

HUNGARIAN  
HYDROCARBON  
STOCKPILING  
ASSOCIATION



ANNUAL REPORT, 2014

**HUNGARIAN HYDROCARBON STOCKPILING ASSOCIATION**

**BUSINESS REPORT / 2014 ANNUAL REPORT**

## TABLE OF CONTENTS

1.	Introduction	4
1.1.	Activity of the Hungarian Hydrocarbon Stockpiling Association	4
1.2.	Achievement of principal objectives in 2014	5
1.3.	Economic environment	6
2.	Fulfillment of the stockpiling obligation	13
2.1.	Volume of Stocks	13
2.2.	Storage of stocks	16
3.	Fuel marking and monitoring system	18
4.	Fulfillment of the budget	19
4.1.	Profit at the budget level	19
4.2.	Revenues	20
4.3.	Expenditures	21
4.4.	Profit before taxation, capital reserve	23
5.	2014 Balance Sheet, financial position of the Association	27
5.1.	2014 Balance Sheet	27
5.2.	Financial position, liquidity	27
6.	Activity of affiliated companies in 2014	29
6.1.	Affiliated companies	29
6.2.	Activity and financial position of the storage companies in 2014	31
7.	Monitoring activity of the Association in 2014	32
7.1.	Monitoring of contribution fee payments	32
7.2.	Monitoring of storage companies and storage sites	34
8.	Organizational structure of the Association	36
9.	Protection of the environment	36
10.	International relations	36

## 1. Introduction

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

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

The Association operates according to the following guidelines:

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

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

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

Based on the number of members invited to the 2014 ordinary General Meeting, the Association has 72 active members, which is higher than a year before (65 members). The number of active members was the following in the course of the previous years:

*Table 1  
Number of member companies*

	2007	2008	2009	2010	2011	2012	2013	2014
Oil Section	24	25	30	40	29	31	36	37
Gas Section	20	20	20	24	29	34	31	36
<b>Total*</b>	<b>43</b>	<b>44</b>	<b>49</b>	<b>63</b>	<b>57</b>	<b>64</b>	<b>65</b>	<b>72</b>

\* the members of the two Sections are taken into account once in each figure.

The Association

- uses the income from contribution fees for financing storage costs, expenditures related to the qualitative and quantitative maintenance of stocks, the interest on loans financing stocks, the

- interest and principal payments on acquisition loans, and the operating costs of the Association's work organization,
- separates in its budget the cost and revenue structures of the Gas and the Oil Sections,
- stores the stocks in its own facilities and in rented storage areas,
- finances the purchase of products to be stored from bank loans; principal repayments on stock purchase loans are made only when the stocks are sold.

## **1.2. Achievement of principal objectives in 2014**

In 2014, the primary objective of the Association was to increase the volume of emergency stocks for improving the security of energy supply.

Hungary's needs of natural gas and crude oil cannot be ensured from domestic sources, which constitutes an important energy security risk. In the case of both energy sources, Russian imports arriving through Ukraine play a decisive role, so there is strong dependence on Russian gas and oil.

As a result of the geopolitical tensions between Russia and Ukraine, possible disruptions in oil and gas supplies arriving from Ukraine became a real threat in the spring of 2014. In consideration of these events, the minister in charge of energy policy decided to raise the level of strategic gas stocks. Under Decree No. 23/2014 (25/04/2014) of the Ministry of National Development (NFM) (referred to as "the Decree") modifying Decree No. 13/2011 (07/04/2011) of NFM (referred to as "the Modified Decree") concerning the volume, sale and replenishment of strategic gas reserves, the level of strategic gas stocks was raised to 915 Mn m<sup>3</sup> on 1 July 2014, which required the replenishment of nearly 300 Mn m<sup>3</sup> (10.2 Mn GJ) natural gas. The Association performed its replenishment obligations set out for the May-June 2014 period, and the level of strategic gas stocks grew to 920.6 Mn m<sup>3</sup> (31.7 Mn GJ) on 1 July 2014.

For the same considerations, the Board of Directors increased the level of stocks corresponding to at least 90 days' net imports provided by the Oil Stockpiling Act; accordingly, the Association purchased 30.1 kt gasoline and 15.8 kt Diesel fuel.

The stock purchases and replenishments in the Oil and Gas sections were financed from the 5 March 2014 HUSA loan agreements. Additional financing needs were covered from the budget reserve of the Oil Section, so there was no need to raise the level of contribution fees. However, the Association's Budget for 2014 had to be amended; this was approved by the General Meeting in May 2014.

The Association is responsible for the safe storage, quantitative and qualitative maintenance of the stocks of crude oil, petroleum products and natural gas as prescribed by the effective law. In connection with this mission, the Association had to:

- optimise the storage, financing and operating costs and the revenues from contribution fees,
- determine the stockpiling obligations,
- adjust the level of stocks to the prescribed level of stockpiling,
- fulfil the product replenishment obligation due every six years, at the lowest possible cost, and
- regularly control the qualitative parameters of the stocks.

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

In 2014, global conjuncture was mainly influenced by decreasing raw material prices (primarily by the marked fall in oil prices), the monetary policy change of the US Federal Reserve and of the European Central Bank (and, in connection to this, by the loss in value of the Euro and of the currencies of several emerging countries), the geopolitical conflict between Russia and Ukraine, and the political and economic events in Greece.

The performance of the global economy grew by 3.3% in 2014. The differences in economic growth rates between regions remained as before. In the developed regions, euro zone economies showed a slow recovery, while the US economy grew more dynamically, by 2.4%.

The overall performance of EU member states was 1.4% higher than in 2013. Of major national economies, the United Kingdom and Germany had growth rates above the EU average (2.6% and 1.6%, respectively), while growth in France remained below the average. In Southern Europe, Spanish economy started to take off, while recession continued in Cyprus and Italy. The overall GDP of the 18 euro zone countries grew by 0.9% in 2014. Slow recovery in the euro zone mainly manifested in moderate investment activity and small domestic demand. Economic performance was also adversely affected by the geopolitical conflict of Russia and Ukraine, and by the prospects of Greek withdrawal from the euro zone.

Declining raw material prices and, especially, permanently low oil prices and the limited demand environment, were accompanied by moderate global inflation.

The international financial and capital markets were characterised by changeable investment climate and by slowly growing, unsteady risk-taking capacity. Markets lively reacted to the monetary policy changes of the major banks of issue. While the US Federal Reserve continued in 2014 to gradually conclude its asset purchase program, and repeatedly cited the possibility of lifting its reference rate, the European Central Bank introduced a strong monetary easing policy, cutting the base rate to 0.05% in late July, and by launching targeted refinance and asset purchase programs in the last quarter of the year. The low interest and high liquidity context, caused by loose monetary policy conditions, had a positive influence on international financial market developments; at the same time, these were under the adverse effects of the economic policy and geopolitical tensions mentioned above.

The euro/US dollar exchange rate recovered in the January-April period, after which it strongly sank down and reached a four-year low of 1.214 in the end of the year. Of major stock markets, the US and German stock indexes went up and reached a historical high in the end of the year; at the same time, the London Stock Exchange index was 2.7% lower than the closing value in 2013.

---

<sup>1</sup> Sources: Central Statistical Office, Hungarian National Bank, EUROSTAT.

In Hungary, the real economy started to recover in a low inflation environment. In the unstable international financial market conditions, the Hungarian currency showed strong volatility. On domestic financial and capital markets, government bond yields had a downward trend with short interruptions. Short-term yields were under the effect of the base rate cuts of the bank of issue. In the end of 2014, the Budapest Stock Exchange index was 10% lower than the closing value in 2013.

On the whole, the dynamic growth of fuel consumption, resulting from economic growth, rising internal demand and low oil prices, had a positive effect on the Association's economic results. The favourable interest rate context also helped achieve a stronger financial position; at the same time, the heavy fluctuations of the Hungarian currency required increased efforts for managing currency risks. The geopolitical tensions of Russia and Ukraine also had an important effect on the 2014 results of HUSA, requiring an increase in the level of stocks in the two hydrocarbon stockpiling sections.

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

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

The expansion of the Hungarian economy continued in 2014; the gross domestic product was 3.6% higher than in the same period of the previous year. On the production side, economic growth came primarily from the increase of agricultural production and industrial performance, the latter being the result of a higher product range in vehicle production and in the related supplier sectors. On the consumption side, the increased volume of investments in the national economy had a positive impact on GDP figures; in the last quarter of the year, however, there was a significant slowdown due to the decline of national investments. On the other hand, household consumption grew steadily in the course of the year, as a result of rising disposable income and the particularly low inflation environment.

In the last five-year period, the GDP developed as follows:

*Table 2  
GDP Volume Indexes in the period 2010-2014*

*Same period of the previous year = 100.0*

<b>Year</b>	<b>Non-adjusted (raw) data (%)</b>	<b>Data adjusted for calendar effects (%)</b>
<b>2010</b>	101,1	101
<b>2011</b>	101,6	101,6
<b>2012</b>	98,3	98,3
<b>2013</b>	101,1	101,2
<b>2014</b>	103,6	103,6

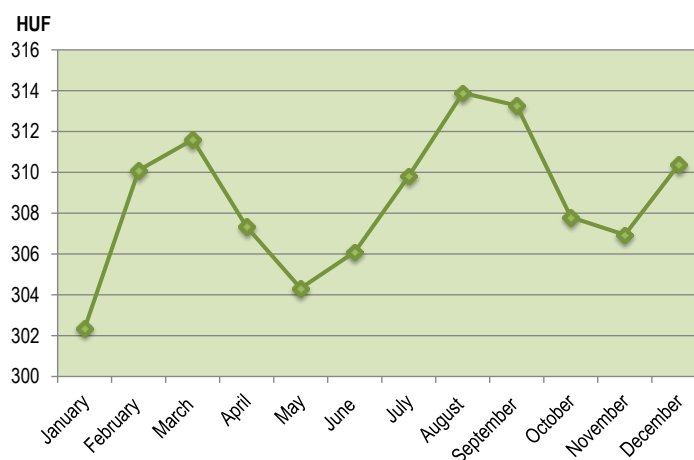
*Source: Central Statistical Office*

### **1.3.2. Forint / Euro exchange rate**

The 2014 fluctuations of the exchange rate of the Hungarian currency were influenced, i.a., by the continuous base rate cuts, the events in Ukraine, and the monetary policy changes of the US Federal

Reserve and the European Central Bank. After mid-January, the price of the euro varied at levels over HUF 300. In September, the EUR/HUF exchange rate reached 316.61, which was the weakest forint rate since more than a year and a half. The annual EUR/HUF average exchange rate in 2014 was 308.66, and the closing rate on 31 December 2014 was 314.89. This was 6.1% higher than the closing rate in 2013 (EUR/HUF 296.91). The average annual rate was slightly higher than the EUR/HUF 305 value forecast for 2014.

*Diagram 1*  
*Monthly Average Forint/Euro Exchange Rates in 2014*



Source: Hungarian National Bank

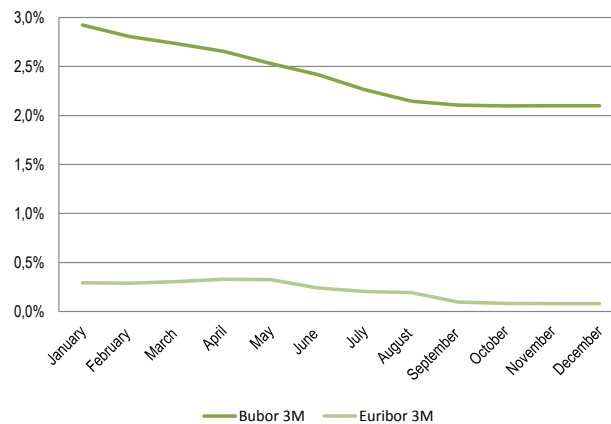
### **1.3.3. Interest Rate Context**

In 2014, euro rates prevailing in the European economic area continued to fall; the annual average three-month EURIBOR rate was 0.209%. This was lower than the 0.25% level expected in the 2014 Budget.

