

1. General information

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

Abbreviated company name: HUSA

Website of the company: www.husa.hu

Registered seat: 2151 Fót, Fehérkő utca 7.

Year of establishment: 1993

Start of operations: 1993

Form of business organisation: other incorporated entity

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

Owners: not applicable

Method of accounting: double entry book-keeping

Balance sheet: type „A”, balance sheet date (fiscal year=calendar year): December 31

Closing date of the balance sheet: January 31, 2021

Profit and loss statement: type „A”, nature of expense 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 operations.

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

Dr. Béla Attila Bártfai

1014 Budapest, Bécsi kapu tér 7. 1. em. 5. a.

2. Rules of accounting, accounting policy

- 2.1. The Association keeps its books and records in compliance with Act C of 2000 on Accounting ("Accounting Act"), in accordance with the discrepancies laid down in Act XXIII of 2013 on the strategic stockpiling of imported crude oil and petroleum products ("Oil Stockpiling Act").

The Association disposes of the regulations required for its operations including the Statutes consolidated with amendments, the Organisational and Operational Rules, the Cost Accounting Standards as part of the Accounting Policy, in addition to the Rules on Valuation and Inventory as well as the Cash Management Regulations, which are appendices to the Accounting Policy.

- 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 Association's participations in other companies. The Association is not obliged to compile a consolidated annual report in line with the provisions of Article 10 of the Accounting Act, independent of the fact that it holds 100% participation in HEXUM Holding Zrt., since the Association is not classified as enterprise, but as other incorporated entity, defined in a separate provision of law as set forth in point 4 q) of Section (1) of Article 3 of the Accounting Act. Accordingly, the Association also prepared annual reports in the previous years, with a content conforming to the principles of Article 15 of the Accounting Act. Under Section (1) of Article 37 of the Oil Stockpiling Act, a detailed business report on the annual fulfilment of the budget containing data and text is also drawn up in relation to the annual report.
- 2.3. Pursuant to point 11.4.2. of the Association's Statutes, the amount of the profit before taxation, which corresponds to the profit after taxation, enters the capital reserve, as no tax liability is incurred owing to the fact that the Association is not subject to corporate tax in accordance with Section (1) of Article 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 as well as with the requirements prescribed in the Rules on Valuation, which constitutes an appendix to the Association's Accounting Policy.

In the balance sheet, intangible assets and tangible assets are recorded at a value corresponding to the difference between the ordinary and the extraordinary depreciation booked in consideration of the acquisition value and the residual value, whereas non-current financial assets are indicated at historical cost.

For the valuation of inventories, the Association records its stocks at settlement price. The value of petroleum products presented in the balance sheet equals to the aggregate sum of the settlement price, its related price difference, the impairment and the reversal of impairment on the balance sheet date. As of 2018, a new methodology was created for the valuation of inventories. The Oil Stockpiling Act and the Statutes prescribe the mandatory refreshment of stockpiled petroleum products every six years. With respect to this special feature, on the balance sheet date, in the year-end valuation of crude oil and petroleum product stocks, the market price is determined based on the average of the quoted price of the current year and the quoted prices of the preceding five years in order to support the calculation of impairment. Impairment is calculated for the total volume of each type of stocks.

As regards the disposal of natural gas stock, under the provisions of the Gas Stockpiling Act, the volume of natural gas to be sold, the method of disposal as well as the value of the stock based on which the price of natural gas is determined and cannot be sold at a lower price, are specified by ministerial decree. The established value of the stock must correspond to the average acquisition value at the minimum. Impairment calculation for natural gas is not applicable.

Receivables and liabilities are inspected and reconciled, their valuation complies with the Accounting Act. Receivables must be recorded in the balance sheet at historical cost, which implies the book value reduced with bad debts (point 10 of Section (4) of Article 3 of the Accounting Act) and impairment (Sections (1)-(2) of Article 55 of the Accounting Act), increased with the reversal of impairment (Section (3) of Article 55 of the Accounting Act.).

The Association's major liabilities are constituted by foreign exchange denominated loans disbursed by financial institutions. In the balance sheet, foreign exchange denominated loans are presented in the disbursed amount as well as in the sum reduced with repayments, converted to Hungarian forint in compliance with Section (2) of Article 60 of the Accounting Act.

The value of cash and cash equivalents is supported with bank statements and inspected by audit procedures. In the balance sheet, the value of bank deposits must be recorded corresponding to the value stated in the bank statement of the Hungarian forint account deposited at the credit institution on the balance sheet date of the fiscal year. The value of foreign exchange deposited on a foreign exchange account must be indicated corresponding to the value in the bank statement of the foreign exchange account converted to forint in accordance with Section (2) of Article 60 of the Accounting Act.

The Association opted for the official exchange rate of the National Bank of Hungary for the balance sheet date valuation of its foreign currency, its foreign exchange deposited on the foreign exchange account as well as its receivables and liabilities arising in foreign exchange, - the most significant thereof are foreign exchange denominated loans.

