

Table 1
Estimated Stockpiling Obligation for 2014

	(crude oil equivalent, kt)
Annual net imports (year 2013)	4 063.7
Daily net imports (year 2013)	11.13
90 days' net imports (year 2013)	**1 002.0**

1.1.2. Changes in Stocks

Under the Oil Stockpiling Act, in accordance with the regulations of the International Energy Agency and Directive 2009/119/EC (September 14th 2009) on the obligation of Member States to maintain minimum stocks of crude oil and/or petroleum products, only mobile stocks shall be taken into account (stocks that can be withdrawn from the storage tanks by traditional methods) when calculating stock levels, and

a) the volume of gross strategic stocks shall be reduced by 10%, and
b) conversions into crude oil equivalent are based on a multiplier of 0.96 for crude oil and 1.2 for petroleum products.

The following table shows, accordingly, the volume of strategic stocks as expected until the end of 2013.

Table 2
Expected Volume of Stocks on 31/12/2013

	Gross Stocks *(kt)*	Net Stocks *(kt of crude oil equivalent)*
Crude oil	492.2	425.3
Petroleum products	678.5	732.8
Total	**1 170.7**	**1 158.1**

The opening level of stocks in January 2014, calculated according to the Oil Stockpiling Act, corresponds to 104.0 days' net imports, which satisfies the stockholding obligation of HUSA.

Table 3
Expected Stockpiling Obligations for 2014

Net stocks *(kt of crude oil equivalent)*	90 days' net imports *(kt of crude oil equivalent)*	Number of days of stocks
1 158.1	1 002.0	104.0

1.1.3. Stock Replacement

It is expected that, on January 1st 2014, the quality of stocks in the Oil Section will fully comply with the effective product standards. In the following year, 198.5 kilotons of crude oil, 15.1 kilotons of motor gasoline and 61.2 kilotons of Diesel fuel will need to be renewed in accordance with the 6 years' replacement periods. The funding needs of the expected stock replacements amount to EUR 4.1 Mn (HUF 1 250.5 Mn)[1]. After 2014, the stockpiling of heating oil for power generation will no longer be justified, as the consumption of this product was insignificant in recent years. Accordingly, the 8.5 kt heating oil stock will be sold.

1.2. Gas Section

The applicable Gas Stockpiling Act specifies that the Association's strategic gas reserves have to be between the minimum level of 600 Mn m³ and maximum 1 200 Mn m³. The minister in charge of energy policy defines by decree the exact quantity of gas stocks to be held and, accordingly, the extent and conditions of stock sales or purchase obligations, the sales methods and the conditions of replenishment. Under Decree No. 13/2011 (07/04/2011) of the National Ministry of Development concerning the volume, sale and replenishment of strategic gas reserves, applicable when the budget was prepared, the mandatory level of strategic gas stocks is 615 Mn m³ after July 1st 2013. Accordingly, HUSA signed an agreement for the sale of 200 Mn m³ natural gas with MVM Partner Energiakereskedelmi Zrt, the beneficiary. The actual transfer is made according to a monthly schedule between October 2013 and March 2014[2]. Thus the opening stocks in January 2014 are expected to be 710 Mn m³, with HUF 6 082.7 Mn revenues from the sale of 95 Mn m³ natural gas in the course of the year.

The above decree was amended by Decree No. 34/2013 (27/06/2013) of the National Ministry of Development, which modified the deadline for the replenishment of strategic gas reserves from June 30th 2014 to June 30th 2015. As a result, no gas purchases are planned for the year 2014.

[1] Calculated at the euro/forint exchange rate expected for 2014.
[2] Transfer of 105 Mn m³ natural gas in 2013, and 95 m³ in 2014.

2. Fuel Marking and Monitoring System

Under the Oil Stockpiling Act, the Association has to operate a marking and monitoring system after July 1st 2014, for the continuous monitoring of petroleum products placed into free circulation, imported and consumed. The law sets the main guidelines of the fuel marking system, without implementing provisions; it mandates the minister in charge of energy policy to elaborate the detailed rules of implementation.

The National Ministry of Development (referred to as: NFM) prepared a draft regulation (NFM) (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 is automatically extended. However, under the effective Oil Stockpiling Act, HUSA's obligation to introduce and operate the marking and monitoring system by July 1st 2014 is still valid; therefore, irrespective of the postponement of the publication of the Draft Regulation, the 2014 Budget has to earmark contribution fee revenues for funding marking and monitoring activities, as well as the operating costs of the system.

As required by the Oil Stockpiling Act, the Association issued an invitation to tender for the introduction of the fuel marking and monitoring system. 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.