The Monetary Council of the Hungarian National Bank cut again the base rate in 2014, which reached a historical low of 2.10% by the end of July 2014. Subsequently, no further changes in the base rate were made. The repeated interest rate cuts were made possible by the deflationary environment and the international financial and economic context. As a result of the base rate cuts, short-term corporate HUF loan rates also dropped significantly, three-month BUBOR annual average was 2.41%, with an end-of-year value of 2.1%. The average interest rate expected in the 2014 Budget was 2.4%.



*Diagram 2*  
*Indicative Interest Rates in 2014*



*Sources: National Bank of Hungary, European Central Bank*

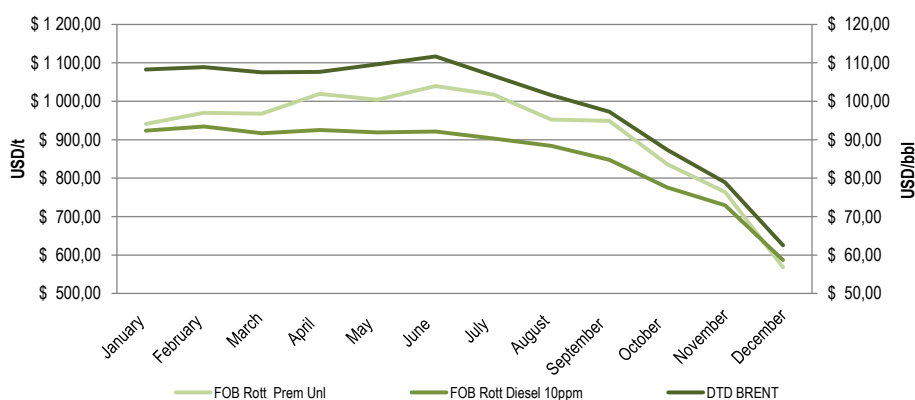
### **1.3.4. Price of Energy Sources and Products**

In the third quarter of 2014, the world market prices of crude oil dropped significantly. The North Sea Brent Crude Oil price went down from the usual 105-110 USD/bbl range to less than 100 USD/bbl in September 2014, and continued to fall until 62 USD/bbl by the end of the year.

The decrease of oil prices was due to several factors. In North America, there is a steady growth in crude oil production and the level of reserves is high. The emerging new technologies resulted in the increase the economically extractable oil reserves. Increase in oil production was also related to political reasons in connection with the Russian-Ukrainian conflict. Moreover, the regions recently becoming politically unstable did not decrease their extraction activity, so the oversupply characterizing markets since the beginning of the crisis remains. On the other side, demand prospects are increasingly negative. Stagnation in Europe, slowdown in China and the economic decline of Russia lead to lower than expected demand, further putting a damper on oil prices. In addition, since the price of oil is denominated in USD, the price decrease is intensified by the appreciation of the American currency.

The price of petroleum products usually follow crude oil price variations. On European markets, Diesel fuel prices varied in the 900-935 USD/ton range in the first three quarters, then started a downward trend parallel to diminishing crude oil prices and stood at 587 USD/ton at the end of the year. Gasoline prices varied in the 940-1040 USD/ton range; it started to fall in the last quarter of the year and came down to a closing value of 568 USD/ton by the year's end.

*Diagram 3*  
*FOB Rotterdam Product Indexes and Brent Dtd Crude Oil Indexes in 2014*



### **1.3.5. Domestic Petroleum Product Consumption**

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

The demand for motor gasoline showed a steadily downward trend from 2010 to 2012. The much expected trend reversal came in 2013 when the decline of consumption stopped and remained at the previous year's level. The year 2014 brought a change on the market of motor gasoline as consumption grew by 3.7% over the previous year.

The gas oil market showed also a decreasing trend after 2010, although the decline was more modest and of a different order than in the case of motor gasoline. The turnaround came in 2013 when consumption started to increase and further increased in 2014 when market growth was 7.2% higher than in 2013.

Kerosene consumption started to grow in 2014; however, due to contribution fee refunds, this did not affect the Association's revenues.

The use of liquid hydrocarbons for energy production continued to decrease last year; the annual consumption of fuel oil remained less than 30 kt.

Table 3  
Consumption of Petroleum Products in 2010-2014

*Unit: tons*

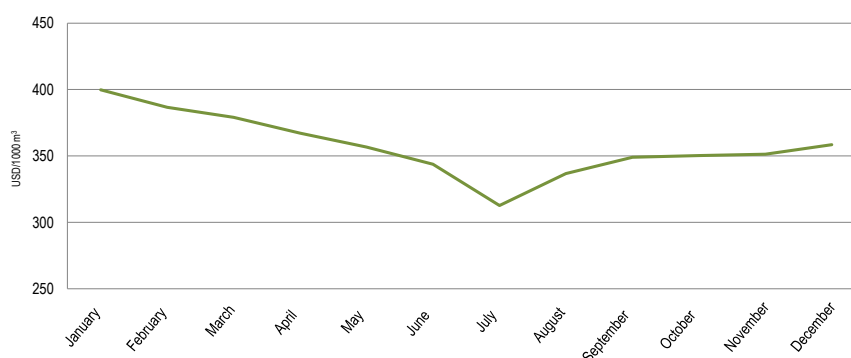
Product group	2010	2011	2012	2013	2014	Change (2014/2013) (%)
Gasoline	1 341 429	1 260 044	1 171 823	1 171 968	1 215 031	3,7%
Diesel fuel	2 983 781	2 888 737	2 660 765	2 777 512	2 977 672	7,2%
<b>Fuels</b>	<b>4 325 210</b>	<b>4 148 781</b>	<b>3 832 588</b>	<b>3 949 480</b>	<b>4 192 703</b>	<b>6,2%</b>
Kerosene	230 554	225 803	169 616	163 954	170 166	3,8%
Fuel oil	42 775	43 999	34 376	33 060	29 878	-9,6%

### 1.3.6. Domestic Natural Gas Prices

The import price of natural gas coming from Russia – which fundamentally determines the domestic wholesale price of natural gas – is based on the weighed average of fuel oil and gas oil stock prices in the nine months preceding a given quarter. Based on the relatively stable world market price of crude oil in the second half of 2013 and in the first quarter of 2014, there was a steady annual wholesale price level on the natural gas market (“oil-based price”). The particularly mild weather in the first two months of 2014 put a damper on gas demand on the Western European spot market and the price of gas fell on the European gas trading exchange (TTF). In July 2014, as a result of the deepening crisis between Russia and Ukraine and the increase of risks related to winter gas supply, TTF prices started to go up and this trend continued until the end of the year.

In 2014, the mixed price (60/40%)<sup>2</sup> of natural gas moved within the range of 310-400 USD/1000 m<sup>3</sup>.

*Diagram 4  
Natural Gas Prices in 2014*



<sup>2</sup> The indexed gas price formula used for long-term gas contracts of Russian oil imports was modified in 2013. Accordingly, 40% of monthly contractual gas volumes is adjusted to the European spot market price, and 60% is based on oil index.

### 1.3.7. Domestic gas consumption

Based on the data of the system operator, domestic annual gas consumption reached the historical low of 8.3 Bn m<sup>3</sup> in 2014. Nearly 40% of the fall in demand was due to the decline of consumption at power stations, explained by the price advantage of imported electricity. When analysing gas consumption for technological purposes, the domestic gas consumption data of the second and third quarter (months with law heating needs) of 2013 and 2014 were compared, without the gas consumption of power stations. These data show that the analysed indicator not only did not grow between 2013 and 2014 but it declined to a small extent (by 1.2%), which means that technological gas demand did not rise in spite of a dynamic increase in industrial production. More than 50% of the annual decline of domestic gas consumption is due to the decrease of natural gas consumption for house heating (not by district heating plants). This was mainly due to the decline in gas consumption caused by lower heating needs in the first three months of 2014 when temperatures were unusually high (1.5-2 °C higher than in Q1 of 2013). Investments in the energy performance of buildings and heating system modernising probably had a smaller effect. In the case of new and renovated buildings with high energy efficiency, having more performing air conditioning systems, air conditioners are increasingly used for heating in addition to cooling (a usual practice in office buildings), considering that AC systems can replace gas heating in the transitory period and, at lower external temperatures, it can serve as a complementary heating source. The widening use of AC systems for heating contributes to increasingly shrinking heating gas consumption.<sup>3</sup>

*Table 4*  
*Annual Gas Consumption Based on the System Operator's Data*

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mn GJ	467,0	442,0	437,0	375,0	401,3	375,2	342,3	309,0	283,0
Bn m <sup>3</sup>	13,7	13,0	12,9	11,0	11,8	11,0	10,1	9,1	8,0

---

<sup>3</sup> Source: Study made by Századvég economic research institute (Századvég Gazdaságkutató Zrt.).

## 2. Fulfillment of the stockpiling obligation

### 2.1. Volume of Stocks

#### 2.1.1. Liquid Hydrocarbons

At the end of 2014, total gross stocks (including immobile stocks) amounted to 1 210.0 kt in the Oil Section, corresponding to 1 200.0 ktoe in crude oil equivalent (referred to as: ktoe), the unit used for calculating stockpiling obligations. Stocks increased by 47.4 kt compared to the opening level in January. Table 5 shows the changes in stocks; the main stock movements were the following:

- 30.1 kt motor gasoline and 15.8 kt Diesel fuel purchased in accordance with the decision of the Board of Directors,
- 9.9 kt Diesel fuel purchased in connection with the deferred fulfilment, from 2013 to 2014, of the sales contracts related to the stock renewal obligations as provided by the Oil Stockpiling Act and the Statutes,
- 8.5 kt heating oil for power generation sold in the framework of the liquidation of heating oil stocks started in 2013 (part deferred to 2014).

*Table 5  
Changes in the stocks in 2014 in the Oil Section (kt)*

Stocks	Opening stocks* 01/01/2014	Change within year relative to transactions carried forward from 2013 + stock sales and purchases in 2014 (balance of purchases-sales)	Change within year relative to transactions carried forward from 2013 + stock replacements in 2014 (balance of purchases-sales)	Closing stocks* 31/12/2014	Accounted change in stocks (loss/surplus)
Crude oil	491,1	0,0	0,1	491,5	0,3
Gasoline	225,5	30,1	-0,2	255,5	0,1
Diesel fuel	437,5	15,8	9,9	463,0	-0,2
Heating oil	8,5	-8,5	0,0	0,0	0,0
<b>Total</b>	<b>1 162,6</b>	<b>37,4</b>	<b>9,8</b>	<b>1 210,0</b>	<b>0,2</b>

\*gross stocks according to inventory

In accordance with the Oil Stockpiling Act and the requirements of the European Union, the stockpiling, petroleum products realized in the previous year. For calculating this, the balance of exports and imports of refinery feedstocks<sup>4</sup> adjusted for change in stocks, is further adjusted for the naphta yield<sup>5</sup>, to

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

which the net imports of petroleum products<sup>6</sup> adjusted for change in stocks, expressed in crude oil equivalent (multiplied by 1.065) have to be added.

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

Table 6 contains the data of the year 2013, used for calculating the net imports that determine the 2014 stockpiling obligation.

*Table 6  
Calculation and Fulfilment of Liquid Hydrocarbon Stockpiling Obligations in 2014*

Refinery feedstocks		kt
a	Imports of refinery feedstocks	5 714
b	Exports of refinery feedstocks	75
c	Change in stocks of refinery feedstock	4
	a-b+c	5 643

Petroleum products		kt
d	Imports of petroleum products	1 453
e	Exports of petroleum products	2 641
f	Change in stocks of petroleum products	12
	d-e+f	-1 176

Calculation of industrial gasoline yield		kt
h1	Industrial gasoline production	842
h2	Return stream to refineries from industrial production	274
h3	Refinery feedstocks used	7 955
h	Industrial gasoline yield (%) (h1-h2)/h3*100	7,14
g	1-h/100	0,929

Net imports		ktoe
	(a-b+c)*g + (d-e+f)*1,065	3 990
A	Average daily net imports	10,9
	90 days' net imports: A *90	984

---

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

In 2013, net imports amounted to 3 990 kt in crude oil equivalent; accordingly, the 90 days' stockpiling obligation was 984 ktoe for the period specified by law (1 April 2014 – 31 March 2015). On 1 April 2014, the level of stocks was equivalent to 104 days' average net imports.

