

HUNGARIAN  
HYDROCARBON  
STOCKPILING  
ASSOCIATION



ANNUAL REPORT 2017

Statistical code:

18053302-9499-599-01

Budapest-Capital Regional Court registration number:

01-08-0000001

## **Hungarian Hydrocarbon Stockpiling Association**

**1037 Budapest, Montevideo u. 16/b.**

### **Annual report**

**2017**

Budapest, May 9, 2018

Head (Representative) of Entity

L.S.

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**BALANCE SHEET "A" Assets**

HUF thousand

Line no.	Description of items	Prior year	Adjustment of prior year(s)	31/12/2017
a	b	c	d	e
1	<b>A. Assets Employed</b>	27 408 009	0	27 964 705
2	I. INTANGIBLE ASSETS	1 234	0	982
3	Capitalised Value of Foundation and Restructuring			
4	Capitalised Value of Research and Development			
5	Rights Representing Assets	487		235
6	Intellectual Property	747		747
7	Goodwill			
8	Advance Payments on Intangible Assets			
9	Value Adjustment of Intangible Assets			
10	II. FIXED ASSETS	37 669	0	44 117
11	Land, Buildings and Connected Property Rights	15 029		10 538
12	Machinery and Equipment			
13	Other Equipment, Fixtures and Vehicles	22 640		33 579
14	Breeding Stock			
15	Investments, Renovations			
16	Advance Payments on Investments			
17	Value Adjustment of Fixed Assets			
18	III. FINANCIAL INVESTMENTS	27 369 106	0	27 919 606
19	Long-Term Participations in Affiliated Undertakings	14 546 796		15 137 796
20	Long-Term Loans Granted to Affiliated Undertakings			
21	Long-Term Major Participations	12 758 969		12 758 969
22	Long-Term Loans Granted to Undertakings Linked by Virtue of Major Participating Interests			
23	Other Long-Term Participations	40 000		
24	Long-Term Loans Granted to Other Associated Undertakings			
25	Other Long-Term Loans	23 341		22 841
26	Long-Term Debt Securities			
27	Value Adjustment of Financial Investments			
28	Valuation Difference of Financial Investments			

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HUF thousand

Line no.	Description of items	Prior year	Adjustment of prior year(s)	31/12/2017
a	b	c	d	e
29	<b>B. Current Assets</b>	304 855 530	0	317 973 166
30	I. INVENTORIES	294 033 714	0	294 016 906
31	Materials			
32	Work in Progress and Semi-Finished Products			
33	Animals for Breeding and Fattening and Other Livestock			
34	Finished Goods			
35	Goods	294 033 714		294 016 906
36	Advance Payments on Inventories			
37	II. RECEIVABLES	4 789 729	0	10 223 035
38	Receivables from Goods and Services Rendered to Clients	0		2 130 257
39	Receivables from Affiliated Undertakings			
40	Receivables from Undertakings Linked by Virtue of Major Participating Interests			
41	Receivables from Other Associated Undertakings			
42	Bills Receivable			
43	Other Receivables	4 789 729		8 092 778
44	Valuation Difference of Receivables			
45	Positive Valuation Difference of Derivative Instruments			
46	III. SECURITIES	0	0	0
47	Participations in Affiliated Undertakings	0		0
48	Major Participations			
49	Other Participations			
50	Own Shares and Holdings			
51	Debt Securities Held for Trading			
52	Valuation Difference of Securities			
53	IV. LIQUID ASSETS	6 032 087	0	13 733 225
54	Cash on Hand, Cheques	637		638
55	Bank Deposits	6 031 450		13 732 587
56	<b>C. Accruals</b>	9 173	0	9 823
57	Accrued Income	1 333		
58	Prepaid Expenses	7 840		9 823
59	Deferred Expenses			
60	<b>Total Assets</b>	332 272 712	0	345 947 694

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**BALANCE SHEET "A" Liabilities**

HUF thousand

Line no.	Description of items	Prior year	Adjustment of prior year(s)	31/12/2017
a	b	c	d	e
61	<b>D. Shareholders' Equity</b>	205 937 891	0	193 547 487
62	I. SHARE CAPITAL			
63	of which Stocks Repurchased at Par Value			
64	II. UNPAID SHARE CAPITAL (-)			
65	III. CAPITAL RESERVE	199 848 970		205 937 891
66	IV. ACCUMULATED PROFIT RESERVE			
67	V. DEPOSITED RESERVE			
68	VI. VALUATION RESERVE			
69	Valuation Reserve for Adjustments			
70	Fair Value Reserve			
71	VII. RETAINED EARNINGS	6 088 921		-12 390 404
72	<b>E. Provisions</b>	11 306	0	11 306
73	Provisions for Expected Liabilities	11 306		11 306
74	Provisions for Future Costs			
75	Other Provisions			
76	<b>F. Liabilities</b>	126 264 262	0	152 322 174
77	I. SUBORDINATED LIABILITIES	0	0	0
78	Subordinated Liabilities to Affiliated Undertakings			
79	Subordinated Liabilities to Undertakings Linked by Virtue of Major Participating Interests			
80	Subordinated Liabilities to Other Associated Undertakings			
81	Other Subordinated Liabilities			
82	II. LONG-TERM LIABILITIES	95 794 160	0	107 308 440
83	Long-Term Debts			
84	Convertible Bonds			
85	Bonds Payable			
86	Investment and Development Loans			
87	Other Long-Term Debts	95 794 160		107 308 440
88	Long-Term Liabilities to Affiliated Undertakings			
89	Long-Term Liabilities to Undertakings Linked by Virtue of Major Participating Interests			
90	Long-Term Liabilities to Other Associated Undertakings			
91	Other Long-Term Liabilities			

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**BALANCE SHEET "A" Liabilities**

HUF thousand

Line no.	Description of items	Prior year	Adjustment of prior year(s)	31/12/2017
a	b	c	d	e
92	III. SHORT-TERM LIABILITIES	30 470 102	0	45 013 734
93	Short-Term Debts			
94	of which: Convertible Bonds			
95	Short-Term Loans	28 769 350		40 318 200
96	Advances Received from Customers			
97	Accounts Payable to Suppliers	121 401		2 279 272
98	Drafts Payable			
99	Short-Term Liabilities to Affiliated Undertakings	768 059		1 099 607
100	Short-Term Liabilities to Undertakings Linked by Virtue of Major Participating Interests	387 276		380 810
101	Short-Term Liabilities to Other Associated Undertakings			
102	Other Short-Term Liabilities	424 016		935 845
103	Valuation Difference of Liabilities			
104	Negative Valuation Difference of Derivative Instruments			
105	<b>G. Deferrals</b>	59 253	0	66 727
106	Prepaid Income	57 250		57 377
107	Accrued Expenses	2 003		9 350
108	Deferred Income			
109	<b>Total Liabilities</b>	332 272 712	0	345 947 694

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**PROFIT AND LOSS STATEMENT "A"**

(total cost method)

HUF thousand

Line no.	Description of items	Prior year	Adjustment of prior year(s)	31/12/2017
a	b	c	d	e
1	1 Net Domestic Sales Revenues	34 269 045		44 519 881
2	2 Net Export Sales Revenues			
3	<b>I. Net Sales Revenues (01+02)</b>	34 269 045	0	44 519 881
4	3 Changes in Inventories of Own Production ±			
5	4 Capitalised Value of Assets from Own Production			
6	<b>II. Capitalised Value of Own Performance (±03+04)</b>	0	0	0
7	<b>III. Other Revenues</b>	22 766 802		30 973 573
8	of which: Contribution Fees, Oil Section	8 237 770		9 809 435
9	Contribution Fees, Gas Section	14 498 487		21 153 404
10	5 Material Expenses	42 350		17 548
11	6 Value of Services Used	26 729 782		27 026 623
12	7 Value of Other Services	4 766		7 034
13	8 Purchase Value of Goods Sold	29 668 949		50 627 732
14	9 Value of Services Sold (Mediated)	75		8
15	<b>IV. Material and Material Type Costs (05+06+07+08+09)</b>	56 445 922	0	77 678 945
16	10 Salaries and Wages	182 263		213 503
17	11 Other Payments to Personnel	109 654		105 287
18	12 Social Security Contributions	74 129		67 201
19	<b>V. Personnel Expenses (10+11+12)</b>	366 046	0	385 991
20	<b>VI. Depreciation</b>	12 298		7 872
21	<b>VII. Other Expenses</b>	84 183		13 227 895
22	of which: Impairment	54 477		13 196 675
23	<b>A. OPERATING PROFIT (I±II+III-IV-V-VI-VII)</b>	127 398	0	-15 807 249

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**PROFIT AND LOSS STATEMENT "A"**

(total cost method)

HUF thousand

Line no.	Description of items	Prior year	Adjustment of prior year(s)	31/12/2017
a	b	c	d	e
24	13 Dividends Received	5 065 678		4 080 107
25	of which: from Affiliated Undertakings	1 416 074		980 000
26	14 Exchange Rate Gains on Sold Participations			551 000
27	of which: from Affiliated Undertakings			551 000
28	15 Interest Income and Exchange Rate Gains on Financial Investments			
29	of which: from Affiliated Undertakings			
30	16 Other Interests or Interest Bearing Income	1 577 653		21 372
31	of which: from Affiliated Undertakings			
32	17 Other Income from Financial Activities	1 716 839		842 006
33	of which: Valuation Difference			
34	<b>VIII. Income from Financial Activities (13+14+15+16+17)</b>	8 360 170	0	5 494 485
35	18 Expenditures and Exchange Rate Loss on Participations			
36	of which: to Affiliated Undertakings			
37	Expenditures and Exchange Rate Loss on Financial Investments (securities, loans)			
38	of which: to Affiliated Undertakings			
39	20 Interest Paid	1 521 371		1 219 987
40	of which: to Affiliated Undertakings			
41	21 Impairment on Participations, Securities and Bank Deposits			
42	22 Other Expenses of Financial Activities	877 276		857 653
43	of which: Valuation Difference			
44	<b>IX. Expenses of Financial Activities (18+19+20+21+22)</b>	2 398 647	0	2 077 640
45	<b>B. PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)</b>	5 961 523	0	3 416 845
46	<b>C. PROFIT BEFORE TAXATION (±A±B)</b>	6 088 921	0	-12 390 404
47	<b>X. Tax Liabilities</b>			
48	<b>D. RETAINED EARNINGS (±C-X)</b>	6 088 921	0	-12 390 404
49	<b>E. Retained Earnings Deposited in Capital Reserve</b>	6 088 921	0	-12 390 404

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## 1. General information

**Name of business entity: Hungarian Hydrocarbon Stockpiling Association (hereinafter “Association”, “HUSA”)**

**Abbreviated company name: HUSA**

Website of the company: [www.husa.hu](http://www.husa.hu)

Registered seat: 1037 Budapest, Montevideo u. 16/b.

Year of establishment: 1993

Start of operation: 1993

Form of business organisation: other incorporated entity

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

Owners: N/A

Method of accounting: double entry book-keeping

Balance sheet: type “A”, date of balance sheet (business year=calendar year): December 31

Balance sheet prepared on: May 9, 2018

Profit and loss statement: type „A”, total cost method

Currency of annual report: HUF

Core activities: Implementation of the stockpiling activities defined in Act XXIII of 2013 on the strategic stockpiling of imported crude oil and petroleum products and in Act XXVI of 2006 on the strategic stockpiling of natural gas.

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

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

Dr. Béla Attila Bártfai

1021 Budapest, Labanc utca 15. 3/A31

## 2. Rules of Accounting, Accounting Policy

- 2.1. The Association keeps its books and records in accordance with Act C of 2000 on Accounting ("the Accounting Act"), in compliance with the discrepancies laid down in Act XXIII of 2013 on the creation of strategic stocks of imported crude oil and petroleum products ("the Oil Stockpiling Act") and Act XXVI of 2006 on the creation of strategic stocks of natural gas ("the Gas Stockpiling Act").  
The Association disposes of the regulations required for its operation including the consolidated Statutes, the Organisational and Operational Rules, the Cash Management Regulations as well as the Rules on Valuation, Inventory and Cost Accounting as part of the Accounting Policy, all approved by the competent minister.
- 2.2. Section (1) of Article 32 of the Oil Stockpiling Act prescribes the preparation of an annual report irrespective of the balance sheet total, the amount of the net revenue and the participations held by the Association in other companies. It is not obliged to compile a consolidated annual report in compliance with the provisions of Art. 10 of the Accounting Act, either, independent of the fact that it holds a majority participation in OPAL Szolgáltató Zrt. (up to May 31, 2016 OPAL Tartálypark Zrt.) as the Association is not classified as an enterprise but "other incorporated entity defined in a separate provision of law" as laid down in point 4.q of Section (1) of Art. 3 of the Accounting Act. Accordingly, the Association also prepared annual reports in the previous years, with a content that conforms to the principles of Art. 15 of the Accounting Act. Pursuant to Section (1) of Art. 35 of the Oil Stockpiling Act, a detailed report on the annual fulfilment of the budget containing data and text is also compiled in relation to the annual report. This corresponds to the Business Report.
- 2.3. The amount of the profit before taxation, which equals to the retained earnings, enters the capital reserve in accordance with point 11.4.2. of the Statutes of the Hungarian Hydrocarbon Stockpiling Association ("the Statutes"), as no tax liability is incurred according to Section (1) of Art. 13 of the Oil Stockpiling Act.
- 2.4. The valuation procedures applied in the preparation of the annual report comply with the provisions of the Accounting Act and the requirements set out in the Accounting Policy of the Association. In the balance sheet, intangible assets and fixed assets are recorded at a value corresponding to the difference between depreciation and impairment booked in consideration of the acquisition value and the residual value. Financial investments are indicated at purchase value, stocks are recorded at purchase price, namely, the aggregate amount of the clearing price and its related price difference. Receivables and liabilities are verified and reconciled, their valuation conforms to the Accounting Act. The value of liquid assets is supported with status reports and inspected by audit procedures.
- 2.5. In the Accounting Policy of the Association, the amount of extraordinary revenues, costs and expenditures was defined as 2% of total revenues, costs and expenditures. Extraordinary classification is required in case the cardinality of the annual occurrence of an item exceeds 1.