Following the authorization, HUSA started preparatory consultations with the successful tenderer. Due to the postponement 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. It is estimated that the system development will require at least six months, so the July 1st 2014 time limit specified in the Oil Stockpiling Act will probably need to be modified. As a result of the modification of the date of introduction, the mandatory increase of contribution fees on July 1st 2014, prescribed by the Oil stockpiling Act, may also be rescheduled, which could imply the modification of the 2014 Budget. According to the Association's Statutes, the General Meeting may modify the 2014 Budget upon the approval of the 2013 Annual Report, scheduled for the end of May 2014. At that time, the result of the notification procedures, extended until March 3rd 2014, will probably be known, as well as the deadline for the introduction of the marking and monitoring system. Based on these elements, the General Meeting should be able to decide about the approval of the modified 2014 budget.

3. Costs and Revenues

The stockpiling fee, which is the main source of revenue of the Association, is determined according to the volume of stocks, the costs of direct and indirect tasks related to the maintenance and financing of stocks (stockpiling costs), the costs of fuel marking and monitoring, and the operating costs.

Estimated revenues also include other revenues (not coming from contribution fees), which are the following:

- dividend received from the after-tax profit of companies fully or partly owned by the Association, according to the ownership ratio;
- interest income from the tying-up of disposable funds;
- income from the sale of tangible assets;
- income from the sale of storage capacities in excess.

These proceeds are divided between the natural gas and the crude oil section according to the extent to which their creation is related to the activity of one or other of the sections.

The objective of the Budget is to ensure sufficient resources for stable operations. The budget presents the revenues from contribution fees and the costs of storage, financing, fuel marking and monitoring and operations, and the balance of costs and revenues (the budget result) primarily on a cash accounting basis.

After 2007, annual budgets were divided into two subchapters. These account separately the costs and expenditures of crude oil and petroleum products stockpiling, and those of the gas section. Unit contribution fees are defined for product groups taking account of these costs and revenues. The operating costs of the Association are born equally by the two sections (50-50%).

Appendix 4 contains the planning premises and Appendix 5 provides the details of the 2014 Budget.

3.1. Revenues

Total expected revenues for 2014 amount to HUF 33 957.9 Mn, of which HUF 21 443.6 Mn are the revenues of the Oil Section and HUF 12 514.3 Mn relate to the Gas Section.

3.1.1. Contribution fee revenues

The revenues from contribution fees are determined by the expected consumption of fuel in the Oil Section and by the expected consumption of natural gas in the Gas Section for 2014.

In recent years, fuel consumption decreased significantly. Despite a minor increase in the second half of 2013, no significant growth is foreseen for the short term. With the forecasted market stagnation in the Oil Section, expected revenues from contribution fees were calculated on the basis of an estimated fuel consumption of 3 770 kt (4 680 thousand m^3) and 20 kt fuel oil consumption.

For the first semester of 2014, revenues were calculated on the assumption that unit contribution fees remain at the 2013 level and, after July 1st 2014, the increased statutory fees were taken into account. Article 33, Section (5) a) of the Oil Stockpiling Act provides that, in order to ensure proper resources for the operation of the fuel marking and monitoring system, the unit contribution fees per product groups may not be lower than 1% of the monthly average fuel price[3] applicable in the first six months of the year when the Budget is approved by the General Meeting. If the deadline for the introduction of the marking and monitoring system is modified, the date of entry into force of the increased statutory contribution fee is expected to change as well. In case of the delayed introduction of the marking and monitoring system, the budgetary balance of the Oil Section can still be ensured with unvaried unit contribution fee revenues by product groups.

In the Oil Section, net contribution fee revenues (adjusted for fee recoveries) are expected to be HUF 17 799.9 Mn in 2014, in accordance with the elements described above.

The time series[4] presenting the monthly evolution of natural gas consumption between 2007 and 2013 (see Appendix 6) confirms the declining trend (with the exception of the year 2010). Accordingly, a further consumption decline of 9.1 Bn m³ (309.4 MGJ) was foreseen for 2014. Pursuant to Article 8 (8)-(10) of the Gas Stockpiling Act, the members holding a universal service provider's license and the members holding a gas trading licence, serving household consumers, are eligible for recovering the contribution fee payment made on the basis of natural gas sold to retail clients. Natural gas sales to household consumers are estimated to be 3.2 Bn m³ (108.8 MGJ) in 2014.

The decline in gas consumption and the recovery of contribution fees paid on gas sales to household consumers greatly decrease net contribution fee revenues (adjusted for fee recovery); calculated at the unvaried unit contribution fee level (HUF 60.5/GJ), contribution fee revenues amount to HUF 12 136.3 Mn in the Gas Section.