In the beginning of the year, the Association examined an alternative use of stock surpluses existing in addition to 90 days' stocks, as authorized by the Board of Directors, and signed a "ticket" contract<sup>7</sup> for the second quarter of 2014 with IES of Italy for 110 kt crude oil. This quantity was reduced to 30 kt in the third and fourth quarters in consideration of the escalating tensions between Russia and Ukraine in the spring of 2014.

According to the April 2014 decision of the Board of Directors, the Association purchased 30.1 kt motor gasoline and 15.8 kt gas oil in the second half of the year, as a result of which the level of closing stocks grew to 110 days' net imports by 31 December 2014.

*Table 7*  
*Closing Stocks and Days of Stocks on 31 December 2014*

	Net volume (without immobile stocks)	
	<i>kt</i>	<i>ktoe</i>
Crude oil	490,9	424,0
Petroleum products	718,3	775,0
<b>Total</b>	<b>1 209,2</b>	<b>1 200,0</b>
<b>Number of stock days</b>	<b>110</b>	

### **2.1.2. Natural gas**

On 1 January 2014, the Association's opening stock of natural gas was 23.5 Mn GJ (682.8 Mn m<sup>3</sup>). In accordance with the Decree modified in 2013, the Association signed a contract with MVM Partner Zrt, the designated natural gas dealer, for the sale of 6.8 Mn GJ natural gas (200 Mn m<sup>3</sup>), of which 4.7 Mn GJ (139 Mn m<sup>3</sup>) natural gas was sold and actually transferred in 2013. The sale of the remaining 2,1 millió GJ (61 Mn m<sup>3</sup>) was fulfilled in 2014.

In accordance with the Modified Decree published in April 2014, HUSA signed a contract for the replenishment of 10.3 Mn GJ (300 Mn m<sup>3</sup>) natural gas with MVM Partner Zrt and Magyar Földgázkereskedő Zrt, the designated natural gas dealers. With the replenishment performed in May-

---

<sup>7</sup> The Oil Stockpiling Act allows other EU member states to stock emergency reserves in Hungary with ministerial approval. Within this framework, the Association signed a Stock Ticket Contract with Italy, giving an option to dispose of specified quantities of stock in the event of an oil supply emergency. In case of emergency, physical access is given to the contracting party under the conditions stipulated in the contract.

June 2014, HUSA ensured the statutory level of stocks, which reached 31.7 Mn GJ (920.6 Mn m<sup>3</sup>) on July 2014.

*Table 8*  
*Changes in the Stocks of the Gas Section in 2014*

Stocks	Opening stocks 01/01/2014		Change over the year (balance of purchases- sales)		Closing stocks 31/12/2014	
	Mn m <sup>3</sup>	Mn GJ	Mn m <sup>3</sup>	Mn GJ	Mn m <sup>3</sup>	Mn GJ
Natural gas	682,8	23,5	237,8	8,2	920,6	31,7

## 2.2. Storage of stocks

On 31 December 2014, the Association held stocks 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
OPAL Tartálypark Zrt	Százhalombatta			260,3
	Tiszaújváros			131,0
	Cellödömök	30,0	66,0	
	Vámosgyörk	29,3	66,0	
	Pétfürdő	44,4	66,0	
	Szajol	14,3	2,7	
	Komárom			14,0
<b>OPAL Tartálypark Zrt in total</b>		<b>118,0</b>	<b>214,7</b>	<b>391,3</b>
MOL Nyrt	Százhalombatta			46,5
	Tiszaújváros			53,5
<b>MOL Nyrt in total</b>		<b>0,0</b>	<b>0,0</b>	<b>100,0</b>
Terméktároló Zrt.	Tiszaújváros	88,5	109,3	
	Komárom	17,0	28,3	
	Százhalombatta			
	Szajol	32,0	100,9	
<b>Terméktároló Zrt in total</b>		<b>137,5</b>	<b>238,5</b>	<b>0,0</b>
<b>MÁD-OIL Kft in total</b>		<b>0,0</b>	<b>8,0</b>	<b>0,0</b>
<b>Altogether</b>		<b>255,5</b>	<b>461,2</b>	<b>491,3</b>



Table 10  
 Inventoried volume of natural gas stocks at the storage plants

Storage company	Storage plant	Volume	
		Mn m <sup>3</sup>	Mn GJ
MMBF Zrt.	Szőreg I.	920,6	31,7

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

### 3. Fuel marking and monitoring system

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

The National Ministry of Development (referred to as: NFM) prepared a draft regulation (referred to as: Draft Regulation) concerning „The detailed rules for the operation of the petroleum products monitoring and marking system, and the characteristics of the marking substance”. After inter-ministerial consultation, the Notification Centre of the National Ministry of Economy sent the Draft Regulation to Brussels on 28 August 2013. Due to the delay in the notification procedure, the Draft Regulation was not adopted in 2014, so the legislating authority deferred the deadline for introducing the system to 1 July 2015. Consequently, the revenues and expenditures of the Oil Section had to be modified in the 2014 Budget.

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

On the basis of the mandate, HUSA started preparatory consultations with the successful tenderer and the contracts were elaborated by the end of 2013, and ready to be signed after the publication of the Regulation. According to estimates, the development of the system will require at least six months; this has to be taken into account when setting and modifying the time limit contained in the Oil Stockpiling Act.

#### 4. Fulfilment of the budget

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

##### 4.1. Profit at the budget level

Table 11  
Budget Result (HUF Mn)

	OIL SECTION			GAS SECTION			TOTAL		
	Plan	Actual	Act./Plan	Plan	Actual	Act./Plan	Plan	Actual	Act./Plan
<b>2013 BUDGET RESERVE</b>	<b>276</b>	<b>276</b>	<b>-</b>	<b>5 000</b>	<b>5 000</b>	<b>-</b>	<b>5 276</b>	<b>5 276</b>	<b>-</b>
Contribution fee paid	15 827	17 485	110%	18 719	16 912	90%	34 546	34 397	100%
Contribution fee recovery	-621	-668	108%	-6 582	-5 974	91%	-7 203	-6 642	92%
<b>NET CONTRIBUTION FEE REVENUE</b>	<b>15 206</b>	<b>16 817</b>	<b>111%</b>	<b>12 137</b>	<b>10 938</b>	<b>90%</b>	<b>27 343</b>	<b>27 755</b>	<b>102%</b>
Dividend received + capital reduction	3 544	750	21%	0	0	-	3 544	750	21%
Booked capacities / ticket sales	0	141	-	228	224	98%	228	365	160%
Interest received	100	142	142%	150	93	62%	250	235	94%
<b>OTHER REVENUE</b>	<b>3 644</b>	<b>1 033</b>	<b>28%</b>	<b>378</b>	<b>317</b>	<b>84%</b>	<b>4 022</b>	<b>1 350</b>	<b>34%</b>
<b>TOTAL REVENUE</b>	<b>18 850</b>	<b>17 850</b>	<b>95%</b>	<b>12 515</b>	<b>11 255</b>	<b>90%</b>	<b>31 365</b>	<b>29 105</b>	<b>93%</b>
Storage and maintenance fees	-10 446	-10 386	99%	-15 282	-15 264	100%	-25 728	-25 650	100%
Interest due, other costs	-759	-701	92%	-1 738	-1 488	86%	-2 497	-2 189	88%
Repayment of acquisition loans	-395	-399	101%	0	0	-	-395	-399	101%
<b>STORAGE COSTS</b>	<b>-11 600</b>	<b>-11 486</b>	<b>99%</b>	<b>-17 020</b>	<b>-16 752</b>	<b>98%</b>	<b>-28 620</b>	<b>-28 238</b>	<b>99%</b>
<b>FUEL MARKING AND MONITORING COSTS</b>	<b>-3 300</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-3 300</b>	<b>0</b>	<b>0%</b>
<b>OPERATING COSTS OF HUSA</b>	<b>-340</b>	<b>-277</b>	<b>81%</b>	<b>-340</b>	<b>-277</b>	<b>81%</b>	<b>-680</b>	<b>-554</b>	<b>81%</b>
<b>TOTAL EXPENDITURES</b>	<b>-15 240</b>	<b>-11 763</b>	<b>77%</b>	<b>-17 360</b>	<b>-17 029</b>	<b>98%</b>	<b>-32 600</b>	<b>-28 792</b>	<b>88%</b>
<b>BUDGET RESULT</b>	<b>3 885</b>	<b>6 363</b>	<b>164%</b>	<b>155</b>	<b>-774</b>	<b>-499%</b>	<b>4 040</b>	<b>5 589</b>	<b>138%</b>

The 2014 financial plan of the Association included HUF 4 040 Mn profit at the budget level ("budget result"). The actual profit at the budget level was HUF 5 589 Mn, which is HUF 1 549 Mn higher than planned due to the HUF 6 363 Mn profit in the Oil Section. On the other hand, the Gas Section closed with HUF 774 Mn deficit; the HUF 5 000 Mn benefiting the Gas Section, transferred from the 2013 profit of the Oil Section was not sufficient for covering the loss in revenues caused by contribution fee recoveries for household consumption. The deficit can be financed by regrouping funds from the budget surplus of the Oil Section achieved in 2014.

## 4.2. Revenues

In 2014, total revenues at the budget level amounted to HUF 29 105 Mn, which was 7% lower than planned; the actual sum of contribution fee revenues in the Gas Section and dividend revenues in the Oil Section was lower than the value expected in the budget plan. Of total revenues, the share of the Oil Section was HUF 17 850 Mn and the share of the Gas Section was HUF 11 255 Mn, as detailed below.

### 4.2.1. Contribution fee revenues

The General Meeting and the Board of Directors of the Association approved the following contribution fees for 2014:

Table 12  
Contribution Fees in 2014

Product	Unit	01/01/2014- 31/12/2014	Customs tariff number 01/01/2014 - 01/07/2014	Combined nomenclature 01/07/2014 - 31/12/2014
Gasoline type fuel	Ft/ 1000 litres <sub>15</sub>	3300	2710 1131, 1141, 1145, 1149, 1151, 1159, 1170	2710 1231 , 1241, 1245, 1249, 1251, 1259, 1270
Kerosene	Ft/ 1000 litres <sub>15</sub>	3 052	27101921	2710 19 21
Gas oil	Ft/ 1000 litres <sub>15</sub>	3 205	2710 1941, 1945, 1949	2710 1943, 1946, 1947, 1948, 2011, 2015, 2017, 2019
Fuel oil	Ft/ ton	3 075	2710 1961, 1963, 1965, 1969	2710 19 62, 1964, 1968, 2031, 2035, 2039
Natural gas	HUF / GJ	60,5	2711	2711

In the Oil Section, net contribution fee revenues were 11% (HUF 1 611 Mn) more than planned due to higher than expected fuel consumption.

In the Gas Section, net contribution fee revenues were 10% lower than planned, as gas consumption was less than expected. Due to the considerable loss in revenues of HUF 1 199 Mn, the Gas Section closed with a budget deficit.

Total revenues of the two Sections amounted to HUF 27 755 Mn, which was 2% higher than planned (HUF 27 343 Mn).

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

In 2014, the dividend revenue of the Oil Section was much lower than planned as the HUF 3 300 Mn dividend expected from OPAL Zrt was not received. This amount was meant to finance the costs of the fuel marking and monitoring system, the introduction of which was scheduled for 2014. Considering the postponement, the Association did not withdraw the dividend amount. In the case of Terméktároló Zrt, HUSA received HUF 259 Mn dividend, which was HUF 15 Mn higher than planned; in addition, the capital decrease of Terméktároló Zrt resulted in HUF 411 Mn unexpected revenue for HUSA. Another unexpected dividend revenue came from Petrotár Kft, in the amount of HUF 80 Mn.

In the Gas Section, no dividend revenue was created in accordance with plans.

Other revenues included the HUF 141 Mn revenues from the “ticket” sales of a part of surplus stocks existing in the Oil Section in addition to the obligatory level and, in the Gas Section, the HUF 224 Mn revenues from the secondary sales of interruptable withdrawal and injection capacities booked in gas storage facilities.