- 2.6. The annual balance sheet of the Association is prepared in version "A" pursuant to Appendix 1 of the Accounting Act, and the profit and loss statement is compiled with total cost method in version "A" in accordance with Appendix 2 of the Act. In compliance with Section (3) of Art. 32 of the Oil Stockpiling Act, the Association keeps separate accounts of assets and liabilities, revenues and expenditures in relation to crude oil and petroleum product stockpiling as well as to natural gas stockpiling. In its internal accounting, assets and liabilities, revenues and expenditures are recorded separately from non-stockpiling activities and appear in the Supplementary Notes of the Annual Report.
- 2.7. Pursuant to Paragraphs (2)-(3) of Art. 155 of the Accounting Act, auditing is mandatory at the Association. Based on the approval of the General Meeting, audits are conducted by Zsuzsanna Éva Bartha, registered auditor of Ernst & Young Kft. (member of the Budapest Organisation of the Chamber of Hungarian Auditors, membership identity card number: 005268, registration number: 005237). The annual fee of the audit is HUF 2 900 000. Ernst & Young Kft. provided no other services for the Association. Szabolcs Antal (2484 Gárdony, Botond utca 6., registration number: 172131), CFO of OPAL Szolgáltató Zrt. is responsible for the duties of accounting services.

### 3. Details and explanations of the Balance Sheet and the Profit and Loss Statement

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

	Gross value	Depreciation	Net value
<b>I. Intangible assets</b>			
<i>1. Rights representing assets</i>			
- Opening value 01/01/2017	32 339.5	31 852.9	486.6
- Increase	0.0	252.0	
- Decrease	0.0	0.0	
- Closing value 31/12/2017	32 339.5	32 104.9	<b>234.6</b>
<i>2. Intellectual property</i>			
- Opening value 01/01/2017	747.5	0.0	747.5
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value 31/12/2017	747.5	0.0	<b>747.5</b>
<i>3. Goodwill</i>			
- Opening value 01/01/2017	0.0	0.0	0.0
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value 31/12/2017	0.0	0.0	<b>0.0</b>
<b>II. Fixed assets</b>			
<i>1. Land, buildings and connected property rights</i>			
- Opening value 01/01/2017	42 953.8	27 924.6	15 029.2
- Increase	0.0	4 491.7	
- Decrease	0.0	0.0	
- Closing value 31/12/2017	42 953.8	32 416.3	<b>10 537.5</b>
<i>2. Other equipment, fixtures and vehicles</i>			
- Opening value 01/01/2017	55 731.5	33 092.0	22 639.5
- Increase	21 930.7	3 128.3	
- Decrease	14 089.8	6 227.2	
- Closing value 31/12/2017	63 572.4	29 993.1	<b>33 579.3</b>
<b>Total closing value 31/12/2017</b>			<b>45 098.9</b>

All depreciation accounted in 2017 was straight-line depreciation.

3.2. In 2005, the Association held a participation of HUF 240 000 thousand (30%) in IPR Vámosgyörk Zrt. (Registered seat: 3291 Vámosgyörk, Kossuth tanya 1.). In 2006, the Association acquired the share packages of 15% of ETHSON S.L., 58.58% of MÁD-OIL Kft.

and 0.42% of MKB Nyrt., thus becoming 100% owner. In relation to the share purchases, a negative business value of HUF 814 990 thousand was booked as deferred income.

- 3.3. Following the 2006 demerger of PETROTÁR Kft., 58.62 % of shareholders' equity was transferred to the newly established Péti-Terminál Tároló Kft. (PTT Kft.) (Registered seat: 1037 Budapest, Montevideo u. 1/b.). The Association retained its original participation of 30% in the newly established PTT Kft., and later in the course of the year, it acquired the remaining 70% business share of PTT Kft., hence gaining 100% ownership. In relation to the acquisition, HUF 854 542 thousand positive business value was booked.
- 3.4. As of December 1, 2007, Kőolajtároló Zrt., IPR Vámosgyörk Zrt. and PTT Kft. merged into OPAL Tartálypark Zrt. (Registered seat: 1037 Budapest, Montevideo u. 16/B.), 100% owned by the Association.
- 3.5. Due to changes in the Accounting Act, accounting regulations concerning the accounting of goodwill were amended. Accordingly, the opening book value of goodwill in the 2016 business year was accounted as a modifying item against the Association's participation in OPAL Szolgáltató Zrt.
- 3.6. In 2004, the Association held a majority participation of HUF 39 600 thousand (90%) in ÁMEI Zrt. (Registered seat: 2040 Budaörs, Gyár u. 2.). In 2005, the owners increased the capital stock, as a result, the ownership of the Association rose to HUF 140 000 thousand (93%). In 2009, OPAL Tartálypark Zrt. acquired an ownership of 31.8% in ÁMEI Zrt. through a cash deposit of HUF 70 000 thousand, thus the participation of the Association decreased to 63.6%. During its session on December 16, 2016, the General Meeting of the Association decided on transferring its participation in ÁMEI Zrt. to OPAL Szolgáltató Zrt. as an in-kind contribution, which was registered by the Court of Registration of the Budapest-Capital Regional Court on January 26, 2017.
- 3.7. In 2006, MSZKSZ Biztonsági Földgáztároló Zrt. was founded by the Association with a capital stock of HUF 1 000 000 thousand. In the Agreement on Shareholders and the Allotment of Shares concluded on January 3, 2007, the Association sold 62% of its ownership to MOL Plc. In this agreement, the owners decided on a capital increase of HUF 9 020 000 thousand, HUF 3 000 000 thousand of which was contributed by the Association, thus the ownership of the Association equalled to HUF 3 380 000 thousand, which represented a participation of 33.73%. As registered on October 4, 2007, the name of the company was changed to MMBF Földgáztároló Zrt. With a further increase in the capital stock registered on July 25, 2008, the share capital of the company was raised to HUF 22 395 000 thousand. The Association contributed to the capital increase with HUF 2 786 800 thousand, thus the value of its investment rose to HUF 6 166 800 thousand, representing a participation of 27.54%. In 2011, a decision was taken to dematerialise the shares of the company. In order to address the discrepancies (between the nominal value of the shares and the total share capital) arising from the rounding of figures, the owners decided on decreasing the share capital, which did not entail a significant change in ownership ratios.

In 2013, the majority owner, MOL Plc decided on selling its participation. In compliance with the Share Purchase Agreement concluded between MOL Plc as seller, and Hungarian Development Bank Private Limited Company (MFB Zrt.) and HUSA as buyers, MFB Zrt. became the majority owner (51%) of the company as of December 30, 2013. At the same time, HUSA increased its participation to 49%. In the course of 2014, MMBF Zrt. relocated to its new registered seat at 1037 Budapest, Montevideo u. 16/B.

3.8. In 2008, in Petrotár Petroleum Storage Limited Liability Company (Petrotár Kft.), (Registered seat: 1143 Budapest, Besnyői u.13.) the owners decided on an increase of HUF 100 000 thousand in the capital stock, to which the Association did not contribute. As a result, its participation decreased from 30% to 20%, the value of which remained HUF 60 000 thousand. In 2009, Petrotár Projekt Kft. was established by the company through demerger. The capital stock was also divided during the demerger, however, the Association retained its participation of 20% in both companies with capital stocks of HUF 40 000 thousand and HUF 20 000 thousand, respectively. On February 16, 2011, the capital decrease of Petrotár Projekt Kft. to HUF 3 000 thousand was registered by the Court of Registration, thus the investment capital of the Association fell to HUF 600 thousand, while retaining a participation of 20%. Petrotár Projekt Kft. was dissolved without going into liquidation and the Court of Registration of the Budapest-Capital Regional Court ruled its removal from the trade register on February 6, 2013. During its session on December 16, 2016, the General Meeting of the Association decided on transferring its participation in Petrotár Kft. to OPAL Szolgáltató Zrt. as an in-kind contribution, which was registered by the Court of Registration of the Budapest-Capital Regional Court on January 26, 2017.

3.9. The Association holds major participations in:

Terméktároló Zrt. (Registered seat: 2440 Százhalombatta, Olajmunkás utca 2.) of HUF 420 000 thousand (25.93%). On account of the capital reduction on May 5, 2014, the value of the Association's participation fell to HUF 8 400 thousand.

3.10. The entry "Long-Term Participations in Affiliates" contains the items below:

<b>Participation (Company name)</b>	<b>Book value of participation 31/12/2017 (HUF thousand)</b>	<b>Ownership ratio</b>	<b>Remark</b>
<b>OPAL Zrt.</b>	15 137 796	100.0%	Subsidiary
<b>MMBF Zrt.</b>	12 750 569	49.0%	Associated undertaking
<b>TERMÉKTÁROLÓ Zrt.</b>	8 400	25.9%	Associated undertaking
<b>Total</b>	<b>27 896 765</b>		

The shareholders' equity of the affiliates on December 31, 2017 is indicated in the following table:

<b>Company</b> <i>(HUF thousand)</i>	<b>Shareholders' equity</b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Profit reserve</b>	<b>Fixed reserve</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>
<b>OPAL Zrt.</b>	20 878 852	4 731 000	3 223	13 425 976	1 430 000	0	1 288 653
<b>MMBF Zrt.</b>	68 835 000	26 022 000	87 000	26 547 000	5 535 000	0	10 644 000
<b>TERMÉKTÁROLÓ Zrt.</b>	1 102 854	32 400	0	0	0	0	1 070 454

### 3.11. Book value of stocks on December 31, 2017

	<i>unit</i>	<b>Stored quantity</b>	<b>Stock value</b> <i>(HUF thousand)</i>	<b>Proportion according to stock value</b> <i>(%)</i>
<b>Crude oil</b>	ton	566 459	72 526 714	34.9
<b>Gasoline RON 95</b>	15°C litre	360 762 033	52 076 284	23.4
<b>Diesel fuel EN 590</b>	15°C litre	590 845 752	88 111 004	41.7
			<b>212 714 002</b>	<b>100.0</b>
<b>Natural gas</b>	MWh	12 723 644	81 302 903	
			<b>294 016 906</b>	

Pursuant to Article 6 of Decree No. 7/2017 (30/03/2017) of the Ministry of National Development on the amendment of Decree No. 13/2015 (31/03/2015) of the Ministry of National Development "on the Extent of Strategic Natural Gas Storage" (hereinafter "Decree"), the mandatory level of the strategic natural gas stock was raised from 915 million m<sup>3</sup> to 1 200 million m<sup>3</sup> as of October 31, 2017. In compliance with the Decree, 2 970 486 MWh of natural gas was procured by the Association through competitive tendering.

3.12. The Association had HUF 2 130 257 thousand outstanding accounts receivable on the balance sheet closing date, the settlement thereof was fulfilled by the due date.



## 3.13.

<b>Other receivables (HUF thousand)</b>	<b>31/12/2016</b>	<b>31/12/2017</b>
Advance payments	4 260	4 260
Receivables from employees	4 430	5 821
Local taxes, sickness allowance overpayment	2	0
Natural gas contribution fee account	1 187 553	1 627 903
Crude oil contribution fee account	686 149	750 863
Deferred technical VAT advances	268 269	346 472
Expert fees paid in advance	0	200
Fringe benefits	94	0
Value added tax	2 638 972	5 357 259
	<b>4 789 729</b>	<b>8 092 778</b>

In terms of crude oil contribution fees, receivables from one partner had to be derecognised (100% of the outstanding amount) as the liquidation process of the company ended. The derecognised amount of the irrecoverable debt equals to HUF 22 938 thousand. As for the rest of our partners, no loss in value arising from contribution fee debts was accounted.

## 3.14.

	<b>31/12/2016</b>	<b>31/12/2017</b>
<b>ACCRUALS (HUF thousand)</b>	<b>9 173</b>	<b>9 823</b>
Office rental fee, operating costs	4 642	4 688
Insurance premiums	2 679	2 574
Subscription fees for technical periodicals	84	2 101
Fees related to electronic signature	18	43
Collateral agency fee	417	417
<b>Prepaid expenses</b>	<b>7 840</b>	<b>9 823</b>
Interests on fixed-term deposits, current account interests	1 333	0
<b>Accrued income</b>	<b>1 333</b>	<b>0</b>

3.15. The movements of shareholders' equity are shown in the following table:

**CHANGES IN SHAREHOLDERS' EQUITY IN 2017 (HUF thousand)**

Capital elements	Opening	Increase	Transfer	Closing
Share capital	-	-	-	-
Called-up capital	-	-	-	-
Capital reserve	199 848 970		6 088 921	205 937 891
Profit reserve	-	-	-	-
Fixed reserve	-	-	-	-
Revaluation reserve	-	-	-	-
Retained earnings	6 088 921	- 12 390 404	- 6 088 921	- 12 390 404
<b>Shareholders' equity</b>	<b>205 937 891</b>	<b>- 12 390 404</b>	<b>-</b>	<b>193 547 487</b>

3.16. In the business year of 2016, a provision of HUF 11 306 thousand was created for a particular liability disputed by the Association. The business year of 2017 witnessed neither substantial change nor judgement in the ongoing lawsuit concerning the disputed liability, therefore, no further provision was created and the existing one was not released, either.