The total net contribution fee revenues in the two sections are estimated to be HUF 29 936.2 Mn in 2014.

3.1.2. Other revenues (not coming from contribution fees)

In the Oil Section, the affiliated storage companies have stable financial and liquidity positions, their activities are profitable. Based on the expected after-tax profit of these companies in 2013, HUF 3 543.7 Mn dividend was estimated for 2014. (HUF 243.7 Mn from TT Zrt, HUF 3 300.0 Mn from OPAL Zrt, a part of which will be paid from the accumulated profit reserve.) The interest income from the tying-up of disposable surplus liquidity temporarily available, coming from the sale of stocks, is estimated to be HUF 100 Mn. Accordingly, total other revenues are expected to be HUF 3 643.7 Mn in the Oil Section.

In the Gas Section, no dividend income is expected for 2014. This is due to the fact that MMBF Földgáztároló Zrt[5], which is partly owned by the Association, is in the process of converting its

[3] The fuel price published by the National Tax and Customs Office (NAV), in accordance with Section 83 (2) of Act No. CXVII of 1995 on the Personal Income Tax, has to be considered.

[4] The time series is based on the data provided by FGSZ Földgázszállító Zrt.

[5] Currently, HUSA holds 27.53656 % of the shares of MMBF Zrt, but the purchase of a further stake of 21.46344 % is in progress. After the purchase (expected to be finalized by December 31st 2013), the Association will have 49% and 51% of the company will be owned by the state. The Association's participation in the affiliated companies is contained in Appendix 3.

loans of more than EUR 300 Mn into market-based instruments and, in consequence, no dividend payments are expected during the credit period.

From the secondary sale of interruptible withdrawal and injection capacities booked in gas storage facilities, HUF 228.0 Mn[6] revenues are expected. The interest income from tied-up disposable funds is estimated to be HUF 150 Mn and HUF 378 Mn other income was calculated for 2014.

Total other revenues (not coming from membership fees) of the two Sections amount to HUF 4 021.7 Mn.

3.2. Expenditures

In 2014, the estimated total expenditures of HUSA amount to HUF 37 853.8 Mn, of which the expenditures of the Oil Section are HUF 20 843.8 Mn and those of the Gas Section are HUF 17 010.0 Mn. These include HUF 28 274.1 Mn stockpiling costs (stock reservation, maintenance and financing), HUF 8 899.7 Mn expenditures related to fuel marking and monitoring, and HUF 680 Mn operating costs of HUSA as described below.

3.2.1. Storage costs

Stocks in the Oil Section are stored within the framework of long-term custody agreements. The existing agreements ensure the fulfilment of the storage tasks set for 2014. HUSA does its best to avoid the raising of custody fees agreed in storage contracts to a greater extent than actually justified, taking account of adjustments for inflation effects. The estimated storage costs of the Oil Section amount to HUF 10 305.9 Mn in 2014.

All strategic stockpiles of natural gas are stored at the Szőreg-1 facilities of MMBF Zrt. The 2014 Business Plan calculated with the capacity booking fee specified in the long-term storage agreement. In accordance with the agreement of October 2013, this fee was converted into forints at the EUR/HUF exchange rate[7] of October 7th 2013, published by the National Bank of Hungary. Accordingly, the estimated storage costs of the Gas Section are HUF 15 281.7 Mn.

The total storage costs of the two sections amount to HUF 25 587.6 Mn.

3.2.2. Stock Maintenance Costs

The main cost elements related to the quantitative and qualitative preservation of liquid hydrocarbons are those related to constant controls, quality inspections and the necessary interventions.

The overall costs related to the quantitative and qualitative maintenance of stocks, requiring funding, amount to HUF 140.0 Mn.

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[6] In accordance with the average EUR/HUF exchange rate expected for 2014.

[7] EUR/HUF 296.84.

3.2.3. Financing costs

3.2.3.1. Stock-financing loans and acquisition loans

Of the EUR 339 Mn stock-financing loans outstanding at the end of 2013, EUR 212 Mn (HUF 64 660.0 Mn)[7] loans will expire in March 2014. A part of the expiring loans are expected to be prepaid at the roll-over date in March, using the proceeds of stock sales in the last quarter of 2013 and in the first quarter of 2014. To finance the stock replacements, EUR 4.1 Mn (HUF 1 250.5 Mn)[8] new loans will be necessary.

As a result of these changes, the value of outstanding stock-financing loans should drop to EUR 267.7 Mn (HUF 81 648.5 Mn) [8] at the end of 2014.