From the lockup of temporary liquidity surplus, revenues were HUF 15 Mn lower than expected (HUF 235 Mn); this was due to the use of a considerable part of the liquidity surplus for the temporary financing of the value-added tax on purchased gas stocks.

### **4.3. Expenditures**

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

In the Oil Section, annual storage costs in 2014 were 1% lower than planned, as a result of lower than expected costs for quality inspections related to stock maintenance. Total costs of the storage and maintenance of crude oil and petroleum products amounted to HUF 10 386 Mn.

In the Gas Section, storage costs were close to the planned level. In terms of the custody agreement modification of the end of 2013, fees were paid on a HUF basis, so the exchange rate exposure of the expenditure side was greatly reduced, and the amount of storage costs could be securely foreseen at the time of preparing the budget. The HUF 18 Mn difference was due to the fact that the actual values of the consumer and industrial prices indexes used for indexing (which appeared after the budget preparation period) slightly differed from the previously supplied values used for planning.

Total storage costs of the two Sections amounted to HUF 25 650 Mn, which was HUF 78 Mn lower than planned.

#### **4.3.2. Financing costs**

The interest costs of loans financing stocks constituted the major part of financing costs. In 2014, when refinancing stock financing loans, the Association negotiated with the financing banks a lower interest rate level than the average interest previously taken into account, taking advantage of the market situation. Consequently, interest costs (HUF 2 189 Mn) were lower than expected in the Business Plan (HUF 2 497 Mn) due to better interest conditions and the low base rate, and HUF 308 Mn savings were made in this budget line.

Acquisition loan agreements expired with the last two repayments made in the first quarter of 2014 (HUF 399 Mn); due to exchange rate effects, this amount was higher than planned (HUF 395 Mn).

#### **4.3.3. Investment costs of the fuel marking and monitoring system**

In the modified budget of 2014, HUF 3 300 Mn was planned for covering costs related to the development of the fuel marking system. However, since the NFM Regulation specifying detailed rules of introduction was not published, which would have been the precondition of signing a contract with the successful tenderer, the development of the system could not be started and the earmarked amount was not used.

#### **4.3.4. Operating costs**

Operating expenses were much lower than planned and only 81% of the available funds were used. In 2014, total actual operating costs amounted to HUF 554 Mn, which was HUF 126 Mn lower than planned (HUF 680 Mn).

This was primarily due to significant savings on personnel expenses; in 2014, personnel expenses were 19% lower than planned and also remained 10% lower than in 2013. These savings were achieved through the introduction of part-time employment, the reorganization of tasks and by not filling a managerial post (stockpiling and commercial director).

The "Costs of services" were also 19% lower than planned. This included the fees of legal and consultancy services used for the activity of HUSA, rental fees and repair and maintenance costs.

"Other expenditures" were higher than planned, due to writing-off a debt of a member of the Association, in line with accounting rules (HUF 2.9 Mn).

The HUF 1 Mn increase in "Other costs" came from increased banking costs due to financial transaction fees.

The costs of significant IT investments undertaken in 2014 remained within the planned limits (HUF 40 Mn); this included also a non-planned revenue from car sale. In this way, only 67% of the expected investment expenditures was used.

*Table 13*  
*Main Cost Elements (HUF Mn)*

	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>Plan</b>	<b>Actual</b>	<b>Actual/Plan</b>
Material and material-type costs	12	5	42%
Personnel expenses	475	386	81%
Value of services	105	85	81%
Other costs	8	9	113%
Other expenditures	40	42	105%
Costs of tangible assets acquired	40	27	68%
Other income	-	-	-
<b>Total</b>	<b>680</b>	<b>554</b>	<b>81%</b>

#### **4.4. Profit before taxation, capital reserve**

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

In 2014, the mentioned correction items produced a profit of HUF 3 951 Mn. As a result, the 2014 retained earnings amounted to HUF 9 540 Mn, increasing the capital reserve.

The following table presents the correction items in detail:

Table 14  
Profit Before Taxation / Capital Reserve in 2014 (HUF Mn)

<b>Profit at the budget level (budget result)</b>	<b>5 589</b>
Profit from stock sales and stock replacement	15 120
<i>of which: Crude oil</i>	
<i>revenues</i>	46 790
<i>costs</i>	34 286
<i>profit/loss</i>	12 504
<i>Sale of gas</i>	
<i>revenues</i>	12 791
<i>costs</i>	10 848
<i>profit/loss</i>	1 943
<i>Sale of gasoline</i>	
<i>revenues</i>	3 154
<i>costs</i>	2 679
<i>profit/loss</i>	475
<i>Sale of heating oil for power generation</i>	
<i>revenues</i>	784
<i>costs</i>	586
<i>profit/loss</i>	198
<i>Sale of natural gas</i>	
<i>revenues</i>	3 948
<i>costs</i>	3 948
<i>profit/loss</i>	0
2013 Budget reserve	-5 276
Exchange rate variation of for.ex. loans, for.ex. holdings	-5 831
Capital reduction	-411
Exchange loss on financial investments	-10
Repayment of acquisition loans	399
Purchase and sale of tangible assets	25
Normative losses	-37
Depreciation	-28
<b>Total correction items</b>	<b>3 951</b>
<b>Retained earnings / Capital Reserve</b>	<b>9 540</b>

#### 4.4.1. Stock sale, purchase and replacements

In 2014, total retained earnings from stock replacements of crude oil and petroleum products (sale and purchase) and from the sale of surplus stocks of heating oil for power generation and gas, existing in addition to the compulsory level, amounted to HUF 15 120 Mn.



In 2014, the Association made considerable stock replacements; in total, 15 kt motor gasoline, 61 kt Diesel fuel and 198 kt crude oil were renewed. Moreover, of surplus stocks existing in addition to stockpiling obligations, 8.5 kt heating oil for power generation was sold (remaining from 2013), and 61 m<sup>3</sup> Mn gas stocks were sold as required by the law.

Purchases included 285 Mn m<sup>3</sup> natural gas in compliance with the Modified Decree, as well as 15.8 kt Diesel fuel and 30.1 kt motor gasoline in accordance with the decision of the Board of Directors. Retained earnings were exceptionally high because of the considerable stock replacements and sales; this is because, when accounting stock replacements and sales, the proceeds from the sales of stocks are entered as revenues, while the value of stocks sold, registered at the clearing price, appears on the cost side. The difference of the two is a profit from an accounting point of view, so it increases the retained earnings.

#### **4.4.2. Budget reserve in 2013**

The HUF 5 276 Mn budget reserve carried forward from 2013 was taken into account as income in the 2014 Budget. However, this is not an income from an accounting point of view; it diminishes Retained earnings.

#### **4.4.3. Exchange gain (loss) on foreign exchange loans**

In 2014, the exchange rate differences accounted in the course of the year (refinancing), and booked upon the revaluation of loans at the exchange rate of the end-of-year accounting date, resulted in an overall exchange loss of HUF 5 831 Mn.

#### **4.4.4. Capital reduction**

On 5 May 2014, the capital stock of Terméktároló Zrt was reduced, and HUF 411 Mn corresponding to the share of HUSA was repaid. This item increases the Budget Result; however, due to the rules of accounting, this cannot be considered as an income in the Profit and Loss Statement.

#### **4.4.5. Exchange loss on financial assets (investments)**

In the period 2010-2014, MMBF Zrt had euro-based accounting. After 1 January 2015, the company returned to forint accounting, so the share of HUSA previously expressed in euro was converted at the 31 December 2014 exchange rate. Consequently, HUF 10 Mn exchange loss was accounted, reducing Retained earnings.

#### **4.4.6. Repayment of loans**

In 2014, HUF 399 Mn principal repayment was made in connection with the loan taken in 2006 for the acquisition of IPR Vámosgyörk Zrt. and PTT Kft .

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

#### 4.4.7. Purchase of tangible assets

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

#### 4.4.8. Accounting of normative losses

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

Table 15  
Loss Norms

Product category		Storage in above-ground tanks				Manipulation <sup>2</sup>
		Fixed-roof		Floating-roof		
		winter	summer	winter	summer	
1. Gasoline	MF Decree (%/month) <sup>1</sup>	0,10	0,20	0,05	0,10	3,00
	HUSA(%/year)	0,215				0,30
2. Gas oil, kerosene	MF Decree (%/month) <sup>1</sup>	0,03	0,08	1,000	0,04	2,00
	HUSA(%/év)	0,15				0,30
3. Fuel oil	MF Decree (%/month) <sup>1</sup>	0,03	0,08	1,000	0,04	2,00
	HUSA(%/year)	0,15				0,30

**Notes:**

<sup>1</sup> Decree No 43 (30/12/1997) of the Ministry of Finance concerning the loss norms of excise products

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

The losses occurring in connection with the storage and the movement of crude oil and petroleum products decrease the assets of the Association. Calculated on the basis of end-of-year stock inventories, at the accounting prices applied in 2014, the actual loss in 2014 was HUF 37 Mn, which decreased the accounting earnings.

#### 4.4.9. Depreciation

From an accounting point of view, depreciation is cost. However, as no cash expenditure is involved, it is not recorded within the budget structure. For 2014, HUF 28 Mn depreciation was accounted.

## 5. 2014 Balance Sheet, financial position of the Association

### 5.1. 2014 Balance Sheet

The end-of-year balance of assets and sources was HUF 319 622 Mn. The Assets Employed amounted to HUF 27 454 Mn, mainly composed of the net value of participations in various companies.

The value of current assets was HUF 288 332 Mn, of which the book value of stocks was HUF 271 692 Mn. Receivables amounted to HUF 10 606 Mn and liquid assets represented HUF 6 034 Mn.

Among sources, the value of the Association's own sources was HUF 200 437 Mn, which comprises the profits made in previous years and the accounting earnings of 2014.

Liabilities totaled HUF 119 120 Mn. Of these, short-term liabilities amounted to HUF 40 555 Mn, mainly composed of short-term loans (HUF 38 102 Mn) and the part of long-term loans falling due within one year. Accounts payable to suppliers amounted to HUF 1 266 Mn, and liabilities toward affiliated companies were HUF 1 035 Mn, all of which were supply obligations.

The value of accrued and deferred liabilities was HUF 64 Mn, most of which came from capacity reservation fee income due in 2015.

The 2014 Balance Sheet and Profit and Loss Statement of the Association are contained in the Report.

### 5.2. Financial position, liquidity

The Balance Sheet data and the related Supplementary Notes indicate that the financial position of the Association is stable as a whole, and also on the various maturity horizons. The temporary placement of the income from the sale of stocks in bank deposits and more rigorous foreign exchange management ensured stable liquidity position for HUSA.

On 31 December, the book value (registration value) of stocks was HUF 271 692 Mn. The principal value of loans financing stocks amounted to EUR 370 Mn (HUF 116 667 Mn)<sup>8</sup>. The market value of stocks was HUF 270 822 Mn on 31 December.

---

<sup>8</sup> Calculated as the exchange rate of 31 December 2014 of the Hungarian National Bank.

Table 16  
Loan Portfolio of the Association on 31 December 2014

Foreign exchange loans	Interest rate	Average margin	Credit line	Amount drawn
Loans financing stocks	EURIBOR	1,89	381,5	370,5
<b>Total EUR (Mn)</b>			<b>381,5</b>	<b>370,5</b>
<i>Total HUF (Mn)</i>			<i>120 130,0</i>	<i>116 666,7</i>

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

Table 17  
Main Indicators of the Association's financial position

	2011	2012	2013	2014	Change 2014/2013
<b>Equity ratio</b>					
<u>Equity</u> %	42	58	69	63	91
Total sources					
<b>Liquidity ratio</b>					
<u>Liquid assets+Receivables</u> %	61	35	43	41	95
Short-term liabilities					
<b>Indebtedness ratio</b>					
<u>Liabilities+Accrued expenses</u>	1,36	0,74	0,45	0,59	1,33
Equity capital					

## 6. Activity of affiliated companies in 2014

### 6.1. Affiliated companies

The Association has the following participations in affiliated companies.