3.17. Long-term acquisition loans were repaid on March 20, 2014 in accordance with the contractual obligations, since then no further acquisitions were executed, hence the Association had no liabilities related to acquisition loans on the balance sheet closing date.

3.18. None of the long-term loans had portions reaching maturity in 2018, thus no reclassification was made.

3.19. Charges related to loans:

On June 15, 2015, the Association entered into a pledge and security agreement with the loan providing banks as a security for the loan agreements related to the financing of stocks. In this agreement, in connection with the stockpiling activities of the Association, lien was established and registered on the insurance revenues from insurance contracts concluded by the storage companies that are in contractual relationship with the Association, on the one hand, and on the revenues derived from the sales of stocks, on the other hand.

3.20. Total accounts payable amount to HUF 3 759 689 thousand, of which short-term liabilities to affiliated undertakings represent HUF 1 099 607 thousand, short-term liabilities to undertakings linked by virtue of major participating interests totalled HUF 380 810 thousand, whereas accounts payable to suppliers equalled to HUF 2 279 272 thousand. Accounts payable were fully settled by the closing date of the balance sheet.

3.21.

<b>Other short-term liabilities (HUF thousand)</b>	<b>31/12/2016</b>	<b>31/12/2017</b>
Tax and contributions	11 837	11 018
Crude oil contribution fee account	578	0
Natural gas contribution fee account	411 601	924 558
Remuneration	0	269
	<b>424 016</b>	<b>935 845</b>

In the category of other short-term liabilities, the amounts of contribution fee recoveries are recorded on the crude oil and natural gas contribution fee accounts.

3.22. The average statistical headcount of the Association is 9 persons. In the course of the year, they were paid HUF 213 503 thousand in wages and received fringe benefits worth HUF 3 358 thousand. In 2017, HUF 5 000 thousand company loan was disbursed by the Association, and the repayment of the existing loan amount was performed in accordance with the loan agreements, thus the amount of company loans totalled HUF 27 941 thousand on 31 December, 2017. All employees belong to the white-collar category.

3.23. The Board of Directors and the Supervisory Board of the Association received fees worth HUF 94 160 thousand. No guarantees, loans or advance payments were granted to the members.

3.24. Pursuant to the applicable provisions of law, the Association has no such obligatory tasks related to environmental protection that would require the creation of provision. Furthermore, the Association has neither hazardous waste nor noxious substance in its possession, and holds no tangible assets directly intended for environmental protection.

3.25.

	<b>31/12/2016</b>	<b>31/12/2017</b>
<b>DEFERRALS (HUF thousand)</b>	<b>59 253</b>	<b>66 727</b>
Bank charges	121	19
Auditing fees	1 740	1 740
Telephone service charges, Internet, mobile parking	142	15
Motorway tolls, parking fees	0	3
Interests payable	0	7 573
<b>Accrued expenses</b>	<b>2 003</b>	<b>9 350</b>
Revenues from capacity sales	57 250	57 377
<b>Deferred income</b>	<b>57 250</b>	<b>57 377</b>

Changes in accrued expenses were caused by the deferral in the accounting of the interest on stock financing loans taken out by the Association, as interest was accounted only up to the last working day of the actual year, whereas interest due on the remaining days was accrued in the entry of interest payable. The increase in prepaid income is attributed to the change in the revenue derived from the secondary sales of interruptible injection and withdrawal capacities reserved in the gas storage facility operated by MMBF Zrt., which was influenced by indexation and exchange rate fluctuations.

3.26. "Extraordinary revenues, costs and expenditures" relate to stock replacements prescribed by the Oil Stockpiling Act as well as to the storage of stocks. Extraordinary revenues are incurred from the sales of stocks that form part of the stock replacements, whereas extraordinary expenditures result from the derecognition of the above stocks. Extraordinary costs are connected to the storage of strategic stocks. In the case of the strategic stockpiling of natural gas, the total amount of the annual storage fees falls into this category, as it is linked to a single service provider. As for petroleum products, only a certain part of the storage fees appear in the category of extraordinary costs due to the numerous service providers. The numerical summary of the actual year is as follows:

- total extraordinary revenues: HUF 41 333 845 thousand
- total extraordinary costs and expenditures: HUF 65 286 922 thousand, of which expenditures related to the sales of stocks: HUF 46 448 131 thousand, storage costs of stocks: HUF 18 838 791 thousand.

### 3.27. Assets of the company

#### 3.27.1. Changes in the asset structure

Description	31/12/2016	31/12/2017	Percentage (%)		Change (%)
	<i>HUF thousand</i>	<i>HUF thousand</i>	2016	2017	2017/2016
Assets employed	27 408 009	27 964 705	8.25	8.08	102.03
Current assets	304 855 530	317 973 166	91.75	91.91	104.30
Accruals	9 173	9 823	0.00	0.00	107.09
Total assets	332 272 712	345 947 694	100.00	100.00	104.12

#### 3.27.2. Changes in the liability structure

Description	31/12/2016	31/12/2017	Percentage (%)		Change (%)
	<i>HUF thousand</i>	<i>HUF thousand</i>	2016	2017	2017/2016
Shareholders' equity (capital reserve)	205 937 891	193 547 487	61.98	55.95	93.98
Provisions	11 306	11 306	0.00	0.00	0.00
Liabilities	126 264 262	152 322 174	38.00	44.03	120.64
Deferrals	59 253	66 727	0.02	0.02	112.61
Total liabilities	332 272 712	345 947 694	100.00	100.00	104.12

#### 4. Cash flow statement

##### **Cash flow from ordinary activities (HUF thousand)**

	2016	2017
1 Profit before taxation*	1 023 242	-16 470 511
2 Accounted depreciation	12 298	7 872
3 Accounted loss in value and reversal	54 477	13 196 675
4 Difference of provisions created and used	11 306	0
5 Profit/loss on sales of assets employed	4 038	12 825
6 Change in accounts payable	-81 696	2 482 953
7 Change in other short-term liabilities	98 563	511 829
8 Change in deferrals	552	7 474
9 Change in accounts receivable	6	-2 130 257
10 Change in current assets (w/o acc. receivable, cash)	-15 199 594	-16 482 916
11 Change in accruals	2 740	-650
<b>Operating cash flow (lines 1-10)</b>	<b>-14 074 068</b>	<b>-18 864 706</b>

\*Adjusted for dividend received

##### **Cash flow from investment activities (HUF thousand)**

	2016	2017
11 Purchase of assets employed	-4 147	-586 499
12 Sales of assets employed	21 875	9 106
13 Dividend received	5 065 678	4 080 107
<b>Cash flow from investment (lines 11-13)</b>	<b>5 083 406</b>	<b>3 502 714</b>

##### **Change in liquid assets resulting from financial activities (HUF thousand)**

	2016	2017
16 Loans received	38 556 531	80 841 899
17 Liquid assets received definitely	0	0
18 Redemption of shares (capital reduction)	0	0
19 Repayment of bonds	0	0
20 Repayment of loans	-31 413 020	-57 778 769
21 Liquid assets transferred definitely	0	0
<b>Cash flow from financing (lines 16-21)</b>	<b>7 143 511</b>	<b>23 063 130</b>

##### **Change in liquid assets (±±±±±±±±): (HUF thousand)**

2016	2017
-1 847 151	7 701 138

## 5. Indicators of assets, financial position and revenues

### 5.1. Indicators of assets

#### 5.1.1. Equity ratio

	<b>31/12/2016</b>		<b>31/12/2017</b>
$\frac{\text{Shareholders' equity}}{\text{Total assets}}$	$\frac{205\,937\,891}{332\,272\,712}$	= 0.62	$\frac{193\,547\,487}{345\,947\,694}$ = 0.56

#### 5.1.2. Borrowed capital ratio

	<b>31/12/2016</b>		<b>31/12/2017</b>
$\frac{\text{Borrowed capital}}{\text{Total assets}}$	$\frac{126\,334\,821}{332\,272\,712}$	= 0.38	$\frac{152\,400\,207}{345\,947\,694}$ = 0.44

#### 5.1.3. Leverage ratio

	<b>31/12/2016</b>		<b>31/12/2017</b>
$\frac{\text{Borrowed capital}}{\text{Shareholders' equity}}$	$\frac{126\,334\,821}{205\,937\,891}$	= 0.61	$\frac{152\,400\,207}{193\,547\,487}$ = 0.79

The Association was established with "0" founder's asset. Its assets are financed from short-term and medium-term loans.

#### 5.1.4. Coverage of assets employed

	<b>31/12/2016</b>		<b>31/12/2017</b>
$\frac{\text{Shareholders' equity} + \text{Long-term liabilities}}{\text{Assets employed}}$	$\frac{301\,732\,051}{27\,408\,009}$	= 11.01	$\frac{300\,855\,927}{27\,964\,705}$ = 10.76

#### 5.1.5. Working capital

	<b>31/12/2016</b>		<b>31/12/2017</b>
$\frac{\text{Current assets} - \text{Short-term liabilities}}{\text{Shareholders' equity}}$	$\frac{274\,385\,428}{205\,937\,891}$	= 1.33	$\frac{272\,959\,432}{193\,547\,487}$ = 1.41

The above indicators reflect that the assets employed of the Association are amply covered with long-term sources. Besides, the major part of current assets not financed from short-term sources is also covered with own sources.

## 5.2. Financial liquidity indicators

### 5.2.1. Liquidity ratio

	<b>31/12/2016</b>	<b>31/12/2017</b>
Current assets	304 855 530 = 10.01	317 973 166 = 7.06
Short-term liabilities	30 470 102	45 013 734

A ratio higher than 1 reflects good liquidity position.

### 5.2.2. Long-term indebtedness ratio

	<b>31/12/2016</b>	<b>31/12/2017</b>
Total debt	124 563 510 = 0.41	147 626 640 = 0.49
Long-term liabilities+Shareholders' equity	301 732 051	300 855 927

## 5.3. Profitability indices

The calculation of profitability indices is practically irrelevant due to the non-profit nature of the Association.

## 6. Balance Sheet and Profit and Loss Statement of the Oil and Gas Sections

### BALANCE SHEET "A" ASSETS (HUF thousand)

Line no.	Description of item	Oil Section 31/12/2017	Gas Section 31/12/2017	Total
a	b	c	d	e
1	<b>A. Assets Employed</b>	15 171 764	12 792 941	27 964 705
2	I. INTANGIBLE ASSETS	490	492	982
3	Capitalised Value of Establishment, Restructuring			0
4	Capitalised Value of Research and Development			0
5	Rights Representing Assets	117	118	235
6	Intellectual Property	373	374	747
7	Goodwill			0
8	Advance Payments on Intangible Assets			0
9	Value Adjustment of Intangible Assets			0
10	II. FIXED ASSETS	22 058	22 059	44 117
11	Land, Buildings and Connected Property Rights	5 269	5 269	10 538
12	Machinery and Equipment			0
13	Other Equipment, Fixtures and Vehicles	16 789	16 790	33 579
14	Breeding Stock			0
15	Investments, Renovations			0
16	Advance Payments on Investments			0
17	Value Adjustment of Fixed Assets			0
18	III. FINANCIAL INVESTMENTS	15 149 216	12 770 390	27 919 606
19	Long-Term Participations in Affiliated Undertakings	15 137 796		15 137 796
20	Long-Term Loans Granted to Affiliated Undertakings			0
21	Long-Term Major Participations		12 758 969	12 758 969
22	Long-Term Loans Granted to Undertakings Linked by Virtue of Major Participating Interests			0
23	Other Long-Term Participations	11 420	11 421	22 841
24	Long-Term Loans Granted to Other Associated Undertakings			0
25	Other Long-Term Loans			0
26	Long-Term Debt Securities			0
27	Value Adjustment of Financial Investments			0
28	Valuation Difference of Financial Investments			0



## ASSETS (CONT.)

BALANCE SHEET "A"  
ASSETS (HUF thousand)

Line no.	Description of item	Oil Section 31/12/2017	Gas Section 31/12/2017	Total
a	b	c	d	e
29	<b>B. Current Assets</b>	222 975 982	94 997 184	317 973 166
30	I. INVENTORIES	212 714 003	81 302 903	294 016 906
31	Materials			0
32	Work in Progress and Semi-Finished Products			0
33	Animals for Breeding and Fattening and Other Livestock			0
34	Finished Goods			0
35	Goods	212 714 003	81 302 903	294 016 906
36	Advance Payments on Inventories			0
37	II. RECEIVABLES	5 910 627	4 312 408	10 223 035
38	Receivables from Goods and Services Rendered to Clients	2 130 257		2 130 257
39	Receivables from Affiliated Undertakings			0
40	Receivables from Undertakings Linked by Virtue of Major Participating Interests			0
41	Receivables from Other Associated Undertakings			0
42	Bills Receivable			0
43	Other Receivables	3 780 370	4 312 408	8 092 778
44	Valuation Difference of Receivables			0
45	Positive Valuation Difference of Derivative Instruments			0
46	III. SECURITIES	0	0	0
47	Participations in Affiliated Undertakings			0
48	Major Participations			0
49	Other Participations			0
50	Own Shares and Holdings			0
51	Debt Securities Held for Trading			0
52	Valuation Difference of Securities			0
53	IV. LIQUID ASSETS	4 351 352	9 381 873	13 733 225
54	Cash on Hand, Cheques	319	319	638
55	Bank Deposits	4 351 033	9 381 554	13 732 587
56	C. Accruals	4 911	4 912	9 823
57	Accrued Income			0
58	Prepaid Expenses	4 911	4 912	9 823
59	Deferred Expenses			0
60	<b>Total Assets</b>	238 152 657	107 795 037	345 947 694