The acquisition of OPAL Zrt, and of its predecessor, will be financed by HUF 200 Mn and EUR 0.6 Mn long-term investment loans. Since the loans will reach maturity in the first quarter of 2014, interest and principal repayment costs are expected only for that period.

3.2.3.2. Interest due, other costs, repayment of acquisition loans

As a result of the decrease of stock-financing and acquisition loans in the Oil Section, financing costs are significantly lower. The expected interest cost of stock-financing loans and acquisition loans is HUF 763.6 Mn and acquisition loan repayments due in 2014 amount to HUF 394.6 Mn.

Due to the decrease of assets in the Gas Section, lower interest costs are expected, in the amount of HUF 1 388.2 Mn.

The two Sections' total financing costs, arising from interest expenses and principal repayments, are estimated to be HUF 2 546.5 Mn in 2014.

3.2.4. Operating costs of the fuel marking and monitoring system

According to the contractual conditions related to the creation of a fuel marking and monitoring system, the Association will ensure the central marker blending facilities; the marker charging machines and the analytical equipment for marking control will be purchased by the Association or a company founded by it, and the Association has to pay a service fee for the operation of the overall system and for the marking substance (depending on the quantity of fuel to be marked). The Association plans to ensure the required funds (about HUF 3 130 Mn according to the tender and the negotiations so far) from own resources, without taking a credit. The monthly service fee related to fuel marking is expected to be between HUF 750 Mn – 1 000 Mn, depending on the domestic fuel consumption.

Under the Oil Stockpiling Act, HUSA is responsible for the control of fuel marking. In the 2014 Budget, HUF 312.8 Mn costs were foreseen for this task. The Association plans to perform the controlling activity related to fuel marking through an independent company owned by it.

Based on these elements, HUF 8 899.7 Mn expenses were budgeted for fuel marking and monitoring tasks in the Oil Section.

[8] In accordance with the average EUR/HUF exchange rate expected for 2014.

3.2.5 Operating expenses

The total budget for operating expenses is HUF 680.0 Mn. The expected funding needs of operations for 2014 are HUF 40 Mn higher than in 2013.

The Budget includes HUF 475.0 Mn for personnel costs, which is HUF 20.0 Mn higher than in 2013. This does not allow wage increases. However, the fulfilment of the tasks, has required this year already a staff increase and the engagement of external workforce under contract, and this is expected to be so in the following years as well.

A major part of expected expenditures for the purchase of tangible assets (HUF 30 Mn) are the costs of the IT requirements of the overall system of electronic declarations made available to member companies. The use of electronic signatures, an electronic time stamp service for improved authenticity, and on-line contact with the trust service provider will be introduced in 2014, allowing the replacement of paper-based declarations and the creation of a paper-free office environment. An electronic data link will need to be created between HUSA and the National Tax and Customs Office (NAV) in order to ensure the electronic endorsement of the declarations submitted by the members of the Oil Section. The introduction of electronic declarations and the creation of an on-line data link require creating a higher security level for the Association's IT system; the HUF 30 Mn costs include these investment requirements too. In addition to these IT developments, tangible asset purchases also include HUF 10.0 Mn for the purchase of company cars for newly nominated officials.

The costs of services (HUF 105.0 Mn) increased slightly in comparison to 2013. These include the services needed for the performing regular activities, rental fees related to this budget line, repair and maintenance costs and telecommunications costs, all indexed for inflation.

The projection for other expenditures is the same as in the previous year (HUF 40.0 Mn). This contains the costs of fuel allocated within the framework of the cooperation agreement with NAV and various tax-type payments. The cost of materials (HUF 12.0 Mn) and other costs (HUF 8.0 Mn) remain the same as in 2013. The major items in "other costs" are the banking and insurance fees.

4. Determining the level of contribution fees

A fundamental requirement in the Budget is that both Sections should close a "+0" budget position. In the assessment of funding needs, the primary objective was to ensure a balanced budget in 2014.

Based on the expected costs described above, the Association's funding needs amount to HUF 37 853.8 Mn in 2014, of which the requirements of the Oil and the Gas Sections are, respectively, HUF 20 843.8 Mn and HUF 17 010.0 Mn.

In 2014, HUF 29 936.2 Mn membership fee revenues are expected, of which HUF 17 799.9 Mn in the Oil Section and HUF 12 136.3 Mn in the Gas Section. Other revenues (sale of booked capacities, dividend and interest income) are HUF 4 021.7, of which HUF 3 643.7 Mn in the Oil Section and HUF 378.0 Mn in the Gas Section.