Table 18  
Affiliated Companies (31 December 2014)

Company name	HUSA ownership stake (%)	Participation (HUF Mn)
OPAL Tartálypark Zrt.	100,0	13 552
ÁMEI Zrt.	63,6	140
MMBF Földgáztároló Zrt.	27,0	12 751
Terméktároló Zrt.	25,9	8
Petrotár Kft.	20,0	40
Total		<b>26 491</b>

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

#### 6.1.1. Storage companies

##### **OPAL Tartálypark Zrt**

The registered capital of OPAL Tartálypark Zrt is HUF 4 Bn. The Association owns 100 % of the company. In the present form, the company has operated since 1 December 2007 (date of the fusion of Kőolaj Tároló Zrt, IPR Vámosgyörk Zrt and Péti Terminál Tároló Kft). The total storage capacity of the company includes 480 thousand m<sup>3</sup> crude oil and 380 thousand m<sup>3</sup> fuel storage space at five locations (this includes two storage tanks of 20 000 m<sup>3</sup> recently constructed and placed into service in Pétfürdő).

##### **MMBF Biztonsági Földgáztároló Zrt**

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

The sale of the majority stake (62%) to MOL in 2007 was followed by two capital increases.

On the basis of the Share Purchase Agreement made between MOL Nyrt as seller and between MFB Zrt and HUSA as buyers, the majority owner of the company (51%) became MFB Zrt on December 30<sup>th</sup> 2013, and the stake of HUSA increased from 27.54% to 49%.

Since 15 December 2009, the storage facility has the capacity to store 1 200 Mn m<sup>3</sup> emergency gas stocks in accordance with the custody agreement. Under the Modified Decree, the statutory level of stocks will be 920.6 Mn m<sup>3</sup> after 1 July 2014.

### ***Terméktároló Zrt***

Terméktároló Zrt was established by MOL Nyrt and HUSA. Its capital stock of HUF 1 620 Mn was reduced by shareholders to HUF 32.4 Mn in 2014. The reasons of the capital reduction were that the company is unable to make high-yield investments and, moreover, it is stable and financially viable on the long term, so there is no need for a high capital stock. The share of HUSA remains 25.9%, which currently corresponds to HUF 8.4 Mn.

After the foundation, 330 thousand m<sup>3</sup> storage capacity was created in Tiszaújváros and Szajol. In 2014, the Association used the minimum capacity level of 470 thousand m<sup>3</sup> included in the custody agreement, taking also account of the capacities rented from MOL Nyrt.

### ***Petrotár Kft***

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

Today, Petrotár Kft has 43 thousand m<sup>3</sup> storage capacities and pursues some commercial storage activity. In 2008, a capital increase of HUF 100 Mn was made without the participation of the Association; consequently, the share of HUSA dropped to 20%.

On December 30<sup>th</sup> 2011, Petrotár Kft and OPAL Zrt entered into a capacity reservation and operational agreement (terminating the service and operational agreement formerly existing between them) for the fulfillment of the product entry and withdrawal tasks required at the Pétfürdő site of OPAL Zrt, and for booking the company's filling capacities of road transport for 1 year, and the company's withdrawal capacities of rail transport for 10 years, starting on 1 January 2012.

### ***6.1.2. ÁMEI Zrt***

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

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

## **6.2. Activity and financial position of the storage companies in 2014**

The data and information available on the 2014 performance of the storage companies shows that contractual obligations were duly fulfilled. Loan repayments are regular and the financial position of the companies is sound.

Last year, HUSA received HUF 259 Mn dividend from Terméktároló Zrt and HUF 80 Mn dividend from Petrotár Kft for the 2013 business year, in accordance with the Association's ownership ratio. The 2014 economic activity of the companies was as planned. The Supplementary Notes describe the profit figures and the changes in equity of the storage companies.

## 7. Monitoring activity of the Association in 2014

The monitoring activity of the Association covers two main areas:

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

### 7.1. Monitoring of contribution fee payments

#### 7.1.1. Oil Section

In 2014, the quantity of petroleum products for energy production imported for placement into free circulation, involving contribution payment obligation, was 4 391.8 kt according to HUSA records, and 4 412.6 according to the National Tax and Customs Administration (NAV). The difference between the two data (0.47%) is due to the different methodologies used for converting liters to metric tons, and for rounding conversion figures, as well as to the presence of non-certified and destroyed petroleum products in the data supplied.

In 2014, the members of the Oil Section paid HUF 16 817 Mn (net) contribution fees to HUSA on 4 391.8 kt petroleum products, which exceeds the income expected for 2014 (HUF 15 206 Mn) by 11% and is also HUF 1 611 Mn higher than the amount realized in the previous year.

Members recovered HUF 668 Mn contribution fees on 173.2 kt petroleum products. Most of the claims concerned petroleum products for the operation of aircrafts engaged in international aviation, while a smaller part was related to aviation gasoline for the Hungarian Defense Force and to non energy-related use.

In 2014, one member company was given a demand note, and four member companies received written request for the payment of late interest, altogether amounting to HUF 13 thousand. HUSA has no overdue claims toward member companies exceeding 90 days.

#### 7.1.2. Gas section

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



The records of the Association show that the quantity of natural gas falling under the Gas Stockpiling Act (Fbkt.) and requiring contribution payment was 279 Mn GJ (8.2 Bn m<sup>3</sup>) in 2014; according to the figures of the system operator figures, the natural gas consumption of the country was 283 Mn GJ (8.3 Bn m<sup>3</sup>). The 0.49% discrepancy is due to a difference in the reference periods of the two databases; while the database of the system operator is based on the date of physical offtake of gas in the end-of-month records, the records of HUSA refer to the due date of invoices made on the volumes of gas sold to consumers/users.

The members of the Gas Section reported the sale of 279 Mn GJ (8.2 Bn m<sup>3</sup>) natural gas, according to of which HUF 16 912 Mn contribution fees were paid to the Association. However, member companies recovered the contribution fees paid on the 98.7 Mn GJ (2.9 Bn m<sup>3</sup>) heat capacity sold to household consumers, so gross revenues decreased by HUF 5 974 Mn, to HUF 10 938 Mn. This net amount is HUF 1 199 Mn (10%) lower than planned (HUF 12 136 Mn), also due to the decline in consumption.

In 2014, 7 member companies were given a demand note and, in the case of 4 member companies, a decision of the executive director was issued concerning non-fulfilled liabilities. Members of the Gas Section had HUF 18 Mn overdue liabilities on 31 December 2014, of which HUF 877 thousand more than 30 days overdue. Most companies with payment delay belong to the same company group. The unpaid contribution fees and late interest were collected after the issue of official decisions on the part of the Association, through order filed by the statutory collection authority against the bank account of non-paying members.

### ***7.1.3. Improved procedures for monitoring contribution fee payment***

In accordance with Annex 4 of the Cooperation Agreement between HUSA and the National Tax and Customs Administration (NAV) on 9 November 2011, the development of the Membership Records Information System (referred to as "MRIS"), established as a result of the joint efforts of the two organizations, continued.

In order to completely eliminate paper-based reporting and fully implement the electronic endorsement system, HUSA and the NAV development team created in 2014 the qualified electronic signature option, the electronic time stamp service serving to confirm authenticity, and the necessary on-line connection with the authentication service provider. With the active participation of member companies, the testing of functions required for electronic signature was performed in the MRIS system in 2014, and the system was also introduced in January 2015. At the same time, the materials required for electronic signature (chip cards, certificates, etc.) were acquired by the members with the support of HUSA.

Since January 2015, this is a functioning system, which serves to identify the exact date of filing electronic reports, to credibly identify the persons filing the reports, as well as the non-repudiation and authenticity of filing. Qualified electronic signature fully corresponds to the electronic version of paper-based signature. The new procedure allows companies not to file paper-based reports; it is sufficient to fulfill reporting obligations through the MRIS port and authenticate this with electronic signature, and all modifications of the report can be made through the port.

The MRIS system provides a suitable tool for accessing detailed supporting data of contribution fee recovery claims of member companies, as required by point 18.5 of the Statutes, and for checking,

comparing and verifying the data, as well as identify any discrepancies. Member companies with recovery claims properly fulfil the data supplying obligations, and correct the errors signalled by the electronic system.

Article 40 (6) of the Oil Stockpiling Act made it possible to require financial collateral from newly founded member companies, which have higher exposure to the risk of non-payment of contribution fees; in 2014, such collateral was not required. The risk-based monitoring system made it possible to take account of the payment risk of contribution fees when performing on-site reviews at member companies. Lower-risk members were reviewed once a year and members presenting higher risk were inspected more often. The risk rating of companies was established according to objective criteria, taking account of the information and data available and relevant from the point of view of contribution fee payment; moreover, the experience gained from communication with members and the on-site reviews were also considered.

#### **7.1.4. Contact with entities providing monitoring support**

Based on the authorizations provided by Article 40/A of the Oil Stockpiling Act on the implementation of the Community customs legislation, and by on Article 16 (6) n) of Act CXXVI of 2003, the Association maintains contact with the National Tax and Customs Administration. The two entities successfully worked together in 2014 for executing the tasks specified in the cooperation agreement elaborated and agreed upon between them, also taking account of the expectations laid down in Article 42 (8) of the Oil Stockpiling Act, in connection with authenticated electronic reporting by members. For the further development of the MRIS system of HUSA, continuous progress was made in the area of information technology developments jointly with the IT Institute of NAV.

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

#### **7.2. Monitoring of storage companies and storage sites**

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

A targeted review performed in 2014 at all storage sites, checked the consistence between the available offloading capacities and the data reported by storage companies, as well as the availability of proper instruments and equipment required for offloading crude oil. The findings were recorded in an inspection report. Under the regular annual on-site inspections, the adequacy of operating conditions was checked at the storage sites, as well as the authorizations of the sites and storage tanks, and the volume and quality of stocks.

For the quantitative monitoring of stocks, the stock registration information system actually introduced on May 1<sup>st</sup> 2011 provides valuable support. This allows making time series inquiries according to

different parameters for analyzing changes in stocks, and for monitoring stock movements. The IT system automatically receives on a daily basis, from the registries of storage companies, the daily tank measurement data of the crude oil and petroleum product stocks of HUSA; it also registers the main parameters of custody agreements.

## 8. Organizational structure of the Association

On the balance-sheet date, the staff of the Association consisted of 14 members, of whom 11 full-time employees, 2 persons employed 30 hours a week, and one person on childcare support. The statistical average was 13 persons in 2014. Last year, the stockpiling and commercial director's post ceased to exist, one director left and a controlling manager was hired.

## 9. Protection of the environment

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

## 10. International relations

In 2014, the Association carried on the activities started in previous years in the following areas of international relations:

- Active participation in the work of ACOMES, the organization of international stockholding agencies, and in the work of ELABCO;
- Technical support to the Government in the fulfillment of stockpiling obligations arising from EU and IEA membership;
- Technical assistance to CEE countries for establishing the legal and organizational framework of their stockpiling systems.

The Association continues to participate in the work of the ACOMES Benchmarking Group (BMG), which treats as a permanent subject the comparison of the cost analyses of member organizations, the review of financing schemes and the cost review of storage tank investments. In 2014, the BMG meeting was held in Budapest and was organized by HUSA.

The International Energy Agency conducted a collective emergency response exercise in February 2014, in which the Association played an active role and contributed to Hungary's the successful participation.