**BALANCE SHEET "A"**  
**LIABILITIES (HUF thousand)**

Line no.	Description of item	Oil Section 31/12/2017	Gas Section 31/12/2017	Total
a	b	c	d	e
61	<b>D. Shareholders' Equity</b>	82 650 251	110 897 236	193 547 487
62	I. SHARE CAPITAL			0
63	of which: Stocks Repurchased at Par Value			0
64	II. UNPAID SHARE CAPITAL (-)			0
65	III. CAPITAL RESERVE	102 968 945	102 968 946	205 937 891
66	IV. ACCUMULATED PROFIT RESERVE			0
67	V. DEPOSITED RESERVE			0
68	VI. VALUATION RESERVE			0
69	Valuation Reserve for Adjustment			0
70	Fair Value Reserve			0
71	VII. RETAINED EARNINGS	-20 318 694	7 928 290	-12 390 404
72	<b>E. Provisions</b>	11 306	0	11 306
73	Provisions for Expected Liabilities	11 306		11 306
74	Provisions for Future Costs			0
75	Other Provisions			0
76	<b>F. Liabilities</b>	60 783 042	91 539 132	152 322 174
77	I. SUBORDINATED LIABILITIES	0	0	0
78	Subordinated Liabilities to Affiliated Undertakings			0
79	Subordinated Liabilities to Undertakings Linked by Virtue of Major Participating			0
80	Subordinated Liabilities to Other Associated Undertakings			0
81	Other Subordinated Liabilities			0
82	II. LONG-TERM LIABILITIES	41 448 252	65 860 188	107 308 440
83	Long-Term Debts			0
84	Convertible Bonds			0
85	Bonds Payable			0
86	Investment and Development Loans			0
87	Other Long-Term Debts	41 448 252	65 860 188	107 308 440
88	Long-Term Liabilities to Affiliated Undertakings			0
89	Long-Term Liabilities to Undertakings Linked by Virtue of Major Participating Interests			0
90	Long-Term Liabilities to Other Associated Undertakings			0
91	Other Long-Term Liabilities			0

LIABILITIES (CONT.)

**BALANCE SHEET "A"**  
**LIABILITIES (HUF thousand)**

Line no.	Description of item	Oil Section 31/12/2017	Gas Section 31/12/2017	Total
a	b	c	d	e
92	III. SHORT-TERM LIABILITIES	19 334 790	25 678 944	45 013 734
93	Short-Term Debts			0
94	of which: Convertible Bonds			0
95	Short-Term Loans	15 573 043	24 745 157	40 318 200
96	Advances Received from Customers			0
97	Accounts Payable to Suppliers	2 278 378	894	2 279 272
98	Drafts Payable			0
99	Short-Term Liabilities to Affiliated Undertakings	1 096 915	2 692	1 099 607
100	Short-Term Liabilities to Undertakings Linked by Virtue of Major Participating Interests	380 810		380 810
101	Short-Term Liabilities to Other Associated Undertakings			0
102	Other Short-Term Liabilities	5 644	930 201	935 845
103	Valuation Difference of Liabilities			0
104	Negative Valuation Difference of Derivative Instruments			0
105	<b>G. Deferrals</b>	3 814	62 913	66 727
106	Prepaid Income		57 377	57 377
107	Accrued Expenses	3 814	5 536	9 350
108	Deferred Income			0
109	<b>Total Liabilities</b>	143 448 413	202 499 281	345 947 694

**PROFIT AND LOSS STATEMENT "A" (HUF thousand)**

Line no.	Description of item	Oil Section 31/12/2017	Gas Section 31/12/2017	Total
a	b	c	d	e
1	1 Net Domestic Sales Revenue	44 287 307	232 574	44 519 881
2	2 Net Export Sales Revenue			
3	<b>I. Net Sales Revenues (01+02)</b>	44 287 307	232 574	44 519 881
4	3 Changes in Inventories of Own Production ±			
5	4 Capitalised Value of Assets from Own Production			
6	<b>II. Capitalised Value of Own Performance (±03+04)</b>	0	0	0
7	<b>III. Other Revenues</b>	9 814 802	21 158 771	30 973 573
8	of which: Contribution Fees, Oil Section	9 809 435		9 809 435
9	Contribution Fees, Gas Section		21 153 404	21 153 404
10	5 Material Expenses	8 774	8 774	17 548
11	6 Value of Services Used	11 699 884	15 326 739	27 026 623
12	7 Value of Other Services	3 517	3 517	7 034
13	8 Purchase Value of Goods Sold	50 627 732		50 627 732
14	9 Value of Services Sold (Mediated)	4	4	8
15	<b>IV. Material and Material Type Costs (05+06+07+08+09)</b>	62 339 911	15 339 034	77 678 945
16	10 Salaries and Wages	106 751	106 752	213 503
17	11 Other Payments to Personnel	52 643	52 644	105 287
18	12 Social Security Contributions	33 600	33 601	67 201
19	<b>V. Personnel Expenses (10+11+12)</b>	192 994	192 997	385 991
20	<b>VI. Depreciation</b>	3 936	3 936	7 872
21	<b>VII. Other Expenses</b>	13 212 285	15 610	13 227 895
22	of which: Impairment	13 196 675	0	13 196 675
23	<b>A. OPERATING PROFIT (I±II+III-IV-V-VI-VII)</b>	-21 647 017	5 839 768	-15 807 249

PROFIT AND LOSS STATEMENT (CONT.)

PROFIT AND LOSS STATEMENT "A" (HUF thousand)

Line no.	Description of item	Oil Section 31/12/2017	Gas Section 31/12/2017	Total
a	b	c	d	e
24	13 Dividends Received	1 233 218	2 846 889	4 080 107
25	of which: from Affiliated Undertakings	980 000		980 000
26	14 Exchange Rate Gain on Sold Participations	551 000		551 000
27	of which: from Affiliated Undertakings	551 000		551 000
28	15 Interest Income and Exchange Rate Gain on Financial Investments			
29	of which: from Affiliated Undertakings			
30	16 Other Interests or Interest Bearing Income	21 372	0	21 372
31	of which: from Affiliated Undertakings			
32	17 Other Income from Financial Activities	325 228	516 778	842 006
33	of which: Valuation Difference			
33	<b>VIII. Income from Financial Activities (13+14+15+16+17)</b>	<b>2 130 818</b>	<b>3 363 667</b>	<b>5 494 485</b>
34	18 Expenditures and Exchange Rate Loss on Participations			
35	of which: to Affiliated Undertakings			
36	19 Expenditures and Exchange Rate Loss on Financial Investments			
37	of which: to Affiliated Undertakings			
38	20 Interest Paid	471 224	748 763	1 219 987
39	of which: to Affiliated Undertakings			
40	21 Impairment on Participations, Securities and Bank Deposits			
41	22 Other Expenses of Financial Activities	331 271	526 382	857 653
42	of which: Valuation Difference			
43	<b>IX. Expenses of Financial Activities (18+19+20+21+22)</b>	<b>802 495</b>	<b>1 275 145</b>	<b>2 077 640</b>
44	<b>B. PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)</b>	<b>1 328 323</b>	<b>2 088 522</b>	<b>3 416 845</b>
45	<b>C. PROFIT BEFORE TAXATION (±A±B)</b>	<b>-20 318 694</b>	<b>7 928 290</b>	<b>-12 390 404</b>
46	<b>X. Tax Liabilities</b>			
47	<b>D. RETAINED EARNINGS (±C-X)</b>	<b>-20 318 694</b>	<b>7 928 290</b>	<b>-12 390 404</b>

Budapest, May 9, 2018

Dr. Béla Attila Bártfai  
CEO

Zsuzsanna Dávid  
Deputy CEO

**HUNGARIAN HYDROCARBON STOCKPILING ASSOCIATION**

**BUSINESS REPORT / 2017 ANNUAL REPORT**

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## 1. Introduction

### 1.1. Activity of the Hungarian Hydrocarbon Stockpiling Association

The Hungarian Hydrocarbon Stockpiling Association (hereinafter "HUSA" or "the Association") strives to ensure the proper fulfilment of the responsibilities laid down in Act No. XXIII of 2013 on the emergency stockpiling of imported crude oil and petroleum products (hereinafter "the Oil Stockpiling Act") as well as Act No. XXVI of 2006 on the emergency stockpiling of natural gas (hereinafter "the Gas Stockpiling Act", together also referred to as "the Stockpiling Acts") exercising the rights provided by the above Acts.

The Association conducts its activities based on the following principles:

- transparency,
- competitive neutrality,
- non-interference in the market,
- awarding of service, supply and loan agreements through competitive tendering.

The Association performs its activities set out by the Stockpiling Acts, defined in detail in the Statutes of the Association (hereinafter "the Statutes"), and accomplishes all tasks closely related thereto.

The organisational structure of HUSA consists of the crude oil and petroleum product stockpiling section (hereinafter "the Oil Section") and the natural gas stockpiling section (hereinafter "the Gas Section").

Based on the number of member companies invited to the 2017 ordinary Annual General Meeting at the end of the year, the number of active members of the Association is 86 showing a slight change compared to the year before (87 members). In the course of the previous years, the number of active member companies has been as follows:

Table 1  
Number of member companies

	2013	2014	2015	2016	2017
Oil Section	36	37	45	54	51
Gas Section	31	36	35	34	36
<b>Total*</b>	<b>65</b>	<b>72</b>	<b>79</b>	<b>87</b>	<b>86</b>

\* member companies conducting activities in both sections are indicated once in the total figure

The Association

- prepares a budget which presents the contribution fee revenues and cost structures of the Gas and Oil Sections separately,
- stores the stocks in storage facilities rented from its own companies as well as from other companies,
- finances the purchase of products to be stored from external sources, and opts to repay the principals of the stock financing loans and other sources only when the stocks are sold and the sources are refinanced,
- utilises the collected contribution fees to finance storage costs, interests on loans and other sources, the operating expenses of the Association's work organisation as well as other costs related to the qualitative and quantitative maintenance of the stocks.



## 1.2. Achievement of main objectives in 2017

The primary responsibility of the Association includes the purchase, sale, safe storage, quantitative and qualitative preservation and maintenance of crude oil, petroleum product and natural gas stocks specified by the effective legislation.

Related to the above obligations, the major tasks of the Association for the year 2017 were as follows:

- Define the stockpiling obligation for 2017, adjust the volume of stocks to the prescribed level of stockpiling obligation in line with the statutory requirements.
- Maintain the stocks, preserve the quality and quantity of the stored products.
- Elaborate and implement a financing plan on the procurement of funds required for stock replacements, stock purchases and for the refinancing of the maturing loan portfolio.
- Determine the 2017 level of contribution fees by product group in the Oil Section in order to comply with the “+0” budget position requirement for the Association.
- Define the 2017 level of contribution fees in the Gas Section with the objective of enabling the Gas Section to fully reimburse its outstanding debt toward the Oil Section by the end of 2017. After restoring the budget balance of the Gas Section, reduce the level of contribution fees based on the natural gas consumption.

HUSA accomplished its tasks for the year 2017 in accordance with the decisions of the General Meeting and the Board of Directors.

In the Oil Section, the 2017 volume of stocks equivalent to 93 days' net imports fulfilled the stockpiling obligation, therefore, neither stock purchases nor stock sales were carried out in the course of 2017.

With regard to the product replenishment obligation due every six years, as prescribed by the Oil Stockpiling Act and the Statutes, stock replacements of 103.7 kt of petroleum products were implemented at the lowest possible costs in 2017.

Pursuant to Article 6 of Decree No. 7/2017 (30/03/2017) of the Ministry of National Development on the amendment of Decree No. 13/2015 (31/03/2015) of the Ministry of National Development “on the Extent of Strategic Natural Gas Storage” (hereinafter “Decree”), the mandatory level of the strategic natural gas stock was raised to 12 723 644 MWh (1 200 mcm) as of October 31, 2017. In compliance with the Decree, the Association procured a volume of 2 970 486 MWh (279.4 mcm) natural gas through competitive tendering.

The Association provided the external sources required for the financing of stock purchases as well as extended its loans reaching maturity in the course of the year. Its financial position is stable.

With Decision No. 2/2016 (16/12/2016), the General Meeting of the Association decided to modify the level of unit contribution fees by product group effective as of January 1, 2017, which implied a rise of 15% in the case of petroleum products and 20% in the case of natural gas.

The Board of Directors of the Association exercising its authorisation received from the General Meeting approved a 10% reduction in natural gas contribution fees as of October 1, 2017.