Therefore, total expected revenues are HUF 33 957.9 Mn, of which HUF 21 443.6 Mn in the Oil Section and HUF 12 514.3 in the Gas Section.

Considering that total cost projections are higher than total expected revenues, it will probably be necessary to use the budget reserve to be created in 2013, in order to ensure a balanced budget in 2014.

In the 2013 budgetary year, HUF 6 041.0 Mn reserves are expected to be created. These are entirely coming from the income surplus and cost savings of the Oil Section. These comprise the following items:

- higher revenues than expected from contribution fees, due to higher than projected fuel consumption;
- dividend received from affiliates, which were earmarked for the prepayment of stock-financing loans in the 2013 budget;
- savings made as a result of lower than expected financing and operating costs.

The funding needs of the Gas Section are significantly higher (by HUF 4 495.7 Mn) than the expected membership fee revenues calculated at the membership fee level of 2013, which is explained by the recovery of membership fees. In the 2014 budget of the Gas Section, the part of the costs exceeding revenues can be covered using HUF 4 600 Mn of the budget reserve, without raising the unit contribution fee, and with the minimum reserve level of HUF 104.3 Mn.

The funding needs of the Oil Section can be ensured from the membership fee revenues calculated with the increased unitary membership fees by product groups, as prescribed by the Oil Stockpiling Act, and from other revenues. The 2014 budget of the Oil Section is expected to close with HUF 2 040.8 Mn profit, which includes the HUF 1 441.0 Mn remaining from the 2013 projected budget reserve.

Accordingly, the consolidated 2014 budget is expected to close with a profit of HUF 2 145.1 Mn, taking account of the following unitary membership fees by product groups, and using the 2013 budget reserve.

Table 4
Statutory level of contribution fees after January 1st 2013

Product group	**Combined nomenclature number**	**Statutory Contribution Fees**		
		Until 30/06/2014	**After 01/07/2014 (introduction of marking)**	
Gasoline-type fuel	2710 11 31	3 300	4 240	HUF/ 1000 litres $_{15}$
	2710 11 41			
	2710 11 45			
	2710 11 49			
	2710 11 51			
	2710 11 59			
Kerosene	2710 19 21	3 052	3 052	HUF/ 1000 litres $_{15}$
Gas oil	2710 19 41	3 205	4 302	HUF/ 1000 litres $_{15}$
	2710 19 45			
	2710 19 49			
Fuel oil	2710 19 61	3 075	3 075	HUF/ ton
	2710 19 63			
	2710 19 65			
	2710 19 69			
Natural gas	2711	60.5	60.5	HUF/GJ

5. Factors and Risks Affecting the Fulfilment of the Budget

The Budget was based on the information available in the budgeting period (October 2013). The assumptions taken into account include the parameters applied by crude oil and natural gas companies, determined in budget committees and the projections made by the Hungarian National Bank and the financing banks. Obviously, these are of a hypothetical nature.

In the overall structure of expenses, the storage fee remains the major item. The second largest item comprises the costs related to fuel marking and monitoring, which appears for the first time in the Association's budget. The share of financing costs is 6.7%, which is lower than in the year before (14.8%), due to the inclusion of marking costs in the structural analysis and to the decrease of loans. The share of operating costs is the same as in the previous year.

Table 5
Structure of Costs (HUSA)

Storage fees, stock maintenance costs	68.1%
Financing costs	6.7%
Operating costs, asset purchases	1.8%
Marking costs	23.4%
Total:	100%

The 2014 Budget leaves a very tight margin, especially in the Gas Section. The main risks threatening the balance of the budget are the following:

- If the budget reserve for 2013 is lower than expected, there will not be sufficient funds to cover the loss of revenues in 2014. Considering that expenses are relatively easy to estimate, actual costs may differ from projections primarily because of the loss of revenues due to the lower than expected fuel and natural gas consumption.
- Natural gas consumption by non-household consumers in 2014 presents an important risk. If the actual consumption by non-household consumers is lower than estimated, it may be necessary to raise contribution fees during the year in order to ensure budgetary balance.
- In the Oil Section, the costs of fuel marking and monitoring were estimated on the basis of information provided by the contractor; however, actual costs can be precisely determined only after the conclusion of the contract.

In order to offset the adverse effects of these risks, the General Meeting authorizes the Board of Directors to modify the level of contribution fees in the course of the year, with respect to petroleum products and natural gas, by +/-10%.

6. Financial Plan

The Association's total loan portfolio[9] is expected to be EUR 339.64 Mn (HUF 103 589.29 Mn) and HUF 200 Mn (total loans in forints: HUF 103 789.29 Mn) at the end of 2013. Of this, EUR 339 Mn (HUF 103 395.0 Mn)[10] is available for financing stocks. Appendix 2 contains the expected development of the loan portfolio until the end of 2013.