2.5. Extraordinary items are defined in the Accounting Policy of the Association as follows:

Items related to economic events, which occur outside the usual business operations, in case their values (each item separately) reach or exceed 5% of total revenues, total costs and expenditures in the given financial year.

2.6. An error revealed by inspection or self-revision is classified as an error of significant value by the Association in case in the year the error was observed, the aggregate value of increase-decrease in the profit and loss and equity (irrespective of positive or negative sign) caused by the errors and consequences of errors established during inspections relevant to the same year exceed 2% of the balance sheet total of the inspected financial year. In 2020, no error of significant value was inspected.

2.7. The Balance Sheet of the Association is prepared in version "A" in compliance with Annex 1 to the Accounting Act, whereas its Profit and Loss Statement is compiled with nature of expense method in version "A" in line with Annex 2 to the Act. Pursuant to Section (3) of Article 32 of the Oil Stockpiling Act, in its internal accounting the Association keeps separate accounts of assets and liabilities, revenues and expenditures in relation to crude oil and petroleum product stockpiling, to natural gas stockpiling as well as to non-stockpiling activities and presents the aforementioned figures in the Supplementary Notes to the Annual Report.

2.8. Sections (2)-(3) of Article 155 of the Accounting Act prescribe statutory audit for the Association. Based on the approval of the General Meeting of the Association, audits are conducted by Katalin Kiss, registered auditor of Ecovis Audit Kft. (member of the Budapest Organisation of the Chamber of Hungarian Auditors, registration number: 005037, membership identity card number: 008489). The annual fee of the audit is HUF 2 800 000. Ecovis Audit Kft. provided no other services for the Association. As of May 1, 2020, the Association commissioned HEXUM Finance Kft. (registered seat: 2151 Fót, Fehérvő utca 7., company registration number: 13-09-204819) to supervise and manage the duties of accounting services and prepare the annual report. Of HEXUM Finance Kft. the person responsible for supervising and managing the duties of accounting services is as follows:

Krisztina Kelenvölgyi (1119 Budapest, Etele út 27. 7/23.)
Head of Accounting and Taxation at HEXUM Finance Kft.
Registration number: 006205

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

3.1. Changes in intangible and tangible assets (HUF million)

	Gross value	Depreciation	Net value
I. Intangible assets			
<i>Concessions, licences and similar rights</i>			
- Opening value 01/01/2020	32	32	0
- Increase	3	1	
- Decrease	0	0	
- Closing value 31/12/2020	35	33	2
<i>Intellectual property products</i>			
- Opening value 01/01/2020	1	0	1
- Increase	64	12	
- Decrease	0	0	
- Closing value 31/12/2020	65	12	53
II. Tangible assets			
<i>Land and buildings and rights to immovables</i>			
- Opening value 01/01/2020	43	37	6
- Increase	0	6	
- Decrease	43	43	
- Closing value 31/12/2020	0	0	0
<i>Other fixtures and fittings, tools and equipment, vehicles</i>			
- Opening value 01/01/2020	51	36	15
- Increase	5	6	
- Decrease	4	4	
- Closing value 31/12/2020	52	38	14
<i>Assets in course of construction</i>			
- Opening value 01/01/2020	0	0	0
- Increase	72	0	
- Decrease	72	0	
- Closing value 31/12/2020	0	0	0
Total closing value 31/12/2020	152	83	69

All increase in depreciation accounted for in 2019 was ordinary straight-line depreciation. In 2020, in addition to the ordinary depreciation, HUF 4 Mn extraordinary depreciation was booked under the heading "Land and buildings and rights to immovables".

3.2. The Association's participations

In 2019, the Association acquired the 51% share package of MFB Magyar Fejlesztési Zártkörűen Működő Részvénytársaság (hereinafter referred to as “MFB”) in MMBF Földgáztároló Zártkörűen Működő Részvénytársaság. (hereinafter referred to as “MMBF”). Furthermore, PETROTÁR Kft., PETROTÁR-PÉT INVEST Kft. and ÁMEI Zrt. were fully acquired by OPAL Szolgáltató Zrt., which is in the sole ownership of HUSA. As a result, a corporate group of significant size was formed. Since the Association did not possess storage companies at the time of its foundation, neither the Oil Stockpiling Act, nor the Statutes contained regulations in terms of control and exercise of ownership rights over the subsidiaries. Therefore, the establishment of the new corporate group required the formation of a corporate governance structure, which lays the foundations for control over the corporate group as well as defines the regulations for the Association's exercise of founder's rights over the subsidiaries, adjusting to the best practice in corporate governance as well as to the changed economic environment. Moreover, the creation of a new operating system that ensures the fulfilment of the Association's stockpiling responsibilities, beside adequately separating its duties from the business activities conducted by the subsidiaries was justified. In December 2019, a new corporate governance concept conforming to the national and international general, business and corporate law practices was approved by the General Meeting of the Association in agreement with the Board of Directors. Accordingly, on February 5, 2020, HEXUM Holding Zrt. (registered seat: 2151 Fót, Fehérkő utca 7.) was founded by the Association with a capital stock of HUF 70 Mn.