### 1.3. Economic environment<sup>1</sup>

The global economy including the economic output of the Eurozone continued to expand in 2017. The volume of GDP calculated for the whole of the OECD, which comprises mainly developed countries, exceeded the level of the previous year by 2.5% on average, besides demonstrating steady growth. As for dominant national economies, the increase of the Chinese economic performance averaged 6.9%, whereas the economic growth rate of the United States was 2.3%, and the performance of the Japanese economy strengthened by 1.7% compared to the previous year. Based on available preliminary data, the economic performance of the European Union member states increased by 2.5% throughout 2017 compared to the year before. The German economy improved by 2.5%, while the United Kingdom showed an economic expansion of 1.7% amid market uncertainties induced by Brexit negotiations. Central Eastern Europe remained the centre of economic growth within the European Union.

Global inflation rates remained subdued as in the previous year. In most countries, the increase in the overall price level was below the inflation target. In March, June and December 2017, the Fed raised its benchmark interest rate by 25-25 base points. The European Central Bank reduced its net asset purchase programme, however, it maintained an exceptionally supportive, loose monetary policy. According to analysts' expectations, the first interest rate hike is possible in 2019.

In terms of the major currency pair in the foreign exchange markets, 2017 exhibited a turnaround in trends. Following its strengthening, with an approximate minimum EUR/USD exchange rate of 1.05 in 2016, the dollar began to weaken causing the exchange rate to rise to levels of around 1.25. The euro rallied as the outlook for Eurozone growth improved and political risks subsided in the region.

Since 2013, the Hungarian economy has displayed a balanced and sustainable expansion with an average growth rate of around 3%. In 2017, the country's GDP improved considerably compared to the previous year principally as a result of cyclical EU fund absorption. Surge in domestic demand was also the main driver of the boom. The rise in consumption was induced by dynamic real wage growth, high net finances and the secondary impacts of the housing market boom. Nonetheless, economic growth was moderated by the performance of the agricultural sector last year. In an international comparison, the expansion of the Hungarian economy exceeded the EU average in 2017, thus constantly catching up with more advanced member states of the Union.

Table 2  
GDP volume indexes in the period 2013-2017

Same period of the previous year = 100.0

Year	Non-adjusted (raw) data (%)	Data adjusted for calendar effects (%)
2013	102.1	102.2
2014	104.0	103.9
2015	103.1	103.1
2016	102.0	101.8
2017	104.0	104.2

Source: Central Statistical Office (KSH)

In addition, external and internal balances remained favourable. According to preliminary data on financial accounts, budget deficit corresponded to 1.9% of GDP in 2017, below the 2.4% target set out in the budget act. In 2017, the rate of public debt fell by over 2 percentage points. Hungary was assigned investment-grade category by all three leading credit rating agencies. In the government bond markets, short-term bond yields remained low due

<sup>1</sup> Source: Central Statistical Office (KSH), National Bank of Hungary, EUROSTAT, OECD

to the changes in the monetary instruments of the National Bank of Hungary, whereas long-term yields were significantly influenced by inflation movements and advanced market yields.

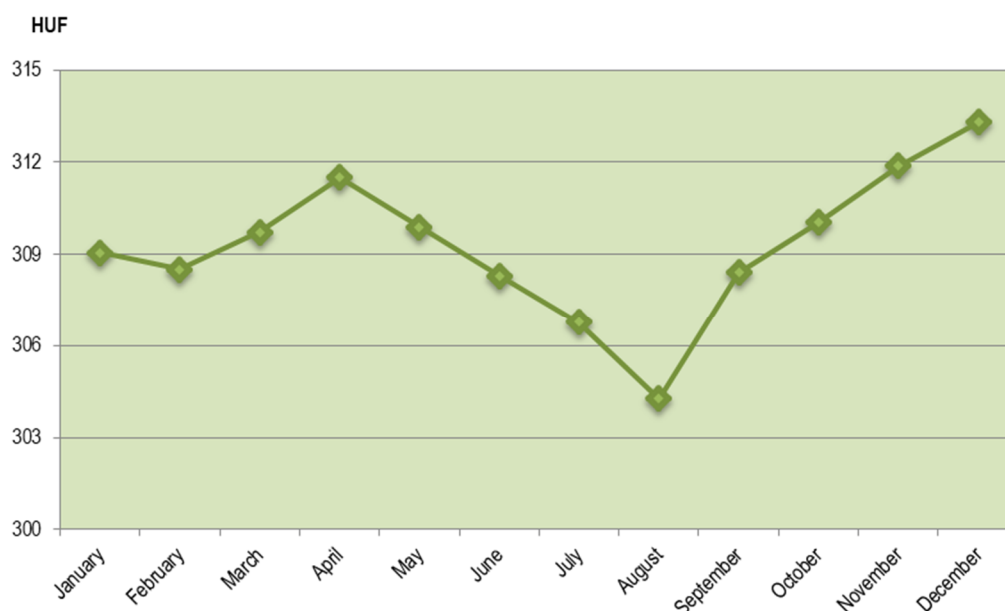
Overall it can be stated that the continually increasing fuel and natural gas consumption, driven by economic expansion and a rise in domestic demand had a positive impact on the Association's finances. The favourable interest rate environment also contributed to the strengthening of HUSA's financial position (on the liabilities side).

The main planning conditions taken into consideration for the budget planning are summarised below.

### 1.3.1. Euro / Forint exchange rate

In 2017, the euro/forint exchange rate varied within the range of EUR/HUF 303-315, with an annual average exchange rate of EUR/HUF 309.3, which was lower in comparison with the level projected in the budget plan (EUR/HUF 313). In the course of the summer, the forint significantly appreciated, however, the exchange rate returned to a level of around 310 as of September. The December 31, 2017 closing rate was EUR/HUF 310.14, 0.3% below the closing rate of the previous year (EUR/HUF 311.02).

Diagram 1  
Monthly average EUR/HUF exchange rate in 2017



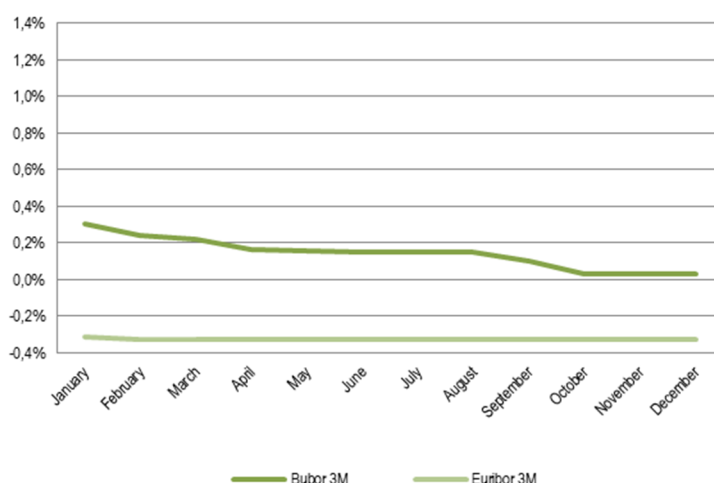
Source: National Bank of Hungary

### 1.3.2. Interest rate environment

In the course of 2017, major euro interest rates in the European Economic Area remained in negative territory and failed to increase in spite of previous expectations. The annual average three-month EURIBOR was -0.33%, lower than the 0.01% level forecasted in the Budget for 2017.

In 2017, the Monetary Council of the National Bank of Hungary did not modify the base rate, which persisted at a constant level of 0.9% throughout the year. Nonetheless, costs of forint denominated financing continued to drop thanks to the non-conventional instruments of the central bank. The three-month BUBOR fell from 0.30% at the beginning of 2017 to an end-of-year value of 0.03%, with an annual average of 0.14% as opposed to the 0.9% average interest rate planned in the Budget for 2017.

Diagram 2  
Indicative interest rates in 2017



Sources: National Bank of Hungary, European Central Bank

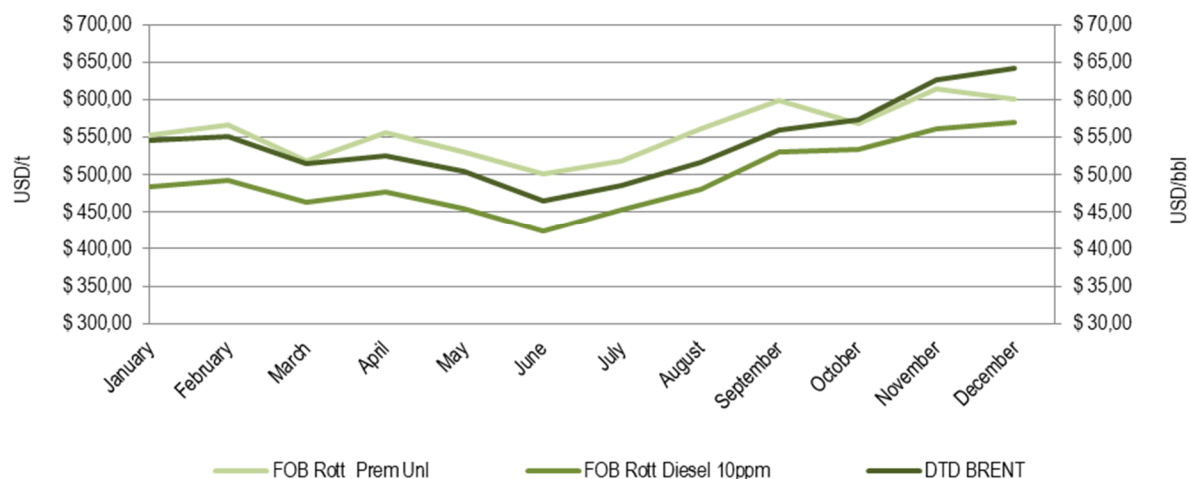
### 1.3.3. Price quotes of energy sources and products

Following an extremely volatile 2016, oil prices settled in 2017, which was a successful year for oil producers, with the oil market turning more stable than before and oil prices rising by over 15%.

The price of crude oil began to surge thanks to the agreement on output cuts reached by OPEC and non-OPEC oil exporting nations in November 2016. The agreement proved conducive as participating countries met their commitments in a good proportion. Besides, the agreement was extended into 2018, under which the parties pledged to curb their production by 1.8 million barrels per day. Political events in the Middle East, mainly in Saudi Arabia and Lebanon, gave a further boost to oil prices. The demand side also contributed to a hike in oil prices, as consumption soared by almost 1.5 million barrels per day in 2017, according to data released by the International Energy Agency.

The prices of petroleum products followed the movements of crude oil prices as usual. On European markets, Diesel fuel prices rose from USD 480/ton to nearly USD 570/ton, whereas price quotes for gasoline were up from an opening level of approximately USD 550/ton to over USD 600/ton by the end of the year.

Diagram 3  
FOB Rotterdam product indexes and Brent DTD crude oil indexes in 2017



### 1.3.4. Domestic petroleum product consumption

In 2017, the previous years' growing trend persisted in the domestic fuel demand. This increase was predominantly attributable to economic growth, including dynamically expanding fuel consumption in the construction industry. Soaring real wages driven by the favourable economic environment triggered a further surge in retail consumption in the course of the year, which also had a positive impact on fuel consumption. In 2017, total fuel consumption increased by 3.4% in comparison with the previous year. On the motor gasoline market, prices exhibited a rise of 2.7%, whereas demand for gas oil improved by 3.7%.

According to data released by the Hungarian Petroleum Association indicating the domestic retail turnover of major oil companies, in 2017 gasoline sales went up by 3.2% and the demand for gas oil improved by 3.4% compared to the year before. The figures demonstrate that the retail consumption of gas oil expanded almost in proportion to the total gas oil consumption. As for gasoline consumption, member companies of the Hungarian Petroleum Association achieved higher turnover within the total consumption last year.

Kerosene consumption also maintained an upward trend in 2017, yet, it had no impact on the revenues of the Association due to contribution fee recoveries.

The significant decline in demand for fuel oils witnessed over the previous years turned around in the course of 2017. Despite the increasing trend, consumption remained extremely low with an annual volume of 12.3 kt.

Table 3  
Consumption of petroleum products 2013-2017

Unit: kt

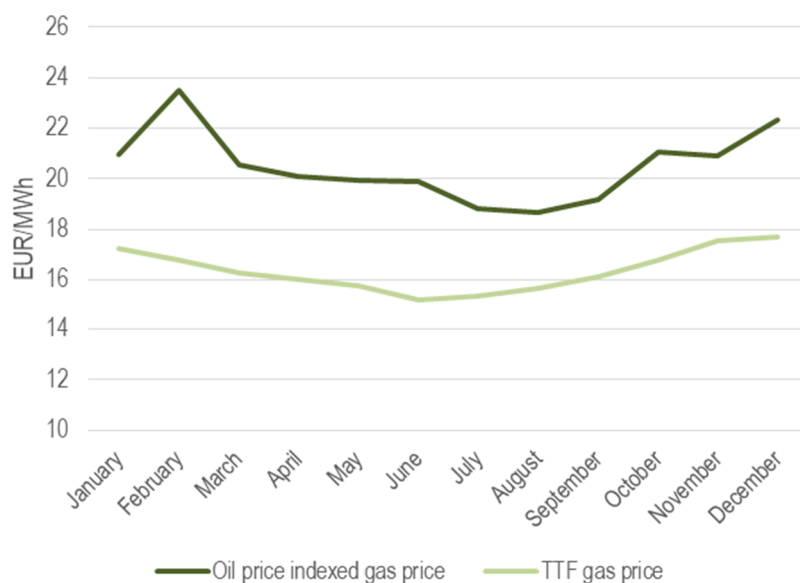
Product group	2013	2014	2015	2016	2017	Change (2017/2016)
Gasoline	1 172.0	1 215.0	1 269.3	1 322.4	1 357.6	2.7%
Gas oil	2 777.5	2 977.7	3 240.2	3 337.8	3 461.9	3.7%
<b>Fuel</b>	<b>3 949.5</b>	<b>4 192.7</b>	<b>4 509.5</b>	<b>4 660.2</b>	<b>4 819.5</b>	<b>3.4%</b>
Kerosene	164.0	170.2	178.1	203.8	212.5	4.3%
Fuel oil	33.1	29.9	24.0	8.4	12.3	46.3%
<b>Total</b>	<b>4 146.5</b>	<b>4 392.7</b>	<b>4 711.7</b>	<b>4 872.4</b>	<b>5 044.3</b>	<b>3.5%</b>

### 1.3.5. Natural gas prices

The import price of natural gas from Russia, which fundamentally defines the domestic wholesale price of natural gas, is based on the weighted average of fuel oil and gas oil quote prices in the nine months preceding the relevant quarter. More stable oil prices had a favourable effect on the "oil based" wholesale price level in 2017, and the oil-indexed price of Russian originated gas moved within the range of 18.6-23.5 EUR/MWh.