Of the EUR 339.0 Mn stock-financing loans expected for the end of 2013, EUR 212.0 Mn (HUF 64 660.0 Mn)[10] loans will expire in March 2014. We expect to prepay a part of the loans (EUR 75.4 Mn) on the accounting date in March, using the proceeds of the sale of stocks in the last quarter of 2013 and in the first quarter of 2014. For financing stock replacements, EUR 4.1 Mn (HUF 1 250.5 Mn)[10] new loans will need to be taken.

Budapest, December 3rd 2013

[9] Loans denominated in euro are indicated in euro and the forint amount is given within parentheses. The conversion was made at the average EUR/HUF exchange rate projected for 2014.
[10] The conversion was made at the average EUR/HUF exchange rate projected for 2014.

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Forecast Balance of Stocks
2014

Oil Section

	Gross opening stocks (01/01/2014) (kt)	**Change during the year (kt)**	**Closing Stocks (31/12/2014)**		
			Gross stocks (kt)	Net stocks (kt)	Net stocks (ktoe)
Crude oil	492.2	0.0	492.2	443.0	425.3
Petroleum products	678.5	-8.5	670.0	603.0	723.6
Gasoline	*225.6*	*0.0*	*225.6*	*203.0*	*243.6*
Gas oil	*444.4*	*0.0*	*444.4*	*400.0*	*480.0*
Heating oil	*8.5*	*-8.5*	*0.0*	*0.0*	*0.0*
Total	**1 170.7**	**-8.5**	**1 162.2**	**1 046.0**	**1 148.9**

Gas Section

	Opening stocks (01/01/2014)	**Change during the year**	**Closing stocks (31/12/2014)**
Natural gas (Mm³)	710.0	-95.0	615.0

Expected Credit Portfolio

31/12/2013

Forint Loans (Mn HUF)	**Average margin**	**Credit line**	**Utilisation**
Acquisition	BUBOR+25 bp	200.00	200.00
(A) Total		**200.00**	**200.00**

HUF/EURO = 305.00

Foreign Exchange Loans (EUR Mn)	**Average margin**	**Credit line**	**Utilisation**
Stock financing	EURIBOR+223 bp	339.0	339.00
Acquisition	EURIBOR+25 bp	0.64	0.64
Total EUR		**339.64**	**339.64**
(B) *Total in HUF*		*103 589.29*	*103 589.29*
Altogether in HUF (A)+(B)		**103 789.29**	**103 789.29**

HUSA Participation in Affiliated Companies

Expected for December 31st 2013

Company Name	HUSA Participation (%)	Investment Value (HUF Mn)
OPAL Tartálypark Zrt.	100.0	13 552.3
ÁMEI Zrt.	63.6	140.0
MMBF Földgáztároló Zrt.	49.0	12 942.3
Tarméktároló Zrt.	25.9	420.0
Petrotár Zrt.	20.0	40.0
Total		**27 094.6**

Planning Assumptions

for Budget 2014

	Unit	Value
National GDP Growth	%	1.5
Consumer Price Index (2013)*	%	1.3
Consumer Price Index (2014)*	%	2.4
Producer Price Index (2013)*	%	1.0
Eurostat Consumer Price Index* (August 2013/August 2012)	%	1.5
Eurostat Producer Price Index* (August 2013/August 2012)	%	-0.3
Brent Dtd Price**	USD/bbl	105
Gas Oil Price*** (Diesel 10 ppm)	USD/t	940
Gasoline Price*** (Prem Unl)	USD/t	980
Natural Gas Price (2014)	EUR/GJ	11.482
Natural Gas Consumption	Bn m³	9.1
- of which: household consumption	Bn m³	3.2
Annual Average EUR/HUF (2014)	HUF	305
Annual Average EUR/USD (2014)	USD	1.35
3-Months EURIBOR (Annual Average) (2013)	%	0.25
Gas Oil Consumption	thousand m³	3 150
	kt	2 640
Gasoline Consumption	thousand m³	1 530
	kt	1 130
Fuel Oil Consumption	kt	20