The Association transferred its participation in OPAL Szolgáltató Zrt. as an in-kind contribution to HEXUM Holding Zrt. at a market value of HUF 20 640 Mn on June 30, 2020, whereas its participation in MMBF was transferred to HEXUM Holding Zrt. at a market value of HUF 38 210 Mn on November 30, 2020. The market values of both contributions were based on independent company valuations. Following the in-kind contributions, the name of OPAL Szolgáltató Zrt. was changed to HEXUM Tartálpark Zrt., whilst that of MMBF was altered to HEXUM Földgáz Zrt.

The core activity of HEXUM Holding Zrt. is asset management. Besides, it provides procurement, human resources management and management services at corporate group level.

The Association holds a major participation in Terméktároló Zártkörűen Működő Részvénytársaság (Registered seat: 2440 Százhalombatta, Olajmunkás utca 2.). Terméktároló Zrt. was founded in 1996, its majority owner is MOL Plc with 74.1% of the votes. The core activities of Terméktároló Zrt. comprise the storing and stockpiling of petroleum products.

The headings related to participations contain the following items:

Participation (Company name)	Book value of participation 31/12/2020 (HUF million)	Ownership ratio	Remark
HEXUM Holding Zrt.	58 920	100.0%	Subsidiary
Long-term participations in affiliated companies	58 920		
TERMÉKTÁROLÓ Zrt.	8	25.9%	Associated company
Long-term major participating interests	8		
Total	58 928		

The equity of the affiliates on December 31, 2020 is demonstrated in the table below:

Company (HUF million)	Equity	Share capital	Capital reserve	Retained earnings	Tied-up reserve	Valuation reserve	Profit after taxation
HEXUM Holding Zrt.	58 897	58 920	0	0	0	0	-23
TERMÉKTÁROLÓ Zrt.	1 162	32	0	0	0	0	1 130

The data on equity are preliminary figures.

3.3. Inventories

Book value of inventories on December 31, 2020:

Product	Unit	Stored volume	Stock value (HUF million)	Proportion according to stock value (%)
Crude oil	ton	589 545	65 755	22.20%
Gasoline RON 95	15°C litre	360 450 030	44 733	15.11%
Gas oil EN 590	15°C litre	614 634 395	82 905	27.99%
			193 393	
Natural gas	MWh	15 374 000	102 769	34.70%
			296 162	100.00%

In 2020, apart from the fulfilment of the mandatory stock replacements, no other stock movement was executed.

Changes in inventories in the current year – impairment (HUF million)

Product	Crude oil	Gasoline RON 95	Gas oil EN 590	Natural gas	Total
Opening book value	72 991	48 889	89 838	102 769	314 487
01/01/2020					
Historical cost	80 673	52 660	93 488	102 769	329 590
Impairment	-7 682	-3 771	-3 650	0	-15 103
Decrease in the current year					
Historical cost	11 913	2 934	8 427	0	23 274
Impairment *	1 134	210	329	0	1 673
Reversal of impairment	0	0	0	0	0
Increase in the current year					
Historical cost	10 779	2 824	8 609	0	22 212
Impairment	-7 236	-4 256	-7 444	0	-18 936
Closing book value	65 755	44 733	82 905	102 769	296 162
31/12/2020					
Historical cost	79 539	52 550	93 670	102 769	328 528
Impairment	-13 784	-7 817	-10 765	0	-32 366

* Derecognition of impairment related to disposal.

- 3.4. The Association held HUF 31 Mn outstanding trade receivables from secondary capacity disposal on the balance sheet date of December 31, 2020. The Association had no outstanding trade receivables on December 31, 2019.

In 2020, the heading “Receivables from affiliated companies” contain a supplier credit note (HUF 10 Mn) issued by HEXUM Finance Kft., which was outstanding on the balance sheet date, on the one hand, and the reclassification of HEXUM Tartálypark Zrt.’s December contribution fee payment (HUF 29 Mn), on the other hand.

3.5. **Other receivables (HUF million):**

Description	31/12/2019	31/12/2020
Value added tax	8 211	2 423
Crude oil contribution fee account	1 302	1 868
Natural gas contribution fee account	1 680	1 415
booked impairment	-217	-279
Deferred technical VAT advances	306	300
Receivables from employees	17	6
Advance payments	87	0
Other receivables	1	0
Other receivables	11 604	6 012

The booked impairment, which is related to natural gas contribution fees, is of indicative nature.

In 2020, in terms of natural gas contribution fees, impairment was accounted for in the case of three partners, whereas reversal of previously recognised impairment occurred in the case of one member company.

The overdue debt of ENERGOTT Kft. is under enforcement proceeding as the company has failed to fulfil its contribution fee payment obligations by the due date for years. In spite of being granted the option of instalment payments on multiple occasions, the company failed to fully meet its payment obligations. In consideration of ENERGOTT Kft.'s attitude to contribution fee payments, the recognition of 100% impairment is reasonable. For the financial year of 2020, further HUF 62 Mn impairment was booked in addition to HUF 178 Mn recorded on December 31, 2019.