In the first half of 2017, the price of natural gas quoted at the Dutch stock market (TTF), which essentially determines European natural gas prices, carried on with the downward trend it embarked on in the previous year. However, it recovered during the injection period approaching a price level of 18 EUR/MWh by the end of the year. Price developments were partly attributable to the expansion of LNG supply used as a "replacement product" as well as to the variations in oil prices.

Diagram 4  
Natural gas prices in 2017



Sources: [www.indexmundi.com](http://www.indexmundi.com), [www.theice.com](http://www.theice.com)

### 1.3.6. Domestic natural gas consumption

The available annual data released by the natural gas transmission system operator (FRI) demonstrates that in 2017, the rise in consumption proceeded, yet, by a more moderate pace. In 2017, natural gas consumption was 4.2% up compared with the year before. Growth was primarily driven by the weather, which was considerably colder than in 2016 (during the period between January and April 2017, the aggregated number of heating degree days<sup>2</sup> amounted to 1 450 in contrast with 1 215 for the same period one year earlier<sup>3</sup>). The rise in consumption was also generated by increased system wide energy demand causing surplus consumption in the case of natural gas-fired power plants and load following power plants. Besides, more intense natural gas consumption for industrial use triggered by the economic expansion also contributed to the surge in natural gas consumption compared to the previous years.

Table 4  
Annual natural gas consumption based on data released by FRI

	2013	2014	2015	2016	2017.	Change (%)				
						2013/	2014/	2015/	2016/	2017/
						2012	2013	2014	2015	2016
Volume	9 027.6	8 262.3	8 778.6	9 356.5	9 752.4	-9.5%	-8.5%	6.2%	6.6%	4.2%

*data in mcm*

<sup>2</sup> Number of heating degree days: is a measure of temperatures below the temperature threshold expressed in proportion to the quantity of cold of the relevant heating period, as defined by the Business and Commercial Code of the Hungarian Natural Gas System (ÜKSZ). (Source: Government Decree No. 19/2009 (30/01/2009) on the implementation of the provisions of Act XL of 2008 on the National Gas Supply).

<sup>3</sup> Source: own calculations based on the temperature graphs of the National Meteorological Service (OMSZ).

## 2. Fulfilment of the stockpiling obligation

### 2.1. Volume of stocks

#### 2.1.1. Crude oil and petroleum products

At the end of 2017, total gross stocks (including immobile stocks) of the Oil Section accounted for 1 329.8 kt corresponding to the net volume of 1 312.9 ktoe (reduced with immobile stocks) in crude oil equivalent (hereinafter "ktoe"), the measurement unit used for the calculation of the stockpiling obligation. The volume of strategic stocks rose by 7 kt compared to opening stock levels at the beginning of the year. This increase was only transitional, essentially caused by stock replacements, which began in 2017 and were completed in January 2018. Stock expansion arising from stock replacements amounted to 7.9 kt, which was diminished by 0.9 kt due to the discrepancy between start-of-year and year-end measurements resulting from the storage and transportation of stocks.

Table 5  
Changes in stocks in the Oil Section in 2017

Stocks	<i>data in kt</i>			
	Opening stocks* 01/01/2017	Change within year relative to stock replacements in 2017 (balance of sales and purchases)	Closing stocks* 31/12/2017	Change in stocks due to storage manipulation (loss/surplus)
Crude oil	530.9	35.5	566.2	-0.2
Gasoline	268.7	0.5	268.8	-0.4
Diesel fuel	523.2	-28.1	494.8	-0.3
<b>Total</b>	<b>1 322.8</b>	<b>7.9</b>	<b>1 329.8</b>	<b>-0.9</b>

\*inventoried gross volume of stocks

Pursuant to the Oil Stockpiling Act and the requirements of the European Union, the stockpiling obligation of HUSA is defined on the basis of the net imports of crude oil and petroleum products in the previous calendar year. For the above calculation, the balance of exports and imports of refinery feedstocks<sup>4</sup> adjusted for change in stocks is further adjusted for the annual domestic naphtha yield<sup>5</sup>, to which the net imports of petroleum products<sup>6</sup> adjusted for change in stocks, expressed in crude oil equivalent (multiplied by 1.065) are added.

The stockpiling obligation is determined by the volume of annual net imports projected for 90 days.

Table 6 illustrates the data for the year 2016, which form the basis of the calculation of net imports required to establish the stockpiling obligation for 2017.

<sup>4</sup> Refinery feedstocks: crude oil, natural gas condensates (NGL), raw material for refineries, additives, oxygenates, other carbohydrates.

<sup>5</sup> The yield reduced by return stream to refineries from chemical industrial production.

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

Table 6  
Calculation of stockpiling obligations in 2017

<b>Refinery feedstocks</b>		<i>kt</i>
a	Imports of refinery feedstocks	6 285
b	Exports of refinery feedstocks	91
c	Change in stocks of refinery feedstocks	-14
	a-b+c	6 180
<b>Petroleum products</b>		<i>kt</i>
d	Imports of petroleum products	2 660
e	Exports of petroleum products	2 858
f	Change in stocks of petroleum products	-213
	d-e+f	-411
<b>Calculation of naphtha yield</b>		<i>kt</i>
h1	Naphtha production	1 007
h2	Return stream to refineries from industrial production	273
h3	Refinery feedstocks used	7 501
h	Naphtha yield (%) (h1-h2)/h3*100	9.80
g	1-h/100 or 0.96 if h<7%	0.902
<b>Net imports</b>		<i>ktoe</i>
N	Annual net imports (a-b+c)*g + (d-e+f)*1.065	5 138
A	Average daily net imports (N/365)	14.1
<b>90 days' net imports: A *90</b>		<b>1 267</b>

Based on net imports in 2016, which corresponded to 5 138 kt expressed in crude oil equivalent, the 90 days' stockpiling obligation totalled 1 267 ktoe for the period between April 1, 2017 and March 31, 2018 set out by law.

In 2017, the volume of stocks equivalent to 93 days' net imports met the prescribed level, therefore, neither stock purchases nor stock sales were executed in the course of 2017.

Table 7  
Net closing stocks on December 31, 2017 and the number of stock days

	Net volume (without immobile stocks)	
	<i>kt</i>	<i>ktoe</i>
Crude oil	565.6	488.7
Petroleum products	763.2	824.2
<b>Total</b>	<b>1 328.8</b>	<b>1 312.9</b>
<b>Number of stock days</b>	<b>93</b>	

### 2.1.2. Natural gas

Pursuant to Article 6 of Decree No. 7/2017 (30/03/2017) of the Ministry of National Development on the amendment of Decree No. 13/2015 (31/03/2015) of the Ministry of National Development "on the Extent of Strategic Natural



Gas Storage” (hereinafter “Decree”), the mandatory level of strategic natural gas stock was extended to 12 723 644 MWh (1 200 mcm) as of October 31, 2017. In compliance with the Decree, the Association procured a volume of 2 970 486 MWh (279.4 mcm) natural gas through competitive tendering. On January 1, 2017 the opening stock of the Gas Section accounted for 9 753 158 MWh (920.6 mcm), whereas the closing stock on December 31, 2017 was 12 723 644 MWh (1 200 mcm).

Table 8  
Stock levels of the Gas Section in 2017

	Opening stock 01/01/2017		Change within year (balance of sales and purchases)		Closing stock 31/12/2017	
	mcm	MWh	mcm	MWh	mcm	MWh
Natural gas stock	920.6	9 753 158	279.4	2 970 486	1 200.0	12 723 644

## 2.2. Storage of stocks

The Association holds its stocks in the framework of custody agreements. On December 31, 2017, the stocks were kept in the following storage facilities:

Table 9  
Inventoried gross volume of crude oil and petroleum product stocks  
at the storage plants (kt)

Storage company	Storage plant	Gasoline	Diesel fuel	Crude oil
				data in kt
OPAL Szolgáltató Zrt.	Százhalombatta			257.8
	Tiszaújváros	14.0	15.9	178.7
	Cellödömök	44.5	49.6	
	Vámosgyörk	29.2	55.3	
	Pétfürdő	29.7	83.7	
	Mád		6.3	
	Szajol	14.8	31.7	
	Komárom		14.0	
<b>OPAL Szolgáltató Zrt. in total</b>		<b>132.2</b>	<b>256.5</b>	<b>436.5</b>
MOL Nyrt.	Százhalombatta			74.2
	Tiszaújváros			55.5
<b>MOL group in total</b>		<b>0.0</b>	<b>0.0</b>	<b>129.7</b>
Terméktároló Zrt.	Tiszaújváros	87.9	93.6	
	Komárom	16.9	14.3	
	Szajol	31.8	130.4	
<b>Terméktároló Zrt. in total</b>		<b>136.6</b>	<b>238.3</b>	<b>0.0</b>
<b>Altogether</b>		<b>268.8</b>	<b>494.8</b>	<b>566.2</b>

Table 10  
Inventoried volume of natural gas stock at the storage plant

Storage company	Storage plant	Volume	
		mcm	kWh
MMBF Zrt.	Szőreg I.	1 200.0	12 723 644 330

### 3. Fulfilment of the budget

The budget of the Association has a special structure due to the cash accounting principle applied for the calculation of revenues from contribution fees. Furthermore, it differs from the business plan model utilised by business entities. Consequently, the report on the fulfilment of the business plan is also different from the structure used by business entities. In compliance with Section (1) of Article 37 of the Oil Stockpiling Act, the business report comprises detailed numeric and textual information on the fulfilment of the budget.

Sections (2) and (3) of Article 37 of the Oil Stockpiling Act stipulate that the annual finances and assets of the Association also have to be presented in the Balance Sheet and the Profit and Loss Statement prescribed in Act C of 2000 on Accounting (Accounting Act).

The two structures differ significantly, with the Budget Report representing the Association's objectives, therefore, this chapter concentrates on the fulfilment and the evaluation of the latter. The differences between the Budget Report and the Profit and Loss Statement specified by the Accounting Act are to be described through the derivation of profit before taxation according to the Accounting Act from the profit at the budget level. The financial position, assets and liabilities of the Association are recorded in the Balance Sheet prepared in accordance with the Accounting Act.

#### 3.1. Profit at the budget level

Table 11  
Budget result

*data in HUF million*

	OIL SECTION			GAS SECTION			TOTAL		
	2017 plan	2017 act	act/plan	2017 plan	2017 act	act/plan	2017 plan	2017 act	act/plan
<b>2016 budget reserve</b>	<b>2 091</b>	<b>2 867</b>	<b>137%</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>2 091</b>	<b>2 867</b>	<b>137%</b>
Contribution fee payments	9 703	10 211	105%	32 239	38 774	120%	41 942	48 985	117%
Recovery of contribution fee payments	-318	-402	126%	-14 623	-17 621	121%	-14 941	-18 023	121%
<b>Net contribution fee revenue</b>	<b>9 384</b>	<b>9 809</b>	<b>105%</b>	<b>17 616</b>	<b>21 153</b>	<b>120%</b>	<b>27 000</b>	<b>30 962</b>	<b>115%</b>
Dividend received	1 225	1 233	101%	2 608	2 847	109%	3 833	4 080	106%
Sales of capacity reservation	0	0	-	232	233	100%	232	233	100%
Interest received	10	21	214%	0	0	-	10	21	214%
<b>Other revenues</b>	<b>1 235</b>	<b>1 254</b>	<b>102%</b>	<b>2 840</b>	<b>3 080</b>	<b>108%</b>	<b>4 075</b>	<b>4 334</b>	<b>106%</b>
<b>TOTAL REVENUE</b>	<b>12 711</b>	<b>13 930</b>	<b>110%</b>	<b>20 456</b>	<b>24 233</b>	<b>118%</b>	<b>33 167</b>	<b>38 163</b>	<b>115%</b>
Storage and stock maintenance fees	-11 641	-11 639	100%	-15 266	-15 266	100%	-26 907	-26 905	100%
Interest payable, other costs	-673	-542	81%	-1 191	-776	65%	-1 864	-1 318	71%
<b>Storing costs</b>	<b>-12 314</b>	<b>-12 181</b>	<b>99%</b>	<b>-16 457</b>	<b>-16 042</b>	<b>97%</b>	<b>-28 771</b>	<b>-28 223</b>	<b>98%</b>
<b>Operating costs of HUSA</b>	<b>-305</b>	<b>-273</b>	<b>90%</b>	<b>-305</b>	<b>-273</b>	<b>90%</b>	<b>-610</b>	<b>-546</b>	<b>90%</b>
<b>TOTAL EXPENDITURES</b>	<b>-12 619</b>	<b>-12 454</b>	<b>99%</b>	<b>-16 762</b>	<b>-16 315</b>	<b>97%</b>	<b>-29 381</b>	<b>-28 769</b>	<b>98%</b>
<b>BUDGET RESULT</b>	<b>92</b>	<b>1 476</b>	<b>1600%</b>	<b>3 694</b>	<b>7 918</b>	<b>214%</b>	<b>3 786</b>	<b>9 394</b>	<b>248%</b>

### 3.2. Revenues

In 2017, the revenues of HUSA totalled HUF 38 163 million, 15% higher than planned as fuel and natural gas consumption exceeded the forecasted values. The proportion of the Oil Section accounted for HUF 13 930 million, whereas the share of the Gas Section was HUF 24 233 million as indicated below.