* Indicators for indexing Custody Fees
** FOB Sullom Voe
*** FOB Rotterdam

SUMMARY TABLE – BUDGET 2014

OIL SECTION

HUF Mn

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	TOTAL
Storage costs	881.0	795.7	874.2	846.0	874.2	846.0	874.2	874.2	846.0	874.2	846.0	874.2	10 305.9
Stock maintenance costs	10.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	140.0
Interest due, other costs	0.7	0.0	186.9	0.0	0.0	189.9	0.0	0.0	192.9	0.0	0.0	193.2	763.6
Repayment of acquisition loans	200.0	0.0	194.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	394.6
Marking costs	1 252.0	0.0	939.0	0.0	0.0	939.0	926.6	926.6	926.6	1 029.6	926.6	720.7	8 586.9
Marking inspection costs	0.0	70.0	0.0	0.0	75.4	34.4	21.9	21.9	21.9	21.9	21.9	23.4	312.8
HUSA operating costs	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	340.0
Total costs	**2 372.0**	**904.1**	**2 235.0**	**886.3**	**989.9**	**2 049.6**	**1 863.1**	**1 863.1**	**2 027.8**	**1 966.0**	**1 834.9**	**1 851.9**	**20 843.8**
Net contribution fee income	**1 064.4**	**1 064.4**	**1 216.5**	**1 216.5**	**1 368.6**	**1 216.5**	**1 809.0**	**1 809.0**	**1 809.0**	**2 010.0**	**1 809.0**	**1 407.0**	**17 799.9**
Dividend received	0.0	0.0	3 300.0	0.0	0.0	243.7	0.0	0.0	0.0	0.0	0.0	0.0	3 543.7
Interest received	0.0	0.0	0.0	0.0	00.	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0
Total income	**1 064.4**	**1 064.4**	**4 516.5**	**1 216.5**	**1 368.6**	**1 460.2**	**1 809.0**	**1 809.0**	**1 809.0**	**2 010.0**	**1 809.0**	**1 507.0**	**21 443.6**
2013 budget reserve	**1 441.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1 441.0**
Balance of income and expenditures	**133.5**	**160.4**	**2 281.5**	**330.2**	**378.6**	**-589.4**	**-54.1**	**-54.1**	**-218.8**	**44.0**	**-25.9**	**-344.9**	**2 040.8**