The natural gas trading licence of Kárpát-Gáz Kft. "In Liq." was withdrawn by the Hungarian Energy and Public Utility Regulatory Authority as of March 15, 2019. As a result, its membership status with the Association ceased on condition that the company is obliged to settle its payment obligations incurred up to the cessation of its membership. On December 10, 2019, the liquidation of Kárpát Gáz Kft. was ordered in a final and binding judgement. The proof of claim by financial creditors was submitted for the whole amount of the company's liabilities to the Association. HUF 17 Mn impairment was booked for the entire payment obligation up to December 31, 2019.

The Association instituted an enforcement proceeding in respect of the overdue contribution fee payments of DunaCent Kft. "In Liq." at the National Tax and Customs Administration of Hungary (hereinafter referred to as "NAV"). On account of DunaCent Kft.'s current "In Liq." position, the company is expected to settle a small amount of its debts, that is, maximum 25%. Therefore, HUF 4 Mn impairment was booked for 2020.

A significant part of ALFA-NOVA Kft.'s contribution fee liabilities to the Association is under enforcement proceeding. Based on the request filed by ALFA-NOVA Kft., an instalment arrangement was authorised by NAV. In consideration of the above, the settlement of 80% of the existing debt is anticipated. Therefore, in 2020, the recognition of HUF 5 Mn impairment is justified.

Over 80% of Nordest Energy Kft.'s (currently named ZREnergy Deal Kft.) contribution fee liabilities incurred to HUSA in 2019 is under enforcement proceeding. In the course of 2020, the member company settled its arrears and held no overdue debts on December 31, 2020. Consequently, the registered HUF 9 Mn impairment was reversed.

3.6. **Accrued and deferred assets (HUF million):**

Description	31/12/2019	31/12/2020
Mediated services (transfer of legal expenses)	0	25
Membership contribution fees	17	0
Accrued income	17	25
Office rental fees, operating expenses	3	3
Subscription fees for technical periodicals	2	2
Other personnel expenses	2	2
Insurance premiums	1	1
Other	0	1
Accrued expenses	8	9
Accrued and deferred assets	25	34

3.7. **The movements of equity are demonstrated in the table below:**

CHANGES IN EQUITY (HUF million) in 2020

Capital element	Opening	Increase	Transfer	Closing
Share capital	-	-	-	-
Share capital unpaid	-	-	-	-
Capital reserve	196 768	-	6 055	190 713
Retained earnings	-	-	-	-
Tied-up reserve	-	-	-	-
Valuation reserve	-	-	-	-
Profit after taxation	6 055	- 2 155	6 055	- 2 155
Equity	190 713	- 2 155	-	188 558

3.8. In the financial year of 2016, a provision of HUF 11 Mn was created for a particular liability disputed by the Association. On December 3, 2019, a first instance judgement was delivered in the lawsuit, against which an appeal was submitted by the plaintiff. The case was dealt with by the Budapest Court of Appeal that upheld the first instance judgement. The Curia established that the petition for judicial review against the second instance judgement filed by the plaintiff was ill-founded. Consequently, the Curia upheld the second instance non-appealable judgement and the lawsuit was terminated on October 29, 2020. The previously created provision was released.

3.9. The Association fulfils its stockpiling obligations prescribed by the Oil Stockpiling Act from stock financing loans.

The proportion of loans according to maturity on December 31, 2020:

Currency	Short-term maturity, within 1	Maturing in over 1 year				Total
		Within 2 years	Within 3 years	Within 4 years	Within 5 years	
EUR	192 000 000	105 000 000	106 000 000	108 000 000	0	511 000 000
HUF million	70 105	38 338	38 704	39 434	0	186 581

3.10. 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 connected to the financing of stocks. In the aforementioned 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 relations with the Association, on the one hand, and on the proceeds derived from the disposal of stocks not prescribed by legislation, on the other hand.

3.11. Off balance sheet liabilities

The Association undertook HUF 2 Bn suretyship for HEXUM Tartálypark Zrt.'s investment loan contract of HUF 2 Bn with a duration of five years (original maturity date: December 30, 2022). As regards the repayment of the loan, HEXUM Tartálypark Zrt. opted for the loan moratorium imposed in 2020 due to the coronavirus pandemic. As a consequence, the duration of the loan was extended with one year.

- 3.12. On December 31, 2020, outstanding trade payable totalled HUF 1 437 Mn, of which short-term liabilities to affiliated companies added up to HUF 1 011 Mn, whereas short-term liabilities to companies linked by virtue of major participating interests amounted to HUF 423 Mn to Terméktároló Zrt. Trade payable to external partners was equivalent of HUF 3 Mn. In 2019, the latter balance sheet heading indicated a significantly higher amount, predominantly composed of the liability to MOL Plc. arising from the procurement of crude oil (HUF 6 817 Mn), the financial settlement thereof was delayed until January 2020.