Budapest, 22 April 2015

Dr. Béla Bártfai

Managing Director

Zsuzsanna Dávid

Deputy Managing Director

Statistical number:  
18053302-9499-522-01

Budapest-Capital Regional Court Reg. No.:  
5599

**Hungarian Hydrocarbon Stockpiling Association**

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

**Annual Report**

**2014**

Dated: Budapest, 22 April 2015

Head (Representative) of the Entity

Stamp

Statistical number:  
18053302-9499-522-01

Budapest Metropolitan Court Reg. No.:  
5599

**BALANCE SHEET 'A' Assets**

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2014
a	b	c	d	e
1	<b>A. Assets employed</b>	27 868 037	0	27 454 030
2	I. INTANGIBLE ASSETS	873 983	0	870 733
3	Capitalised Value of Establishment and Restructuring			
4	Capitalised Value of R+D			
5	Rights	17 973		14 723
6	Intellectual Property	1 468		1 468
7	Business Value-Goodwill	854 542		854 542
8	Advance payment for Intangibles			
9	Reassessment of Intangible Assets			
10	II. FIXED ASSETS	54 684	0	55 193
11	Real-estates and related rights	14 294		21 868
12	Machinery and Equipment			
13	Other Equipment, fittings and vehicles	40 390		33 325
14	Breeding Livestock			
15	Capital expenditures, renovation			
16	Advance payment on Capital Expenditures			
17	Reassessment of Fixed Assets			
18	III. FINANCIAL INVESTMENTS	26 939 370	0	26 528 104
19	Participations in affiliates	26 913 249		26 491 223
20	Long-term loans granted to affiliates			
21	Other participations			
22	Long-term loans granted to other participations			
23	Other long-term loans granted	26 121		36 881
24	Long-term credit securities			
25	Reassessment of Financial Investments			

Dated: Budapest, 22 April 2015

Head (Representative) of the Entity

Stamp

Statistical number:  
18053302-9499-522-01

Budapest Metropolitan Court Reg. No.:  
5599

**BALANCE SHEET 'A' Assets**

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2014
a	b	c	d	e
26	<b>B. Current assets</b>	244 323 435	0	288 332 033
27	I. INVENTORIES	223 917 187	0	271 692 188
28	Materials			
29	Work in progress and semi-finished products			
30	Growing, feeding and other livestock			
31	Finished goods			
32	Goods	223 917 187		271 692 188
33	Advance payment for Inventories			
34	II. RECEIVABLES	8 558 390	0	10 605 869
35	Accounts Receivable (Trade Receivables)	2 313 958		806 455
36	Receivables from affiliates			
37	Receivables from other participations			
38	Receivables from bills of exchange			
39	Other receivables	6 244 432		9 799 414
40	III. SECURITIES	0	0	0
41	Participations in affiliates			0
42	Other participations			
43	Own shares and holdings			
44	Credit securities for trading			
45	IV. CASH	11 847 858	0	6 033 976
46	Cash in hand, cheques	489		560
47	Bank accounts	11 847 369		6 033 416
48	<b>C. Accruals</b>	3 866 394	0	3 835 752
49	Accrued revenue	40 800		7 808
50	Accrued costs and expenses	3 825 594		3 827 944
51	Deferred expenses			
52	<b>Total assets</b>	276 057 866	0	319 621 815

Dated: Budapest, 22 April 2015

Head (Representative) of the Entity

Stamp

Statistical number:  
18053302-9499-522-01

Budapest Metropolitan Court Reg. No.:  
5599

**BALANCE SHEET 'A' Liabilities**

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2014
a	b	c	d	e
53	<b>D. Shareholders' Equity</b>	190 896 484	0	200 436 954
54	I. SHARE CAPITAL			
55	of which: Own Shares and Stocks repurchased			
56	II. CALLED UP CAPITAL NOT FUNDED (-)			
57	III. CAPITAL RESERVE	190 896 484		200 436 954
58	IV. ACCUMULATED PROFIT RESERVE			
59	V. DEPOSITED RESERVE			
60	VI. VALUATION RESERVE			
61	VII. RETAINED EARNING			
62	<b>E. Provisions, Allowances</b>	0	0	0
63	Provisions for Expected Losses			
64	Provisions for Expected Obligations			
65	Other Provisions, Allowances			
66	<b>F. Liabilities</b>	85 086 695	0	119 120 458
67	I. BACKDATED LIABILITIES	0	0	0
68	Backdated liabilities to affiliates			
69	Backdated liabilities to other participations			
70	Backdated liabilities to other businesses			
71	II. LONG-TERM LOANS	37 707 570	0	78 565 055
72	Long term loans received			
73	Convertible bonds			
74	Payable for Bond issue			
75	Investment and development loans			
76	Other long-term loans	37 707 570		78 565 055
77	Long-term liabilities to affiliates			
78	Long-term liabilities to other participations			
79	Other long-term liabilities			

Dated: Budapest, 22 April 2015

Head (Representative) of the Entity

Stamp



Statistical number:  
18053302-9499-522-01

Budapest Metropolitan Court Reg. No.:  
5599

**BALANCE SHEET 'A' Liabilities**

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	2014.12.31
a	b	c	d	e
80	III. SHORT-TERM LIABILITIES	47 379 125	0	40 555 403
81	Short-term credits			
82	Of which: convertible bonds			
83	Short-term loans	45 519 607		38 101 690
84	Advances received from customers			
85	Accounts payable to Suppliers (trade creditors)	114 638		1 266 388
86	Debts under bills of exchange			
87	Short-term liabilities to affiliates	1 063 771		1 035 211
88	Short-term liabilities to other participations			
89	Other short-term liabilities	681 109		152 114
90	<b>G. Deferrals</b>	74 687	0	64 403
91	Accrued income	54 928		56 332
92	Accrued costs and expenditures	19 759		8 071
93	Deferred receivables			
94	<b>Total liabilities</b>	276 057 866	0	319 621 815

Dated: Budapest, 22 April 2015

Stamp

Head (Representative) of the Entity

Statistical number:  
18053302-9499-522-01

Budapest Metropolitan Court Reg. No.:  
5599

**PROFIT AND LOSS STATEMENT 'A'**

(total cost method)

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2014
a	b	c	d	e
1	1 Net Domestic Sales	127 781 581		67 691 609
2	2 Net Export Sales	81 557		141 249
3	<b>I. Net Sales (01+02)</b>	127 863 138	0	67 832 858
4	3 Change in Inventories of own Production±			
5	4 Capitalised Value of assets from own Production			
6	<b>II. Capitalised Value of own Production (±03+04)</b>	0	0	
7	<b>III. Other Revenues</b>	28 892 516		27 774 116
8	Of which: Contribution Fees, Oil Section	15 870 790		16 817 178
9	Contribution Fees, Gas Section	12 966 343		10 937 772
10	5 Material Expenses	40 328		41 050
11	6 Value of Services	26 000 918		25 736 406
12	7 Other Services	11 661		10 020
13	8 Cost of Sales	81 897 518		52 383 778
14	9 Value of services sold (mediated)	274		199
15	<b>IV. Expenses (05+06+07+08+09)</b>	107 950 699	0	78 171 453
16	10 Wages and Salaries	234 388		212 949
17	11 Other personnel Expenses	103 643		94 825
18	12 Social Security	88 873		80 146
19	<b>V. Total Personnel Expenses (10+11+12)</b>	426 904	0	387 920
20	<b>VI. Depreciation</b>	21 410		28 434
21	<b>VII. Other Expenses</b>	19 115		19 679
22	Of which: loss of value	0		0
23	<b>A. OPERATING (BUSINESS) PROFIT (±II+III-IV-V-VI-VII)</b>	48 337 526	0	16 999 488

Dated: Budapest, 22 April 2015

Head (Representative) of the Entity

Stamp

Statistical number:  
18053302-9499-522-01

Budapest Metropolitan Court Reg. No.:  
5599

**PROFIT AND LOSS STATEMENT 'A'**

(total cost method)

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2014
a	b	c	d	e
24	13 Dividend received	5 531 946		338 807
25	of which: from affiliates	5 531 946		258 807
26	14 P/L of Equity sales			
27	of which: from affiliates			
28	15 Interest Income on Financial Investments	192		
29	of which: from affiliates			
30	16 Other interest or interest bearing income	536 767		234 524
31	of which: from affiliates			
32	17 Other Income of Financial Activity	2 606 300		156 323
33	<b>VIII. Income of Financial Activity (13+14+15+16+17)</b>	<b>8 675 205</b>	<b>0</b>	<b>729 654</b>
34	18 Exchange loss on Financial Investments			
35	of which: to affiliates			
36	19 Interest Paid	2 653 222		2 188 858
37	of which: to affiliates			
38	20 Write-off of Financial Investments			
39	21 Other Expenses of Financial Activities	4 112 425		5 997 183
40	<b>IX. Expenses of Financial Activities (18+19±20+21)</b>	<b>6 765 647</b>	<b>0</b>	<b>8 186 041</b>
41	<b>B. PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)</b>	<b>1 909 558</b>	<b>0</b>	<b>-7 456 387</b>
42	<b>C. INCOME OF ORDINARY ACTIVITIES (±A±B)</b>	<b>50 247 084</b>	<b>0</b>	<b>9 543 101</b>
43	<b>X. Extraordinary Income</b>			
44	<b>XI. Extraordinary Expenses</b>			<b>2 631</b>
45	<b>D. INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)</b>	<b>0</b>	<b>0</b>	<b>-2 631</b>
46	<b>E. PROFIT BEFORE TAXATION (±C±D)</b>	<b>50 247 084</b>	<b>0</b>	<b>9 540 470</b>
47	<b>XII. Retained earning of the capital reserve</b>	<b>50 247 084</b>	<b>0</b>	<b>9 540 470</b>

Dated: Budapest, 22 April 2015

Head (Representative) of the Entity

Stamp

**SUPPLEMENTARY NOTES TO THE ANNUAL REPORT FOR 2014**

## 11. General information

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

**Abbreviated name: HUSA**

Seat: 1037 Budapest, Montevideo u. 16/b.

Year of establishment: 1993

Year of starting operation: 1993

Corporate form: other civil organization

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

Owners: N/A

Method of bookkeeping: double entry bookkeeping

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

Balance sheet prepared on: 10 February 2014

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

Currency of the annual report: HUF

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

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

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

Dr. Béla Bártfai, Managing Director (single signatory)

1025 Budapest, Tömörkény u. 7/B.

Zsuzsanna Dávid, Deputy Managing Director (single signatory)

1037 Budapest, Csillagszem u. 20.

## 12. Rules of Accounting, Accounting Policy

- 12.1. The Association keeps its books and records in accordance with Act C of 2000 on Accounting (“the Accounting Act”), 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 operation, including the consolidated Statutes, Rules of Organization and Operation, Cash Management Regulations, as well and as the Rules on Valuation, Inventory and Cost Price Calculation constituting a part of the Accounting Policy, all approved by the competent minister.
- 12.2. Section (1) of Article 32 of the Oil Stockpiling Act requires the preparation of an annual report irrespective of the balance sheet total, the amount of net sales revenues or the participations held by the Association in other companies. It does not have to prepare a consolidated annual report, according to the provisions of Art. 10 of the Accounting Act, either, regardless the fact that it has a majority participation in ÁMEI Zrt and in OPAL Zrt, for the Association is not an enterprise but “other legal entity defined in a separate provision of law”, as stipulated in point 4.r of Section (1) of Art. 3. Accordingly, the Association prepared annual reports in the previous years as well, with a content that complies with the principles of Art. 15 of the Accounting Act. Pursuant to Section (1) of Art. 35 of the Oil Stockpiling Act, in relation to the annual report we also prepare a detailed report including figures and text on the fulfillment of the budget. This corresponds to the Business Report.
- 12.3. The amount of the profit before taxation, which is equal to the profit after taxation, considering that (pursuant to Art. 12 of the Oil Stockpiling Act) the Association has no tax payment obligation, increases the amount of the capital reserve in accordance with point 11.7 of the Statutes of the Hungarian Hydrocarbon Stockpiling Association.
- 12.4. Valuation procedures applied in the preparation of the annual report are in compliance with the provisions of the Accounting Act and the Accounting Policy of the Association. In the balance sheet, intangible assets and fixed assets are recorded at a value considering the difference between budgeted and over the budget depreciation (calculated on the basis of the acquisition value and residual value). Financial investments appear at historical cost, and inventories are shown in the balance sheet at purchase price, with the aggregate amount of the settlement price and its related price difference. The receivables and liabilities are verified, reconciled and valued in accordance with the Accounting Act. The value of liquid assets is confirmed by supporting status reports and is verified by audit procedures.
- 12.5. The Association prepares its balance sheet in version “A” in accordance with Appendix 1 of the Accounting Act, and prepares its profit and loss statement with the total cost method in version “A” in accordance with Appendix 2 of the Act. In compliance with Section (3) of Art. 32 of the Oil Stockpiling Act, the Association keeps separate internal accounts of the assets and liabilities, incomes and expenses related, on the one hand, to crude oil and petroleum products

stockpiling and, on the other hand, to gas stockpiling; the Association presents these separate internal records in the Supplementary Appendix of the Annual Report.