SUMMARY TABLE – BUDGET 2014

GAS SECTION

HUF Mn

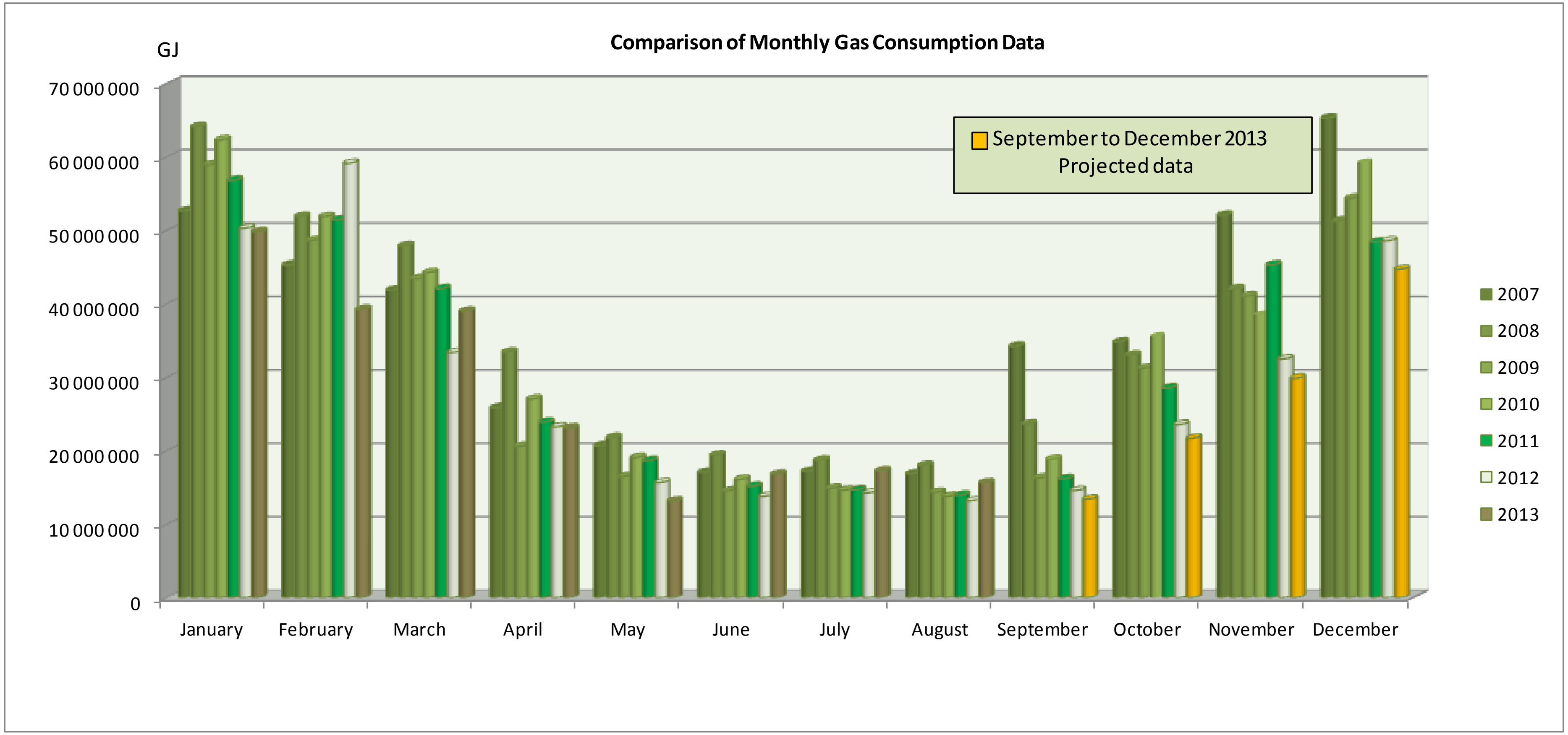
	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	TOTAL
Storage costs	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.5	1 273.2	15 281.7
Interest due, other costs	0.0	0.0	375.8	0.0	0.0	335.0	0.0	0.0	338.7	0.0	0.0	338.7	1 388.2
HUSA operating costs	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.7	340.0
Total expenditures	**1 301.8**	**1 301.8**	**1 677.7**	**1 301.8**	**1 301.8**	**1 636.8**	**1 301.8**	**1 301.8**	**1 640.5**	**1 301.8**	**1 301.8**	**1 640.5**	**17 010.0**
Net income from contribution fees	**1 260.3**	**1 259.0**	**1 303.5**	**1 296.8**	**1 069.8**	**899.2**	**544.6**	**673.9**	**803.0**	**680.5**	**1 045.7**	**1 299.9**	**12 136.3**
Income from capacity sales	0.0	0.0	0.0	228.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	228.0
Interest received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	150.0	150.0
Total income	**1 260.3**	**1 259.0**	**1 303.5**	**1 524.8**	**1 069.8**	**899.2**	**544.6**	**673.9**	**803.0**	**680.5**	**1 045.7**	**1 449.9**	**12 514.3**
2013 budget reserve	**4 600.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4 600.0**
Balance of income and expenditures	**4 558.5**	**-42.8**	**-374.1**	**223.0**	**-232.0**	**-737.6**	**-757.2**	**-627.9**	**-837.5**	**-621.3**	**-256.2**	**-190.6**	**104.3**

SUMMARY TABLE – BUDGET FOR YEAR 2014

HUSA TOTAL

HUF Mn

	OIL	GAS	TOTAL
BUDGET RESERVE, 2013	**1 441.0**	**4 600.0**	**6 041.0**
Contribution fee payment	18 420.9	18 718.7	37 139.6
Contribution fee recovery	-621.0	-6 582.4	-7 203.4
NET INCOME FROM CONTRIBUTION FEES	**17 799.9**	**12 136.3**	**29 936.2**
Dividend received	3 543.7	0.0	3 543.7
Income from the sale of secondary capacities	0.0	228.0	228.0
Interest received	100.0	150.0	250.0
OTHER INCOME	**3 643.7**	**378.0**	**4 021.7**
TOTAL INCOME	**21 443.6**	**12 514.3**	**33 957.9**
Storage fees	-10 305.9	-15 281.7	-25 587.6
Stock maintenance cost	-140.0	0.0	-140.0
Interest due, other costs	-763.6	-1 388.2	-2 151.9
Repayment of acquisition loans	-394.6	0.0	-394.6
TOTAL STOCKPILING COSTS	**-11 604.1**	**-16 670.0**	**-28 274.1**
FUEL MARKING AND MONITORING COSTS	**-8 899.7**	**0.0**	**-8 899.7**
OPERATING COSTS OF HUSA	**-340.0**	**-340.0**	**-680.0**
TOTAL EXPENDITURES	**-20 843.8**	**-17 010.0**	**-37 853.8**
BUDGET RESULT	**2 040.8**	**104.3**	**2 145.1**


Comparison of Monthly Gas Consumption Data
GJ
70 000 000
60 000 000
50 000 000
40 000 000
30 000 000
20 000 000
10 000 000
0
September to December 2013
Projected data
January
February
March
April
May
June
July
August
September
October
November
December
2007
2008
2009
2010
2011
2012
2013