Short-term liabilities to affiliated companies comprise trade payable to HEXUM Tartálypark Zrt. (HUF 1 009 Mn) and to HEXUM Holding Zrt. (HUF 2 Mn). In 2019, apart from trade payable to HEXUM Tartálypark Zrt. (HUF 1 029 Mn), interim dividend paid by HEXUM Földgáz Zrt. (HUF 10 000 Mn) for the year 2019 was also accounted for under the above heading.

3.13. Other short-term liabilities (HUF million):

Description	31/12/2019	31/12/2020
Natural gas and crude oil contribution fee account	423	385
Taxes and contributions	12	12
Other short-term liabilities in total	435	397

In the category of other short-term liabilities, the amount of contribution fee reclaims is recorded on the natural gas and crude oil contribution fee account.

3.14. Accruals and deferred income (HUF million):

Description	31/12/2019	31/12/2020
Proceeds from capacity disposal	61	25
Accrued and deferred income	61	25
Auditing fees	2	1
Deferred costs and expenses	2	1
Accruals and deferred income	63	26

3.15. Pursuant to the applicable provisions of law, the Association has no such mandatory tasks concerning environmental protection that would require the creation of provision. Moreover, the Association has neither hazardous waste nor noxious substances in its possession, and holds no tangible assets directly intended for environmental protection.

3.16. **Net proceeds from disposal according to core activities (HUF million):**

Description	31/12/2019	31/12/2020
Proceeds from disposal of stocks	95 355	21 573
Of which: Crude oil	65 877	10 779
Gasoline	4 366	2 705
Gas oil	25 112	8 089
Natural gas	0	0
Disposal of booked capacities	242	283
Proceeds from other disposals	0	31
Net sales revenue	95 597	21 887

3.17. The major proportion of the value of services used is constituted by the storage costs of stocks.

Description	31/12/2019	31/12/2020
Storage costs of stocks	27 959	27 120
Of which: Storage costs of oil stocks	13 120	13 536
Storage costs of gas stocks	14 839	13 584
Other services used	217	232
Value of services used	28 176	27 352

3.18. **Personnel expenses**

The average statistical headcount of the Association is 11.33 persons. In the course of 2020, staff was paid HUF 249 Mn in wages and received fringe benefits worth HUF 9 Mn.

In 2020, no employee loans were disbursed by the Association. On December 31, 2020, employee loans totalled HUF 42 Mn.

All employees belong to the white collar category.

Members of the Board of Directors and the Supervisory Board of the Association received remuneration worth HUF 94 Mn. They were disbursed no guarantees, loans or advance payments.

Altogether HUF 61 Mn social contribution tax was accounted for on the total wage bill.

3.19. **Extraordinary revenues, costs and expenditures:**

In 2020, the Association transferred its participations in HEXUM Tartálpark Zrt. and HEXUM Földgáz Zrt. as in-kind contributions to HEXUM Holding Zrt. The difference between the book value and the in-kind contribution value of the participations is indicated as finance income under the heading "Income from participating interests, foreign exchange gains".

The foreign exchange gains from the participations transferred to HEXUM Holding Zrt. as in-kind contributions are as follows:

HEXUM Tartálypark Zrt.	HUF 5 502 Mn
HEXUM Földgáz Zrt.	HUF 5 953 Mn

3.20. The impact of the coronavirus (COVID-19) on the Association's business continuity

The COVID-19 pandemic does not significantly influence the Association's day-to-day activities as the uninterrupted operations of HUSA are ensured in the pandemic situation. Over the past one year, working practices adjusted to the pandemic situation. The employees of the Association suspended personal meetings with their business partners as well as their domestic and international travels. Moreover, the majority of the colleagues shifted to remote work. Employees are permitted to stay in the office only in particularly justified cases, and in a limited number. The information technology system facilitates online meetings instead of personal consultations. The electronic contribution fee declaration system as well as the certified electronic signature greatly contributed to the smooth functioning of day-to-day administration in the pandemic situation.

Nevertheless, the Association's short- and mid-term budgetary and financial stability was considerably affected by the macroeconomic impacts of the global and domestic government measures imposed in response to the pandemic aiming to curb and decelerate the spread of the virus. On the one hand, domestic fuel consumption plummeted, thus posing a risk to the Association's balanced budget resulting from a decline in contribution fee revenues. On the other hand, restrictive measures introduced in order to contain the pandemic triggered a drop in global oil demand sending oil prices to nosedive, hence weakening the coverage of the Association's stock financing loans. In 2020, the Association revamped its finances to be able to respond adequately to both threats. Cost cutting measures were implemented, furthermore, the level of unit contribution fees was raised in the Oil Section. As a result, the Association closed the year with over HUF 12 782 Mn budget reserve, the full amount thereof is to be utilised for the prepayment of loans upon consent of the General Meeting. The Budget for 2021 was approved on condition that the planned net contribution fee revenues provide coverage not only for the Association's stockpiling costs (storage and financing costs) and operating expenses but allow the early repayment of loans of further HUF 7 000 Mn. Therefore, the balanced budget of the Association is ensured and the coverage of its loans remarkably improved.