12.6. Pursuant to Paragraphs (2)-(3) of Art. 155 of the Accounting Act, the auditing of books is mandatory at the Association. Based on the approval of the General Meeting, the audit is carried out by Zsuzsanna Éva Bartha registered auditor of Ernst & Young Könyvvizsgáló Kft. (member of the Chamber of Hungarian Auditors' Budapest Organization, membership number: 005268, registration number: 005237). The annual fee of auditing is HUF 2,900,000. Ernst & Young Könyvvizsgáló Kft provided no other services to the Association. Katalin Arató (1173 Budapest, Fodor u. 84/b, registration number: 132110), financial and accounting manager is responsible for the duties of accounting services.

## 13. Details and explanation of the Balance Sheet and the Profit and Loss Statement

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

	Gross value	Depreciation	Net amount
<b>I. Intangible assets</b>			
<i>1. Rights</i>			
- Opening value 01/01/2014	48 531.9	30 558.7	17 973.2
- Increase	4 853.9	7 865.0	
- Decrease	14 931.8	14 692.8	
- Closing value 31/12/2014	38 454.0	23 730.9	<b>14 723.1</b>
<i>2. Intellectual property</i>			
- Opening value 01/01/2014	7 812.5	6 345.0	1 467.5
- Increase	0.0	0.0	
- Decrease	6 345.0	6 345.0	
- Closing value 31/12/2014	1 467.5	0.0	<b>1 467.5</b>
<i>3. Goodwill</i>			
- Opening value 01/01/2014	6 101 244.9	5 246 702.7	854 542.2
- Increase	0.0	0.0	
- Decrease	0.0	0.0	
- Closing value 31/12/2014	6 101 244.9	5 246 702.7	<b>854 542.2</b>
<b>II. Fixed assets</b>			
<i>1. Real estate and related rights</i>			
- Opening value 01/01/2014	29 860.1	15 565.9	14 294.2
- Increase	11 003.4	3 429.5	
- Decrease	0.0	0.0	
- Closing value 31/12/2014	40 863.5	18 995.4	<b>21 868.1</b>
<i>2. Other equipment, vehicles</i>			
- Opening value 01/01/2014	105 824.3	65 434.2	40 390.1
- Increase	26 598.3	17 139.5	
- Decrease	27 402.6	10 878.9	
- Closing value 31/12/2014	105 020.0	71 694.8	<b>33 325.2</b>
<b>Total closing value 31/12/2014</b>			<b>925 926.1</b>

All depreciation accounted in 2014 was straight-line depreciation as planned.



13.2. In 2005, the Association had 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 ETSZON, 58.58% of MÁD-OIL Kft. and 0.42% of MKB Nyrt., thus becoming 100% owner. In relation to the share purchase, a negative business value of HUF 814,990 thousand was booked as deferred income.

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

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

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

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

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

13.7. Major participations held by the Association:

- *in Petrotár Kőolajterméktároló és Kereskedelmi Korlátolt Felelősségű Társaság (Registered seat: 1143 Budapest, Besnyői u. 13) where, in 2008, the owners decided upon a capital increase of 100 Mn HUF, to which the Association did not contribute. Thus the ownership share in the company decreased from 30% to 20%, with an unchanged value of HUF 60 million. In 2009, through demerger, the company founded Petrotár Projekt Kft. During the demerger the capital was also divided, the Association maintained a 20 % share in both companies, meaning a capital of HUF 40 million and HUF 20 million, respectively. On the balance sheet date of 16 February 2011, the Court of Registry registered the capital decrease of Petrotár Projekt Kft to HUF 3,000,000. Thus the capital invested by the Association was reduced to HUF 600,000, still representing 20%. Petrotár Project Kft. was dissolved without going into liquidation and the Company Court of the Budapest-Capital Regional Court ruled its removal from the register of companies as of 6 February 2013.*
- *of HUF 420,000 thousand (25.93%) in Terméktároló Zártkörűen Működő Részvénytársaság (Registered seat: 1037 Budapest, Montevideo u. 16/b). As a result of the 5 May 2014 capital reduction of Terméktároló Zrt, the share of HUSA decreased to HUF 8 400 thousand.*

13.8. The line “participation in affiliates” contains the following items:

<b>Participation (Company name)</b>	<b>Book value of participation 31/12/2014 (HUF thousand)</b>	<b>Ownership ratio</b>	<b>Note</b>
<b>OPAL Zrt</b>	13 552 254	100.0%	Subsidiary company
<b>ÁMEI Zrt</b>	140 000	63.6%	Subsidiary company
<b>MMBF Zrt</b>	12 750 569	48.9%	Associated undertaking
<b>TERMÉKTÁROLÓ Zrt</b>	8 400	25.9%	Associated undertaking
<b>PETROTÁR Kft</b>	40 000	20.0%	Associated undertaking
<b>Total</b>	<b>26 491 223</b>		

The following table shows the shareholders' equity of the companies on 31 December 2014:

Company (HUF thousand)	Shareholders' equity	Share capital	Capital reserve	Profit reserve	Deposited reserve	Valuation reserve	Retained earnings
OPAL Zrt	18 869 785	4 000 000	3 223	14 327 763	30 000	0	508 799
ÁMEI Zrt	635 823	220 000	7 464	384 847	0	0	23 512
MMBF Zrt <sup>1</sup>	51 857 587	26 021 759	782	15 652 368	782 848	0	9 399 830
TERMÉKTÁROLÓ Zrt	1 133 384	32 400	0	0	0	0	1 100 984
PETROTÁR Kft <sup>2</sup>	1 400 685	200 000	0	1 163 216	10 668	0	26 801

<sup>1</sup>EUR-based accounting since 01/01/2014. Elements of shareholders' equity converted to HUF at the 31/12/2014 HNB exchange rate.

<sup>2</sup>Not final data.

### 13.9. Book value of inventories on 31 December 2014

		Stored quantity	Inventory value	Division acc. to volume
	Unit		(HUF thousand)	(%)
Crude oil	tons	492 962.77	74 141 601	35.7
Gasoline ESZ 95	liters at 15°C	342 881 059.00	48 297 375	23.3
Gas oil EN 590	liters at 15°C	552 280 778.00	85 161 276	41.0
Heating oil -power generation	tons	0.00	0	
			<b>207 600 252</b>	<b>100.0</b>
Natural gas	GJ	31 690 937.52	64 091 936	
			<b>271 692 188</b>	

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

<b>Other receivables (HUF thousand)</b>	<b>31/12/2013</b>	<b>31/12/2014</b>
Advances	6 080	6 043
Receivables from employees	11 067	0
Local taxes, health care benefit contribution in excess	6	22
Account for natural gas contribution fees	1 384 263	923 495
Account for crude oil contribution fees	2 436 941	2 531 051
Deferred, technical VAT advances	246 037	251 920
Value-added tax	2 160 038	6 086 883
	<b>6 244 432</b>	<b>9 799 414</b>

	<b>31/12/2013</b>	<b>31/12/2014</b>
<b>PREPAYMENTS, ACCRUED INCOME (HUF thousand)</b>	<b>3 866 394</b>	<b>3 835 752</b>
Capacity reservation fee for Q1 (Jan.-March)	3 814 058	3 816 501
Office rent, operating cost	6 320	6 587
Insurance fees	4 446	4 014
Subscriptions for trade literature	52	154
Software support fee	0	10
IT security package fee	316	256
Collateral agency fee	402	422
<b>Accrued costs and expenses</b>	<b>3 825 594</b>	<b>3 827 944</b>
Income from ticket sale	27 099	7 808
Interest on foxed deposits	13 701	0
<b>Accrued income</b>	<b>40 800</b>	<b>7 808</b>

No special provisions were made for future costs, expected liabilities or under other titles in the 2014 business year.

13.11. The following table shows liabilities related to long-term acquisition loans, on 31 December 2014:

	Loan portfolio on 31/12/2013	Loan portfolio on 31/12/2014	Loan expiration date	Short-term part
IPRVZRT.	EUR 0.64 Mn	0	20/03/2014	0
PTT KFT	HUF 200 Mn	0	20/01/2014	0

13.12. Of long-term loans, HUF 24 561 420 thousand (part falling due in 2015) was transferred to short-term loans. After the transfer, the balance-sheet value of short-term loans was HUF 38 101 690 thousand.

13.13. Charges related to loans:

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

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

Additional charges:

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

13.14. Accounts payable to suppliers shows HUF 1 266 388 thousand, and short-term liabilities to affiliates shows HUF 1 035 211 thousand. Accounts payable to suppliers were fully settled by the Balance Sheet closing date.

13.15.

<b>Other liabilities (HUF thousand)</b>	<b>31/12/2013</b>	<b>31/12/2014</b>
Tax and contributions	13 765	13 729
Crude oil contribution fee account	50 542	796
Natural gas contribution fee account	616 774	137 589
Income settlement accounting	28	0
	<b>681 109</b>	<b>152 114</b>

13.16. The statistical average of HUSA permanent staff is 13 persons. In the course of the year, HUF 212 949 thousand was paid for wages. HUF 1 590 thousand fringe benefits were paid and 2 employees received interest-free company loans. Company loans to employees amounted to HUF 36.9 Mn on 31 December 2014. All employees belong to the white-collar category.

13.17. The Board of Directors and the Supervisory Board of the Association received fees in value of HUF 86 072 thousand. No guarantee, loans or advance payments were granted to them.

13.18. The Association had no lawsuits in the course of 2014.

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

#### 13.20. Net assets

##### 13.20.1. Changes in the structure of assets

Elements of assets	31/12/2013	31/12/2014	Percentage(%)		Change (%)
	HUF thousand	HUF thousand	2013	2014	2014/2013
Assets employed	27 868 037	27 454 030	10.1	8.6	98.5
Current assets	244 323 435	288 332 033	88.5	90.2	118.0
Accruals	3 866 394	3 835 752	1.4	1.2	99.2
<b>Total assets</b>	<b>276 057 866</b>	<b>319 621 815</b>	<b>100.0</b>	<b>100.0</b>	<b>115.8</b>

##### 13.20.2. Changes in the structure of resources

Elements of resources	31/12/2013	31/12/2014	Percentage (%)		Change (%)
	HUF thousand	HUF thousand	2013	2014	2014/2013
Shareholders' equity (capital reserve)	190 896 484	200 436 954	69.2	62.7	105.0
Provisions	0	0	0.0	0.0	0.0
Liabilities	85 086 695	119 120 458	30.8	37.3	140.0
Deferrals	74 687	64 403	0.0	0.0	86.2
<b>Total resources</b>	<b>276 057 866</b>	<b>319 621 815</b>	<b>100.0</b>	<b>100.0</b>	<b>115.8</b>

## 14. Cash flow statement

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

	2013	2014
1 Profit before taxation*	44 708 888	9 229 538
2 Accounted depreciation	21 410	28 434
3 Difference of provisions made and used	-47 157	0
4 Gains/losses on sale of assets employed	221	-971
5 Change in accounts payable	-17 044	1 123 190
6 Change in other short-term liabilities	599 934	-528 995
7 Change in deferrals	37 591	-10 284
8 Change in accounts receivable	-2 176 633	1 507 503
9 Change in current assets (w/out acc. receivable, cash)	-20 718 653	-51 329 983
10 Change in accruals	-127 598	30 642
<b>Operating cash flow (lines 1 to 10)</b>	<b>22 280 959</b>	<b>-39 950 926</b>

\*Adjusted for dividend received

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

	2013	2014
11 Purchase of assets employed	-6 631 187	343 117
12 Sale of assets employed	6 028	15 552
13 Dividend received	5 531 946	338 807
<b>Cash flow from investment (lines 11 to 13)</b>	<b>-1 093 213</b>	<b>697 476</b>

### Cash flow from financial transactions (HUF thousand)

	2013	2014
16 Loans received	74 969 775	107 003 176
17 Liquid assets received definitely	-	-
18 Redemption of shares (tőkeleszállítás)	-	-
19 Repayment of bonds	-	-
20 Repayment of loans	-94 122 985	-73 563 608
21 Liquid assets transferred definitely	-	-
<b>Cash flow from financial activities (lines 16 to 21)</b>	<b>-19 153 210</b>	<b>33 439 568</b>