#### 3.2.1. Contribution fee revenues

The General Meeting of HUSA approved the increase of product group specific unit contribution fee levels in the two Sections with effect from January 1, 2017. In accordance with the authorisation granted by the General Meeting, the Board of Directors consented to the reduction in the level of natural gas contribution fee effective as of October 1, 2017. Accordingly, product group specific unit contribution fee levels in the course of 2017 are shown in the following table:

Table 12  
Contribution fees in 2017

Product	Unit	01/01/2017- 30/09/2017	01/10/2017- 31/12/2017	Combined nomenclature 01/01/2017-31/12/2017
Gasoline type fuel	HUF/1000 litres <sub>15</sub>	1 725		2710 1231 , 1241, 1245, 1249, 1251, 1259, 1270
Kerosene	HUF/1000 litres <sub>15</sub>	1 440		2710 19 21
Gas oil	HUF/1000 litres <sub>15</sub>	1 616		2710 1943, 1946, 1947, 1948, 2011, 2015, 2017, 2019
Fuel oil	HUF/ t	1 486		2710 19 62, 1964, 1968, 2031, 2035, 2039
Natural gas	HUF/MWh	364.71	328.24	2711 1100, 2711 2100

In 2017, members of the Oil Section paid HUF 9 809 million in contribution fees to HUSA, which surpassed the projected amount (HUF 9 384 million) by 5% due to higher than projected fuel consumption.

In the course of 2017, member companies recovered altogether HUF 402 million contribution fees on 219.7 kt of petroleum products. The majority of the recoveries were related to petroleum products applied for the operation of aircrafts engaged in international aviation, whereas a smaller proportion concerned aviation fuel utilised by the Hungarian Defence Force as well as non-energy related use.

In the case of the Gas Section, net contribution fee revenues, that is, non-household contribution fee revenues reduced with contribution fees paid on natural gas utilised as feedstock for the chemical industry, corresponded to HUF 21 153 million (contribution fee revenues of HUF 21 152 million and penalty interest of HUF 1 million), which exceeded the budgeted revenue of HUF 17 616 million by 20%.

Significant discrepancies from the budget plan were caused by the following factors:

- Natural gas consumption (non-household) liable to contribution fee payment surpassed the expected volume as a result of increased consumption for heating purposes owing to the especially cold winter

weather (starting from November 2016<sup>7</sup>), the consumption of gas-fired power plants operating at a higher capacity in order to cater for the rise in system wide energy demand (electricity and district heating) as well as an expansion in industrial consumption, which proved more dynamic than planned.

- A considerable part of contribution fee payments for 2016 were realised in early 2017 as a result of the transformation of the natural gas market, which began on October 1, 2016.

The impact of the aforementioned discrepancy in time is adequately illustrated by Table 13 below. Simultaneously observing the data from FRI on the level of physical consumption in 2016 and 2017 and the sales figures reported by the member companies of HUSA in their monthly declarations, it can be established that from the increased consumption of the 2016/2017 heating period, a large proportion of natural gas actually utilised in 2016 appeared in the contribution fee data only in 2017.

*Table 13*  
*Data released by FRI and HUSA 2016-2017*

	Data from FRI	Data from HUSA	Change
2016	9 356.5	8 872.7	-5.2%
2017	9 752.4	10 497.5	7.6%
<b>Total</b>	<b>19 108.9</b>	<b>19 370.2</b>	<b>1.4%</b>

*data in mcm*

In 2017, member companies recovered altogether HUF 17 621 million contribution fee payments on 3 901 mcm of natural gas sold to households and on 846 mcm of natural gas used as feedstock for the chemical industry.

Total net contribution fee revenues of the two Sections amounted to HUF 30 962 million, which was altogether 15% higher than budgeted (HUF 27 000 million).

### **3.2.2. Other revenues (other than contribution fees)**

In 2017, dividend revenues surpassed forecasted levels in both Sections.

In the Oil Section, dividend of HUF 980 million was paid by OPAL Szolgáltató Zrt., which equalled to the planned level, whereas dividend received from Terméktároló Zrt. was HUF 8 million higher than anticipated.

In the Gas Section, dividend paid by MMBF Zrt. (HUF 2 847 million) exceeded the estimated amount by HUF 239 million.

HUF 233 million other revenues were derived from the secondary sales of interruptible injection and withdrawal capacities reserved in the gas storage facility.

From the fixed term deposits of the temporary surplus of liquid assets, the Association earned an income of HUF 21 million, which was beyond the projected level by HUF 11 million.

<sup>7</sup> In accordance with point a) of Section 5 of Art. 8 of the Gas Stockpiling Act, contribution fee declarations are due on the fulfilment date of the value added tax payment of the sale, instead of the actual date of natural gas consumption. As a consequence, a significant proportion of surplus consumption in the last two months of 2016 appeared in the declarations and payments in early 2017.

### **3.2.3. Utilisation of budget reserve carried forward from 2016**

In compliance with the decision of the General Meeting, the budget reserve of HUF 2 867 million accumulated in the 2016 budget, was carried forward to increase the budget revenues of the Oil Section in 2017. Upon approval of the Budget for 2017, only preliminary data was available for 2016, based on which this figure was projected at HUF 2 091 million. The actual budget reserve in 2016 exceeded this amount by HUF 776 million, hence raising the revenues of the Oil Section.

## **3.3. Expenditures**

### **3.3.1. Storage and stock maintenance costs**

In the Oil Section, total annual storage costs in 2017 amounted to HUF 11 639 million, which was HUF 2 million lower than expected.

In the Gas Section, storage costs corresponded to the budgeted level of HUF 15 266 million.

Total storage costs of the two Sections accounted for HUF 26 905 million.

### **3.3.2. Financing costs**

The major part of financing costs comprises the interest on stock financing loans and the smaller part is constituted by other costs related to loan agreements. The actual sum of interest costs (HUF 1 318 million) was lower than projected in the budget plan (HUF 1 864 million) owing to the following factors:

- In the Budget for 2017, HUSA assumed to finance 100% of its expenditures related to natural gas procurement and 50% of its loans maturing on June 30, 2017 from forint-denominated loans, which would have implied an increase of HUF 119 million in interest costs beside the planned premises. Based on the offers received, the Association eventually opted for euro-denominated financing, therefore, the above additional expenses were not incurred.
- The average interest premium was lower than forecasted, as the Association exploited the favourable bids it received in response to its call for tenders for the refinancing of loans which are to expire in the course of 2017. In addition to refinancing its maturing loans, HUSA made early repayments on its loans due to expire at a later maturity date by taking out new loans with longer durations and lower interest premiums.
- The EUR/HUF exchange rate as well as the EURIBOR, which serves as a reference rate, proved more favourable than estimated.

### **3.3.3. Operating costs**

Operating costs remained considerably lower than planned as only 90% of the available funds were used. In 2017, total actual operating expenses accounted for HUF 546 million, HUF 64 million below the forecasted level (HUF 610 million).

As regards material and material type costs, expenditures on fuel and utility fees were lower than budgeted.

Personnel expenses were significantly lower than anticipated owing to the restructuring of the Association's work organisation and the elimination of an executive position.

Expenditures presented in the entry "Costs of Services" were also below the planned level. The costs of repairs and maintenance, telecommunication, office rent and legal services were successfully reduced compared to the budgeted level.

In terms of other expenses, the Association made savings on insurance premiums and bank transaction fees.

The reduction in other expenditures is essentially attributable to the fact that the section of the co-operation agreement between the National Tax and Customs Administration of Hungary (NAV) and the Association, pursuant to which the Association provided fuel for excise tax audits conducted by NAV, was terminated on the initiative of NAV.

Fixed asset purchases exceeded the anticipated sum on account of an unforeseen, consequently non-budgeted, interim vehicle procurement.

*Table 14*  
*Main cost elements*

*data in HUF million*

	2017		
	plan	actual	actual/plan
Material and material type costs	5	4	80%
Personnel costs	410	386	94%
Services used	130	122	94%
Other costs	10	7	70%
Other expenditures	50	14	28%
Purchases and sales of fixed assets	5	13	260%
<b>Total</b>	<b>610</b>	<b>546</b>	<b>90%</b>

### 3.4. Budget result

In the 2017 Annual Budget of the Association, HUF 3 786 million budget reserve was planned. The actually realised budget reserve amounted to HUF 9 394 million, hence surpassing the targeted level by HUF 5 608 million. In 2017, the budget reserve of the Oil Section was HUF 1 476 million, whereas the Gas Section closed the year with a budget reserve of HUF 7 918 million as follows:

- The budget reserve of the Oil Section was HUF 1 384 million higher than the forecasted HUF 92 million as a result of the higher than planned budget reserve carried forward from 2016, increased net contribution fee revenues, a rise in dividend income and interest revenues, as well as savings on storage costs and operating expenses.
- In the Gas Section, the budget reserve surpassed the targeted level of HUF 3 694 million by HUF 4 224 million due to significantly higher than planned net contribution fee revenues, higher than projected dividend income, as well as savings on financing costs and operating expenses.

### 3.5. Profit before taxation, retained earnings, capital reserve

Apart from the revenues and expenses presented in the budget structure, the revenues and expenses of further economic events (sales of stocks, procurements of fixed assets and other events not planned in the budget or not involving movement of money) are to be taken into account in the Profit and Loss Statement prepared according to the Accounting Act.

Profit before taxation pursuant to the Accounting Act is obtained from the budget result adjusted with the items detailed as follows. In the case of HUSA, the amount of profit before taxation is equal to the amount of retained earnings as the Association is not subject to Act LXXXI of 1996 on Corporate Tax and Dividend Tax.

Table 15  
Profit before taxation/capital reserve in 2017

*data in HUF million*

<b>Profit at the budget level (budget result)</b>	<b>9 394</b>
<b>- budget reserve</b>	<b>-2 867</b>
Profit from stock sale and stock replacement	-6 340
<i>of which: Stock replacement of crude oil</i>	
<i>revenue</i>	23 326
<i>costs</i>	-30 698
<i>profit/loss</i>	-7 372
<i>Stock replacement of Diesel fuel</i>	
<i>revenue</i>	12 031
<i>costs</i>	-11 600
<i>profit/loss</i>	430
<i>Stock replacement of gasoline</i>	
<i>revenue</i>	8 931
<i>costs</i>	-8 330
<i>profit/loss</i>	601
<i>Sale of natural gas</i>	
<i>revenue</i>	0
<i>costs</i>	0
<i>profit/loss</i>	0
Loss in value of stocks	-13 197
Gains from transfer of participations as in-kind contributions	551
Exchange rate variations	83
Derecognition of irrecoverable debts	-23
Purchase/sale of fixed assets, adjustment of accounting earnings	14
Amortisation	-8
<b>Adjusting entries in total</b>	<b>-18 917</b>
<b>Retained earnings / capital reserve</b>	<b>-12 390</b>

### 3.5.1. Budget reserve in 2016

The budget reserve of HUF 2 867 million carried forward from 2016 was recorded as an income in the Budget for 2017, nevertheless, it is not considered income from an accounting point of view, therefore this amount reduces accounting earnings.

### 3.5.2. Stock sales, purchases and replacements

In 2017, accounting earnings resulting from petroleum product stock replacements (sale and purchase) totalled HUF -6 340 million, which is attributed to the fact that the sales and purchases of petroleum product stocks were executed at average market price. The latter market prices were below the clearing price, namely, the average purchase price at which the stocks were registered. When accounting for stock replacements, the sales price of the sold stocks appear as revenue, whilst the value of the sold stocks registered at clearing price is booked on the



cost side. The difference of the two values is considered earnings from an accounting point of view, consequently, it must be taken into consideration in the Profit and Loss Statement. Even though accounting earnings from stock replacements were negative in 2017, the clearing prices of crude oil and petroleum products decreased due to the transactions, hence approaching market prices.

In the frame of stock replacements in 2017, the Association sold 40.7 kt of motor gasoline and 63.0 kt of Diesel fuel, whereas it purchased 41.2 kt of motor gasoline and 34.9 kt of Diesel fuel. In relation to the stock replacements, HUSA also procured 136.6 kt and sold 101.1 kt of crude oil for coverage purposes. During the stock replacements, the discrepancy between the sold and purchased stock volumes occurred due to transactions finalised in the course of 2018.