4. Cash-flow statement

Change in cash and cash equivalents from ordinary activities (HUF million)

	2019	2020
I. Cash flow from operations	-5 222	17 551
1.a Profit before taxation	-6 055	-2 155
Of which: financial subsidies received for operations	0	0
Dividends received	-296	-14 262
Unrealised exchange rate difference	3 989	17 010
1 b. Adjustments to profit before taxation	3 693	2 748
1. Adjusted profit before taxation	-2 362	593
2. Accounted depreciation	6	25
3. Accounted impairment and reversal	13 219	19 007
4. Difference of provisions created and used	0	-11
5. Profit and loss on disposal of non-current assets	0	0
6. Change in trade payable	6 632	-6 820
7. Change in other short-term liabilities	9 770	-38
8. Change in accruals and deferred income	-4	-37
9. Change in trade receivable	178	-31
10. Change in current assets (w/o trade receivable, cash)	-32 655	4 872
11. Change in accrued and differed assets	-6	-9
12. Income taxes paid	0	0
13. Dividends paid, participations	0	0

Change in cash and cash equivalents resulting from investing activities (HUF million)

	2019	2020
II. Cash flow from investing activities	-19 225	-7 340
14. Procurement of non-current assets	-19 521	-11 602
15. Disposal of non-current assets	0	0
16. Repayments, elimination, redemption of long-term debts and bank deposits	0	0
17. Long-term debts and bank deposits	0	0
18. Dividends received, participations	296	4 262

Change in cash and cash equivalents resulting from financing activities (HUF million)

	2019	2020
III. Cash flow from financing activities	38 524	-21 143
19. Proceeds from equity issuance, increase of share capital	0	0
20. Proceeds from issuance of bonds and debt securities	0	0
21. Borrowings	147 194	10 648
22. Cash and cash equivalents received definitely	0	0
23. Repurchase of equity, decrease of share capital	0	0
24. Repayments of bonds and debt securities	0	0
25. Repayments of borrowings	-108 670	-31 791
26. Cash and cash equivalents transferred definitely	0	0

Change in cash and cash equivalents (lines I.+II.+III.)

	2019	2020
IV. Change in cash and cash equivalents	14 077	-10 932
27. Currency translation of foreign exchange denominated cash and cash equivalents	-19	3
V. Change in cash and cash equivalents according to balance sheet	14 058	-10 929

5. Indicators of assets, financial position and revenues

5.1. Assets of the company

5.1.1. Changes in the asset structure

Description	31/12/2019 HUF million	31/12/2020 HUF million	Proportion (%)		Change (%)
			2019	2020	2020/2019
Non-current assets	47 457	59 034	11.86	15.66	24.39
Current assets	352 707	317 931	88.13	84.33	-9.86
Accrued and deferred assets	25	34	0.01	0.01	36.00
Total assets	400 189	376 999	100.00	100.00	-5.79

5.1.2. Changes in the liability structure

Description	31/12/2019 HUF million	31/12/2020 HUF million	Proportion (%)		Change (%)
			2019	2020	2020/2019
Equity (capital reserve)	190 713	188 558	47.66	50.01	-1.13
Provisions	11	0	0.00	0.00	0.00
Liabilities	209 402	188 415	52.33	49.98	-10.02
Accruals and deferred income	63	26	0.01	0.01	-58.73
Total liabilities	400 189	376 999	100.00	100.00	-5.79

5.2. Indicators of assets

5.2.1. Equity ratio

	31/12/2019		31/12/2020
$\frac{\text{Equity}}{\text{Total assets}}$	$\frac{190\,713}{400\,189} = 0.48$		$\frac{188\,558}{376\,999} = 0.50$

5.2.2. Borrowed capital ratio

	31/12/2019		31/12/2020
$\frac{\text{Borrowed capital}}{\text{Total assets}}$	$\frac{209\,476}{400\,189} = 0.52$		$\frac{188\,441}{376\,999} = 0.50$

5.2.3. Leverage ratio

	31/12/2019		31/12/2020
$\frac{\text{Borrowed capital}}{\text{Equity}}$	$\frac{209\,476}{190\,713} = 1.10$		$\frac{188\,441}{188\,558} = 1.00$

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

5.2.4. Coverage of non-current assets

	31/12/2019		31/12/2020	
Equity+Long-term liabilities	329 862	= 6.95	305 034	= 5.17
Non-current assets	47 457		59 034	

5.2.5. Working capital

	31/12/2019		31/12/2020	
Current assets – Current liabilities	282 454	= 1.48	245 992	= 1.30
Equity	190 713		188 558	

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

5.3. Financial liquidity ratios

5.3.1. Liquidity ratio

	31/12/2019		31/12/2020	
Current assets	352 707	= 5.02	317 931	= 4.42
Current liabilities	70 253		71 939	

A ratio higher than 1 indicates good liquidity position.