### Change of liquid assets ( $\pm I \pm II \pm III$ ): (HUF thousand)

	2013	2014
	2 034 536	-5 813 882

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

### 15.1. Indicators of assets

#### 15.1.1. Equity Ratio

	31/12/2013		31/12/2014
$\frac{\text{Equity}}{\text{Total assets}}$	$\frac{190\,896\,484}{276\,057\,866}$	= 0.69	$\frac{200\,436\,954}{319\,621\,815}$ = 0.63

#### 15.1.2. Borrowed Capital Ratio

	31/12/2013		31/12/2014
$\frac{\text{Borrowed capital}}{\text{Total assets}}$	$\frac{85\,161\,382}{276\,057\,866}$	= 0.31	$\frac{119\,184\,861}{319\,621\,815}$ = 0.37

#### 15.1.3. Leverage Ratio

	31/12/2013		31/12/2014
$\frac{\text{Borrowed capital}}{\text{Equity}}$	$\frac{85\,161\,382}{190\,896\,484}$	= 0.45	$\frac{119\,184\,861}{200\,436\,954}$ = 0.59

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

#### 15.1.4. Coverage of Assets Employed

	31/12/2013		31/12/2014
$\frac{\text{Equity+long-term liabilities}}{\text{Assets employed}}$	$\frac{228\,604\,054}{27\,868\,037}$	= 8.20	$\frac{279\,002\,009}{27\,454\,030}$ = 10.16

#### 15.1.5. Working Capital

	31/12/2013		31/12/2014
$\frac{\text{Current assets – short-term liabilities}}{\text{Equity}}$	$\frac{196\,944\,310}{190\,896\,484}$	= 1.03	$\frac{247\,776\,630}{200\,436\,954}$ = 1.24

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



## 15.2. Financial liquidity indicators

### 15.2.1. Liquidity ratio

	<b>31/12/2013</b>		<b>31/12/2014</b>	
Current assets	244 323 435	= 5.16	288 332 033	= 7.11
Short-term liabilities	47 379 125		40 555 403	

A ratio higher than 1 indicates good liquidity position.

### 15.2.2. Long-term Indebtedness Ratio

	<b>31/12/2013</b>		<b>31/12/2014</b>	
Debt ratio	83 227 177	= 0.36	116 666 745	= 0.42
Long-term liabilities+Equity	228 604 054		279 002 009	

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

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

ASSETS (HUF thousand)

		Description	Oil Section 31/12/2014	Gas Section 31/12/2014	Total
1	<b>A.</b>	<b>Assets employed</b>	14 222 059	13 231 971	27 454 030
2	I.	INTANGIBLE ASSETS	435 367	435 366	870 733
3		Capitalised value of establishment, restructuring			
4		Capitalised value of R+D			
5		Rights	7 362	7 361	14 723
6		Intellectual property	734	734	1 468
7		Business value - goodwill	427 271	427 271	854 542
8		Advance payment for intangibles			
9		Reassessment of intangible assets			
10	II.	FIXED ASSETS	27 597	27 596	55 193
11		Real estates and related rights	10 934	10 934	21 868
12		Machinery and equipment			
13		Other equipment, fittings and vehicles	16 663	16 662	33 325
14		Breeding livestock			
15		Capital expenditures, renovation			
16		Advance payment on capital expenditures			
17		Reassessment of fixed assets			
18	III.	FINANCIAL INVESTMENTS	13 759 095	12 769 009	26 528 104
19		Participation in affiliates	13 740 654	12 750 569	26 491 223
20		Loang-term loans granted to affiliates			
21		Other participations			
22		Long-term loans granted to affiliates			
23		Other long-term loans granted	18 441	18 440	36 881
24		Loang-term securities			
25		Reassessment of financial investments			
26	<b>B.</b>	<b>Current assets</b>	217 790 856	70 541 177	288 332 033
27	I.	INVENTORIES	207 600 252	64 091 936	271 692 188
28		Materials			
29		Work in progress, semi-finished products			
30		Growing, feeding and other livestock			
31		Finished goods			
32		Goods	207 600 252	64 091 936	271 692 188
33		Advance payment for inventories			
34	II.	RECEIVABLES	6 509 940	4 095 929	10 605 869
35		Accounts receivable (trade receivables)	806 455	0	806 455
36		Receivables from affiliates			
37		Receivables from other participations			
38		Receivables from bills of exchange			
39		Other receivables	5 703 485	4 095 929	9 799 414

## ASSETS (cont.)

40	III.	SECURITIES	0	0	0
41		Participation in affiliates			
42		Other participations			
43		Own shares and holdings			
44		Debt securities held for trading			
45	IV.	CASH	3 680 664	2 353 312	6 033 976
46		Cash in hand, cheques	280	280	560
47		Bank accounts	3 680 384	2 353 032	6 033 416
48	<b>C.</b>	<b>Accruals</b>	13 529	3 822 223	3 835 752
49		Accrued revenue	7 808	0	7 808
50		Accrued costs and expenses	5 721	3 822 223	3 827 944
51		Deferred expenses			
52		<b>Total assets</b>	232 026 444	87 595 371	319 621 815

## LIABILITIES (HUF thousand)

		Description	Oil Section 31/12/2014	Gas Section 31/12/2014	Total
53	<b>D.</b>	<b>Shareholders' equity</b>	100 218 477	100 218 477	200 436 954
54	I.	SHARE CAPITAL			
55		of which: own shares and stocks repurchased			
56	II.	CALLED UP CAPITAL NOT FUNDED (-)			
57	III.	CAPITAL RESERVE	100 218 477	100 218 477	200 436 954
58	IV.	ACCUMULATED PROFIT RESERVE			
59	V.	DEPOSITED RESERVE			
60	VI.	VALUATION RESERVE			
61	VII.	RETAINED EARNING			
62	<b>E.</b>	<b>Provisions, allowances</b>	0	0	0
63		Provisions for expected losses			
64		Provisions for expected obligations			
65		Other provisions, allowances			
66	<b>F.</b>	<b>Liabilities</b>	39 637 207	79 483 251	119 120 458
67	I.	BACKDATED LIABILITIES	0	0	0
68		Backdated liabilities to affiliates			
69		Backdated liabilities to other participations			
70		Backdated liabilities to other businesses			
71	II.	LONG-TERM LIABILITIES	25 140 818	53 424 237	78 565 055
72		Long-term loans received			
73		Convertible bonds			
74		Payable for bond issue			
75		Investment and development loans			
76		Other long-term loans	25 140 818	53 424 237	78 565 055
77		Long-term liabilities to affiliates			
78		Long-term liabilities to other participations			
79		Other long-term liabilities			

## LIABILITIES (cont.)

80	III.	SHORT-TERM LIABILITIES	14 496 390	26 059 013	40 555 403
81		Short-term credits			
82		of which: convertible bonds			
83		Short-term loans	12 192 541	25 909 149	38 101 690
84		Advances received from customers			
85		Accounts payable to suppliers (trade creditors)	1 260 978	5 410	1 266 388
86		Bills of exchange payable			
87		Short-term liabilities to affiliates	1 035 211	0	1 035 211
88		Short-term liabilities to other participations			
89		Other short-term liabilities	7 660	144 454	152 114
90	<b>G.</b>	<b>Deferrals</b>	2 898	61 505	64 403
91		Accrued income	0	56 332	56 332
92		Accrued costs and expenditures	2 898	5 173	8 071
93		Deferred receivables			
94		<b>Total liabilities</b>	139 858 583	179 763 232	319 621 815

## PROFIT AND LOSS STATEMENT (HUF thousand)

Line no.		Description	Oil Section 31/12/2014	Gas Section 31/12/2014	Total
1	1	Net domestic sales	63 519 088	4 172 521	67 691 609
2	2	Net export sales	141 249	0	141 249
3	<b>I.</b>	<b>Net sales (01+02)</b>	63 660 337	4 172 521	67 832 858
4	3	Change in inventories of own production ±			
5	4	Capitalised value of assets from own production			
6	<b>II.</b>	<b>Capitalised value of own production (±03+04)</b>	0	0	0
7	<b>III.</b>	<b>Other revenues</b>	16 826 761	10 947 354	27 774 116
8		of which: Contribution fees, Oil section	16 817 178		16 817 178
9		Contribution fees, Gas Section		10 937 772	10 937 772
10	5	Cost of materials	20 525	20 525	41 050
11	6	Value of services	10 428 752	15 307 654	25 736 406
12	7	Other services	5 010	5 010	10 020
13	8	Cost of sales	48 435 179	3 948 599	52 383 778
14	9	Value of services sold (mediated)	99	100	199
15	<b>IV.</b>	<b>Material-type expenses (05+06+07+08+09)</b>	58 889 565	19 281 888	78 171 453
16	10	Wages and salaries	106 475	106 474	212 949
17	11	Other personnel expenses	47 413	47 412	94 825
18	12	Payroll taxes	40 073	40 073	80 146
19	<b>V.</b>	<b>Total personnel expenses (10+11+12)</b>	193 961	193 959	387 920
20	<b>VI.</b>	<b>Depreciation</b>	14 217	14 217	28 434
21	<b>VII.</b>	<b>Other expenses</b>	9 840	9 839	19 679
22		of which: loss of value			
23	<b>A.</b>	<b>OPERATING (BUSINESS) PROFIT (I±II+III-IV-V-VI-VII)</b>	21 379 516	-4 380 028	16 999 488

PROFIT AND LOSS STATEMENT (cont.)

24	13	Dividend received (due)	338 807	0	338 807
25		of which: from affiliates	258 807	0	258 807
26	14	Exchange gain/loss on equity sales			
27		of which: from affiliates			
28	15	Interest income, exchange gain on financial investments			
29		of which: from affiliates			
30	16	Other interest or interest-bearing income received (due)	142 102	92 422	234 524
31		of which: from affiliates			
32	17	Other income of financial activity	94 719	61 604	156 323
33	<b>VIII.</b>	<b>Income of financial activity (13+14+15+16+17)</b>	<b>575 628</b>	<b>154 026</b>	<b>729 654</b>
34	18	Exchange loss on financial investments			
35		of which: to affiliates			
36	19	Interest paid	700 826	1 488 032	2 188 858
37		of which: to affiliates			
38	20	Write-off of financial investments			
39	21	Other expenses of financial activities	2 578 789	3 418 394	5 997 183
40	<b>IX.</b>	<b>Expenses of financial activities (18+19±20+21)</b>	<b>3 279 615</b>	<b>4 906 426</b>	<b>8 186 041</b>
41	<b>B.</b>	<b>PROFIT/LOSS ON FINANCIAL ACTIVITIES (VIII-IX)</b>	<b>-2 703 987</b>	<b>-4 752 400</b>	<b>-7 456 387</b>
42	<b>C.</b>	<b>INCOME OF ORDINARY ACTIVITIES (±A±B)</b>	<b>18 675 528</b>	<b>-9 132 428</b>	<b>9 543 101</b>
43	<b>X.</b>	<b>Extraordinary income</b>			
44	<b>XI.</b>	<b>Extraordinary expenses</b>	<b>1 316</b>	<b>1 315</b>	<b>2 631</b>
45	<b>D.</b>	<b>INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)</b>	<b>-1 316</b>	<b>-1 315</b>	<b>-2 631</b>
46	<b>E.</b>	<b>PROFIT BEFORE TAXATION (±C±D)</b>	<b>18 674 213</b>	<b>-9 133 743</b>	<b>9 540 470</b>
47	<b>XII.</b>	<b>Retained earning of the capital reserve</b>	<b>18 674 213</b>	<b>-9 133 743</b>	<b>9 540 470</b>

In decision No. 9/2013 (18/12/2013), the General Meeting approved the proposal of the Board of Directors for using the 2013 budget reserve of the Oil Section for covering the deficit of the Gas Section in the 2014 Budget. Accordingly, this amount increases the loans of the Gas Section and decreases the loans of the Oil Section, so the share of the Gas Section in total loans financing assets grew by HUF 5 000 Mn, while the loans of the Oil Section decreased by the same amount in 2014.

Budapest, 22 April 2015

Dr. Béla Bártfai  
Managing Director

Zsuzsanna Dávid  
Deputy Managing Director