### **3.5.3. Impairment, creation of provision**

As in the case of stock replacements in 2017, the Association expected to account for losses related to stock replacements in 2018 arising from the difference between the sales price and the clearing price. As a consequence, impairment of HUF 13 197 million was booked at the end of 2017. The above loss serves solely accounting purposes, therefore, it does not influence the budget.

### **3.5.4. Gains from transfer of participations as an in-kind contribution**

In the course of 2017, the Association transferred its participations in ÁMEI Zrt. and Petrotár Kft. into OPAL Szolgáltató Zrt. as an in-kind contribution at a gain of HUF 551 million. This profit does not involve movement of cash, hence, it did not appear in the budget result, yet, it improves accounting earnings.

### **3.5.5. Foreign currency loans, exchange rate variations of foreign exchange**

The exchange rate difference accounted in the course of the year (upon refinancing) together with the exchange rate difference booked when translated to the exchange rate on the year-end rollover date resulted in HUF 83 million exchange rate gains in 2017.

### **3.5.6. Derecognition of irrecoverable debts**

From an accounting perspective, the derecognition of irrecoverable debt is an expense, however, it does not involve cash expenditure, thus it does not appear in the budget result. In 2017, HUF 23 million was derecognised in the Oil Section, as in the case of one partner the liquidation process of the company came to an end.

### **3.5.7. Purchase/sale of fixed assets, adjustment of accounting earnings**

The purchase of fixed assets entails cash expenditure, therefore it appears in the budget result. However, it does not diminish accounting earnings as it is accounted for in the balance sheet. Fixed asset purchases lessen accounting earnings through depreciation. As regards the sale of fixed assets, the derecognition of the book value of the sold asset does not involve cash expenditure, nevertheless, it does reduce accounting earnings.

### **3.5.8. Depreciation**

From an accounting perspective, depreciation is considered a cost. However, as it does not involve cash expenditure, it does not form an element of the budget structure.

On the whole, the balance of adjusting entries equals to HUF -21 784 million (HUF -18 917 million adjusting entries which do not involve movement of cash reduced with HUF 2 867 million budget reserve carried forward from the previous year). Deducting this amount from the budget result (HUF 9 394 million), we receive the profit before taxation in accordance with the Accounting Act (corresponding to the retained earnings) with a negative sum of HUF -12 390 million.

## 4. 2017 Balance Sheet, financial position of the Association

### 4.1. 2017 Balance Sheet

The year-end balance of assets and liabilities was HUF 345 948 million. Assets employed totalled HUF 27 965 million, the major part thereof constituted by the net value of the HUSA's participations in affiliated companies.

The value of current assets amounted to HUF 317 973 million, of which the book value of stocks added up to HUF 294 017 million. Receivables totalled HUF 10 223 million, whereas liquid assets corresponded to HUF 13 733 million.

Accruals approached HUF 10 million.

In terms of the Association's liabilities, the value of shareholders' equity was HUF 193 547 million, which comprises the earnings realised in previous years as well as in 2017, booked in accordance with the Accounting Act.

Liabilities amounted to HUF 152 322 million with short-term liabilities representing HUF 45 014 million, the majority thereof (HUF 40 318 million) is constituted by short-term loans as well as the portions of long-term loans reaching maturity in the course of 2018. Accounts payable to suppliers corresponded to HUF 2 279 million, liabilities toward affiliated undertakings amounted to HUF 1 480 million, all of which were accounts payable to suppliers, whereas other liabilities added up to HUF 936 million.

Deferrals equalled to HUF 67 million, the major part thereof is formed by the proportion of the income derived from the secondary sale of interruptible injection and withdrawal capacities reserved in the gas storage facility due in 2018.

The 2017 Balance Sheet and Profit and Loss Statement are contained in the Annual Report.

### 4.2. Financial position, liquidity

As reflected by the Balance Sheet figures and the related Supplementary Notes, the financial position of the Association is stable overall as well as in terms of the given maturity horizons. At all times the Association possessed sufficient amount of liquidity to perform its activities and fulfilled its payment obligations by the due date.

On December 31, 2017, the value of the stocks calculated at clearing price (book value) amounted to HUF 294 017 million. The total principal of the stock financing loans was EUR 476 million (HUF 147 627 million)<sup>8</sup>. The market value of the above stocks corresponded to HUF 323 979 million on December 31, 2017.

Table 16  
Loans of the Association on December 31, 2017

	Interest rate	Average interest surcharge	Credit line	Amount drawn
<b>Foregin exchange loans</b>				
Stock financing loans	EURIBOR	0.79	486.0	476.0
<b>Total EUR million</b>			<b>486.0</b>	<b>476.0</b>
<i>Total HUF million</i>			150 728.0	147 626.6

<sup>8</sup> Calculation based on the exchange rate of the National Bank of Hungary on December 31, 2017

The following indicators illustrate the changes in the financial position of the Association over the past five years:

*Table 17*  
*Main indicators of the Association's financial position*

	2013	2014	2015	2016	2017	Value of 2017 indicators projected to base
<b>Equity ratio (%)</b>						
<u>Equity</u> Total sources	69	63	63	62	56	90
<b>Liquidity ratio (%)</b>						
<u>Liquid assets+receivables</u> Short-term liabilities	43	41	46	36	53	147
<b>Indebtedness ratio (%)</b>						
<u>Liabilities+Accrued expenses</u> Equity	45	59	59	61	79	130

## 5. Activity of affiliated companies in 2017

### 5.1. Affiliated companies of HUSA

Participations of the Association are demonstrated in Table 18 below:

Table 18  
*Affiliated companies of HUSA (December 31, 2017)*

<b>Company name</b>	<b>Ownership ratio of HUSA (%)</b>	<b>Value of participation (HUF million)</b>
OPAL Szolgáltató Zrt.	100.0	15 138
Terméktároló Zrt.	25.9	8
MMBF Földgáztároló Zrt.	49.0	12 751
<b>Total</b>		<b>27 897</b>

By virtue of its participations in the storage companies, the Association is entitled to participate in the management of the companies and perform the professional monitoring of their operations. Furthermore, as a part owner of these constantly stable, exceptionally profitable and dividend paying companies, the Association indirectly plays an active role in the stockpiling market.

During its session on December 16, 2016, the General Meeting of the Association decided on transferring its participations in Petrotár Kft. and ÁMEI Zrt. to OPAL Szolgáltató Zrt. as an in-kind contribution, which was registered by the Court of Registration of the Budapest-Capital Regional Court on January 26, 2017.

The main features of HUSA's affiliated companies are introduced as follows.

### 5.2. Storage companies

#### **OPAL Szolgáltató Zrt.**

In 2017, the registered capital of OPAL Szolgáltató Zrt. was HUF 4.7 billion. HUSA has a 100% ownership in the company, which was established with the merger of Kőolaj Tároló Zrt., IPR Vámosgyörk Zrt. and Péti Terminál Tároló Kft. on December 1, 2007 and has operated in its present form ever since. At its five storage plants, the total storage capacity owned by OPAL Szolgáltató Zrt., which is adequate for the stockpiling of strategic stocks, comprises 480 tcm crude oil and 380 tcm fuel storage capacity, which includes two 20 tcm storage tanks commissioned in Pétfürdő in 2014. In the course of 2017, rented capacities suitable for the storage of 60 tcm crude oil and 131 tcm fuel were added to the company's own capacities.

#### **MMBF Natural Gas Storage Private Limited Company (MMBF Biztonsági Földgáztároló Zrt.)**

The company was founded by the Association with a capital stock of HUF 1 billion in 2006 in order to facilitate the fulfilment of its obligations set out in the Gas Stockpiling Act, initially in the framework of a project, subsequently, as a storage company.

Following the sale of majority ownership in the company (62%) to MOL Plc in 2007, the owners increased the capital in two steps.

On December 30, 2013, MOL Plc sold its participation to Hungarian Development Bank Private Limited Company (MFB Zrt) and to HUSA. As a result of the transaction, MFB Zrt. became the majority owner of the company (51%), whereas the participation of the Association rose from 27.54% to 49%.

As of December 15, 2009, the storage company possesses the capacity to store a strategic natural gas stock of 1 200 mcm in line with the custody agreement. In accordance with legal requirements, the level of strategic natural gas stock was replenished in 2017, hence the available storage capacity is fully exploited.

#### ***Terméktároló Zrt.***

Terméktároló Zrt. was founded by MOL Plc and HUSA. In 2014, its capital stock of HUF 1 620 million was reduced to HUF 32.4 million by its owners through withdrawal of equity. The reason for the capital reduction was that the company was unable to realise high-yield investments, moreover, its operation is stable and financially secured in the long term, therefore, it does not require a high capital stock. The participation of HUSA remained 25.9%, which currently corresponds to HUF 8.4 million.

The company owns storage capacities of 330 tcm in Tiszaújváros and Szajol. HUSA utilised the maximum capacity level of 490 tcm stipulated in the custody agreement, including tank capacities rented from MOL Plc.

### **5.3. Activity and financial position of affiliated companies in 2017**

Available data and information on the 2017 performance of the storage companies imply that they duly met their contractual obligations. Loan repayments are consistent and the financial positions of the companies are satisfactory.

In 2017, in accordance with its ownership ratio, the Association received HUF 980.0 million dividend from OPAL Szolgáltató Zrt., HUF 253.2 million from Terméktároló Zrt. and HUF 2 846.9 million from MMBF Zrt. for the 2016 business year. The earnings and the changes in shareholders' equity of the affiliated companies are contained in the Supplementary Notes.

## 6. Monitoring activity of the Association in 2017

The monitoring activity of HUSA covers two major areas:

- Supervision of contribution fee payments, which provide the Association's basic source of revenue, with respect to ensuring that the calculation and payment of fees meet the requirements laid down in the Oil Stockpiling Act, the Gas Stockpiling Act and the Statutes.
- Conducting inspections at the storage companies, which are in contractual relationship with the Association, as well as at their storage sites in order to assure the fulfilment of their obligations stipulated in the storage agreements including the adequate preservation of the quantity and quality of the strategic stocks owned by the Association.

### 6.1. Monitoring of contribution fee payments

The Association conducts its monitoring activity based on the risk ratings of member companies' contribution fee payments. Lower-risk companies are inspected in the frame of administrative reviews biannually, whereas higher-risk companies are reviewed on-site on a two-year cycle. Particularly high-risk members receive on-site inspections on an annual basis. The risk ratings of the member companies were established based on objective criteria, in consideration of relevant information and data on contribution fee payments as well as experience gained through communication and during on-site inspections. In 2017, inspections of member companies were carried out in 42 cases.

In terms of contribution fee payments for 2017, one member company of the Oil Section received a collection letter. On December 31, 2017, members of the Oil Section held HUF 1.8 million overdue debts, all of which resulting from one or two days' delay in payments by member companies.

In 2017, in the Gas Section, seven member companies were sent collection letters due to late payment over 8 days. Apart from two members, the companies fulfilled their payment obligations by the due date specified in the collection letters. In the case of the two member companies, debt collection was initiated at the National Tax and Customs Administration (NAV), however, both processes were suspended as the member companies filed letters proposing for payment in instalments. On December 31, 2017, member companies of the Gas Section held HUF 119.9 million overdue debts, of which HUF 74.9 million debts were more than 30 days overdue. A significant proportion of debts less than 30 days overdue resulted from one or two days' delay in payment by member companies.

### 6.2. Monitoring of storage companies and storage sites

Another key area of HUSA's monitoring activity involves controlling the creation of strategic stocks and the proper fulfilment of the stockpiling conditions in accordance with the storage agreements with the storage companies, the relevant legislations and the Statutes.

The Association requires the storage plants to provide regular reports on the volume and quality of strategic stocks, on the adequacy of stockpiling conditions as well as on the proper fulfilment of technical, security and environmental requirements at the storage sites, and reviews these annually in the framework of on-site inspections. The findings of the reviews are registered by the controllers of the Association in the inspection records.

The stock registration information system renders essential support in the quantitative monitoring of stocks. On the basis of various parameters, it facilitates chronological queries for the analysis of changes in stocks and for the monitoring of stock movements. The information system automatically receives the daily tank measurement data on the Association's crude oil and petroleum product stocks from the registration systems of the storage companies on a daily basis as well as records the major parameters of custody agreements.

## **7. Organisational structure of the Association**

On the date of the balance sheet, the work organisation of the Association consisted of 9 persons, of whom 8 full-time employees and 1 part-time employee. The average statistical headcount was 9 persons in 2017.

## **8. Environmental protection**

Pursuant to the applicable provisions of law, the Association has no such obligatory tasks related to environmental protection that would require the creation of provision. Furthermore, the Association has neither hazardous waste nor noxious substance in its possession, and holds no fixed assets directly intended for environmental protection.

## **9. International relations**

In 2017, the Association continued its activities in the field of international relations it embarked on over the previous years. HUSA actively participated in the work of the international organisation ACOMES (Annual Coordinating Meeting Entities Stockholding). It also maintained its memberships in two affiliated groups of ACOMES, namely, the Benchmark Group and the Best Practice Group, whose sessions address permanent topics, such as the comparison of cost analyses of member organisations, introduction of industry practices as well as exchange of experience.

The Association provides active professional support to the government in performing its stockpiling responsibilities arising from Hungary's EU and IEA (International Energy Agency) memberships. In 2017, the Association continuously participated in the review of Directive 2009/119/EC, which forms the basis of the Oil Stockpiling Act, imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products.

Budapest, May 9, 2018

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