5.3.2. Long-term indebtedness ratio

	31/12/2019		31/12/2020	
Total debt	190 710	= 0.58	186 581	= 0.61
Long-term liabilities+Equity	329 862		305 034	

5.4. 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 million

Line no.	Description of item	Oil Section 31/12/2020	Gas Section 31/12/2020	Total
1	A. Non-current assets	20 736	38 298	59 034
2	I. INTANGIBLE ASSETS	27	28	55
3	1. Capitalised value of formation/ restructuring expenses			
4	2. Capitalised value of research and development			
5	3. Concessions, licences and similar rights	1	1	2
6	4. Intellectual property products	26	27	53
7	5. Goodwill			
8	6. Advance payments on intangible assets			
9	7. Adjusted value of intangible assets			
10	II. TANGIBLE ASSETS	7	7	14
11	1. Land and buildings and rights to immovables			
12	2. Plant and machinery, vehicles			
13	3. Other fixtures and fittings, tools and equipment, vehicles	7	7	14
14	4. Breeding stock			
15	5. Assets in course of construction			
16	6. Advance payments on tangible assets in course of construction			
17	7. Adjusted value of tangible assets			
18	III. NON-CURRENT FINANCIAL ASSETS	20 702	38 263	58 965
19	1. Long-term participations in affiliated companies	20 675	38 245	58 920
20	2. Long-term loans to affiliated companies			
21	3. Long-term major participating interests	8		8
22	4. Long-term loans to companies linked by virtue of major participating interests			
23	5. Other long-term participations			
24	6. Long-term loans to other companies linked by virtue of participating interests			
25	7. Other long-term loans	19	18	37
26	8. Long-term debt securities			
27	9. Adjusted value of non-current financial assets			
28	10. Valuation margin of non-current financial assets			

ASSETS (CONT.)

BALANCE SHEET "A" Assets

HUF million

Line no.	Description of item	Oil Section 31/12/2020	Gas Section 31/12/2020	Total
29	B. Current assets	205 259	112 672	317 931
30	I. INVENTORIES	193 393	102 769	296 162
31	1. Raw materials and consumables			
32	2. Work in progress and intermediate goods			
33	3. Rearing animals, hogs and other livestock			
34	4. Finished products			
35	5. Goods	193 393	102 769	296 162
36	6. Advance payments on inventories			
37	II. RECEIVABLES	3 238	2 844	6 082
38	1. Trade receivables		31	31
39	2. Receivables from affiliated companies	5	34	39
40	3. Receivables from companies linked by virtue of major participating interests			
41	4. Receivables from other companies linked by virtue of participating interests			
42	5. Bills receivable			
43	6. Other receivables	3 233	2 779	6 012
44	7. Valuation margin of receivables			
45	8. Positive valuation margin of derivative instruments			
46	III. SECURITIES	0	0	0
47	1. Participations in affiliated companies			
48	2. Major participating interests			
49	3. Other participating interests			
50	4. Own shares and own partnership shares			
51	5. Debt securities held for trading			
52	6. Valuation margin of securities			
53	IV. CASH AND CASH EQUIVALENTS	8 628	7 059	15 687
54	1. Cash in hand, checks			
55	2. Cash at bank	8 628	7 059	15 687
56	C. Accrued and deferred assets	17	17	34
57	1. Accrued income	12	13	25
58	2. Accrued expenses	5	4	9
59	3. Deferred expenses			
60	Total assets	226 012	150 987	376 999

BALANCE SHEET "A" Liabilities

HUF million

Line no.	Description of item	Oil Section 31/12/2020	Gas Section 31/12/2020	Total
61	D. Equity	82 793	105 765	188 558
62	I. SHARE CAPITAL			
63	Of which: ownership shares repurchased at nominal value			
64	II. SHARE CAPITAL UNPAID (-)			
65	III. CAPITAL RESERVE	95 357	95 356	190 713
66	IV. RETAINED EARNINGS			
67	V. TIED-UP RESERVE			
68	VI. VALUATION RESERVE			
69	1. Valuation reserve for adjustments			
70	2. Fair value reserve			
71	VII. PROFIT AFTER TAXATION	-12 564	10 409	-2 155
72	E. Provisions	0	0	0
73	1. Provisions for contingent liabilities			
74	2. Provisions for future expenses			
75	3. Other provisions			
76	F. Liabilities	64 506	123 909	188 415
77	I. SUBORDINATED LIABILITIES	0	0	0
78	1. Subordinated liabilities to affiliated companies			
79	2. Subordinated liabilities to companies linked by virtue of major participating interests			
80	3. Subordinated liabilities to other companies linked by virtue of participating interests			
81	4. Subordinated liabilities to other economic entities			
82	II. LONG-TERM LIABILITIES	39 369	77 107	116 476
83	1. Long-term loans			
84	2. Convertible and equity bonds			
85	3. Debenture loans			
86	4. Investment and development credits			
87	5. Other long-term credits	39 369	77 107	116 476
88	6. Long-term liabilities to affiliated companies			
89	7. Long-term liabilities to companies linked by virtue of major participating interests			
90	8. Long-term liabilities to other companies linked by virtue of participating interests			
91	9. Other long-term liabilities			

LIABILITIES (CONT.)

BALANCE SHEET "A" Liabilities

HUF million

Line no.	Description of item	Oil Section 31/12/2020	Gas Section 31/12/2020	Total
92	III. CURRENT LIABILITIES	25 137	46 802	71 939
93	1. Short-term loans			
94	Of which: convertible and equity bonds			
95	2. Short-term credits	23 695	46 410	70 105
96	3. Advances received from customers			
97	4. Trade payable	1	2	3
98	5. Bills payable			
99	6. Short-term liabilities to affiliated companies	1 011		1 011
100	7. Short-term liabilities to companies linked by virtue of major participating interests	423		423
101	8. Short-term liabilities to other companies linked by virtue of participating interests			
102	9. Other short-term liabilities	7	390	397
103	10. Valuation margin of liabilities			
104	11. Negative valuation margin of derivative instruments			
105	G. Accruals and deferred income	1	25	26
106	1. Accrued and deferred income		25	25
107	2. Deferred costs and expenses	1		1
108	3. Deferred income			
109	Total liabilities	147 300	229 699	376 999

PROFIT AND LOSS STATEMENT "A"

(nature of expense method)

HUF million

Line no.	Description of item	Oil Section 31/12/2020	Gas Section 31/12/2020	Total
1	01. Net domestic sales	21 589	298	21 887
2	02. Net external sales			
3	I. Total net sales (01+02)	21 589	298	21 887
4	03. Variation in inventories of finished goods and in work in progress			
5	04. Own work capitalised			
6	II. Work performed by the company for its own purposes and capitalised (±03+04)	0	0	0
7	III. Other income	21 312	17 432	38 744
8	Of which: impairment loss reversed		9	9
9	Contribution fees, Oil Section	21 299		21 299
10	Contribution fees, Gas Section		17 422	17 422
11	05. Raw materials and consumables	3	2	5
12	06. Value of services used	13 652	13 700	27 352
13	07. Cost of other services	5	6	11
14	08. Cost of goods sold	21 602		21 602
15	09. Value of services sold (mediated)	15	15	30
16	IV. Material costs (05+06+07+08+09)	35 277	13 723	49 000
17	10. Wages and salaries	172	172	344
18	11. Other personnel expenses	16	16	32
19	12. Contributions on wages and salaries	31	30	61
20	V. Personnel expenses (10+11+12)	219	218	437
21	VI. Depreciation	10	11	21
22	VII. Other expenditures	18 957	73	19 030
23	Of which: impairment loss	18 936	71	19 007
24	A. PROFIT AND LOSS OF OPERATING ACTIVITIES (I±II+III-IV-V-VI-VII)	-11 562	3 705	-7 857

PROFIT AND LOSS STATEMENT (CONT.)

PROFIT AND LOSS STATEMENT "A"

(nature of expense method)

HUF million

Line no.	Description of item	Oil Section 31/12/2020	Gas Section 31/12/2020	Total
25	13. Dividends and profit-sharing receivable	262	14 000	14 262
26	Of which: from affiliated companies		14 000	14 000
27	14. Income from participating interests, foreign exchange gains	5 502	5 953	11 455
28	Of which: from affiliated companies	5 502	5 953	11 455
29	15. Income from non-current financial investments (equity shares, loans), foreign exchange gains			
30	Of which: from affiliated companies			
31	16. Other interest receivable and similar income	11	11	22
32	Of which: from affiliated companies			
33	17. Other finance income	90	179	269
34	Of which: valuation margin			
35	VII. Total finance income (13+14+15+16+17)	5 865	20 143	26 008
36	18. Expenses and foreign exchange losses on participating interests			
37	Of which: to affiliated companies			
38	19. Expenses on non-current financial assets (equity shares, loans), foreign exchange losses			
39	Of which: to affiliated companies			
40	20. Interests (paid) payable and similar charges	367	719	1 086
41	Of which: to affiliated companies			
42	21. Losses on shares, securities, long-term loans and bank deposits			
43	22. Other finance expenses	6 500	12 720	19 220
44	Of which: valuation margin			
45	IX. Total finance expenses (18+19+20+21+22)	6 867	13 439	20 306
46	B. FINANCE RESULT (VII-IX)	-1 002	6 704	5 702
47	C. PROFIT BEFORE TAXATION (±A±B)	-12 564	10 409	-2 155
48	X. Tax liability			
49	D. PROFIT AFTER TAXATION (±C-X)	-12 564	10 409	-2 155
50	E. Profit after taxation deposited in capital reserve	-12 564	10 409	-2 155

Budapest, May 5, 2021

Dr. Béla Attila Bártfai

CEO

Zsuzsanna Dávid

Deputy CEO