BUDGET
FOR THE YEAR
2015

Prepared by:	Directorate of the Hungarian Hydrocarbon Stockpiling Association (HUSA)
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BUSINESS POLICY OF THE HUNGARIAN HYDROCARBON STOCKPILING ASSOCIATION

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

The Association operates according to the following principles:

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

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

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

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

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

BUDGET FOR THE YEAR 2015

Introduction – Budget Foundations

In 2015, the objectives of the Hungarian Hydrocarbon Stockpiling Association are to ensure the purchase, sale, safe storage, quantitative and qualitative maintenance of the stocks of crude oil, petroleum products and natural gas as prescribed by the effective law, as well as the operation, after 1 July 2015, of a monitoring and marking system that allows continuous observation of petroleum products placed into free circulation, imported and utilized (Article 12, paragraphs (2) and (3) of the Oil Stockpiling Act).

In connection with these objectives, the Association has to:

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

Pursuant to the provisions in force of the Oil Stockpiling Act, the crude oil and petroleum product stockpiling obligations are determined according to the net imports data of the previous year; thus the obligations for 2015 are based on the net imports data expected for 2014.

The entire motor gasoline and Diesel fuel stocks of the Association are of standard quality, of non-biological origin. The crude oil and petroleum product stock replacements planned for the year 2015 arise from the stock renewal obligations due every 6 years.

According to the Gas Stockpiling Act, the Association has to dispose of at least 600 Mn m³ and at most 1200 Mn m³ strategic stocks of natural gas, as described in the decree issued by the minister in charge of energy policy.

Given the strong dependence of Hungary on natural gas coming from Russia and Ukraine and, in particular, the serious risk to the country's energy supplies caused by the worsening geopolitical conflict between Russia and Ukraine in the first half of 2014, the minister in charge of energy policy decided to increase the level of strategic gas stocks. In compliance with the legislation described in detail in Section 1.2 hereunder, the level of strategic gas stocks has been 920.6 Mn m³ since 1 July 2014, and the same level of strategic gas stocks has been taken into account for the 2015 Budget.

Strategic gas stocks have crucial importance for the security of energy supply in Hungary; in the event of a loss of Russian gas imports arriving from Ukraine, these stocks are indispensable for ensuring uninterrupted supply in the winter season without the necessity of serious restrictions, taking also account of the quantities coming from domestic production and stored in commercial storage facilities, and the gas coming from Austria.

The main elements of the system are the following:

- In the budget of the Association, the contribution fee revenues and cost structures of the natural gas and crude oil stockpiling sections are presented separately (since 2007),
- Stocks are stored in the Association's own facilities and in rented storage areas,
- The purchase of products to be stored is realised with external financing; principle repayments on stock purchase loans and other external funds are made when the stocks are sold or the external funds are refinanced,
- Contribution fee revenues are used to cover storage costs, the interest due on loans and other external funds, the fuel marking and monitoring expenses, the operating costs of the Association, and other expenditures related to the qualitative and quantitative maintenance of stocks.

1. Stockpiling Obligation

1.1. Oil Section

1.1.1. Expected Stockpiling Obligation for 2015

Pursuant to the effective Oil Stockpiling Act, the final deadline for determining the 2015 stockpiling obligation is 31 March 2015, and all purchases required for the fulfilment of the 90 days' stockpiling obligation have to be made by 31 July 2015. Estimates in the present budget were based on the actual data of 2014 and on the net imports figures expected until the end of 2014. The estimated stockpiling obligation for 2015 (based on net imports expected for 2014) is presented in Table 1 below.

Table 1
Estimated Stockpiling Obligation for 2015

	(kt of oil equivalent)
Annual net imports (year 2014)	4 355.7
Daily net imports (year 2014)	11.9
90 days' net imports (year 2014)	**1 071.0**

1.1.2. Volume of Stocks

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

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

The following table shows, accordingly, the volume of strategic stocks as expected until the end of 2014.

Table 2
Expected Volume of Stocks on 31/12/2014

	Gross Stocks *(kt)*	Net Stocks *(kt of oil equivalent)*
Crude oil	491.0	424.2
Petroleum products	707.0	763.6
Total	**1 198.0**	**1 187.8**

The opening level of stocks in January 2015, calculated with the method prescribed in the Oil Stockpiling Act, corresponds to 100 days' net imports, which satisfies the stockholding obligation of the Association.

Table 3
Expected Stockpiling Obligations for 2015

Net stocks *(kt of oil equivalent)*	90 days' net imports (*kt of oil equivalent)*	Number of days of stocks
1 187.8	1 071.0	100

1.1.3. Stock Replacement

The quality of stocks in the Oil Section is expected to comply fully with the effective product standards on 1 January 2015. In the following year, 65.5 kilotons of crude oil, 44.5 kilotons of motor gasoline and 16.7 kilotons of Diesel fuel will need to be renewed in accordance with the 6 years' replacement periods. The expected stock replacements require EUR 3.6 Mn (HUF 1 101.6 Mn) funding.

1.2. Gas Section

The applicable Gas Stockpiling Act specifies that the Association's strategic gas reserves have to be between the minimum level of 600 Mn m³ and maximum 1 200 Mn m³. The minister in charge of energy policy defines by decree the exact quantity of gas stocks to be held and, accordingly, the extent and conditions of stock sales or purchase obligations, the sales methods and the conditions of replenishment. Under Decree No. 13/2011 (07/04/2011) of the National Ministry of Development concerning the volume, sale and replenishment of strategic gas reserves, applicable in the budget planning period, the Association performed gas replenishment in 2014 with the mandatory partners specified in the Decree, and the resulting level of strategic gas stocks has been 920.6 Mn m³ since 1 July 2014.

2. Fuel Marking and Monitoring System

Under the Oil Stockpiling Act, on 1 July 2015, the Association has to start operating a marking and monitoring system that allows continuous monitoring of petroleum products placed into free circulation, imported and consumed. The law sets the main guidelines of the fuel marking system, without implementing provisions; it mandates the minister in charge of energy policy to elaborate the detailed rules of implementation.

The National Ministry of Development (referred to as: NFM) prepared a draft decree (referred to as: Draft Decree) 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 consultations, the Notification Centre of the National Ministry of Economy sent the Draft Regulation to Brussels on 28 August 2013. The time limit for issuing observations was 29 November 2013, until which the Draft Regulation was not allowed to be published. Until that date, the European Commission ("the Commission"), Poland and Austria delivered detailed opinions, so the notification procedure was automatically extended until 3 March 2014. In October 2014, following the inter-ministerial consultations, Hungary sent its response to the Commission regarding the detailed opinions. According to the information received from the Notification Centre of the National Ministry of Economy, the Draft Decree can now be published and no procedural error is imputable to Hungary.

The Association issued an invitation to tender for the introduction of the fuel marking and monitoring system, as required by the Oil Stockpiling Act. After the tendering procedure, in compliance with Article 31 f) of the Oil Stockpiling Act, the four Board members with a power of decision authorised HUSA in writing to sign a contract with the successful tenderer, nonetheless specifying, inter alia, that the publication of the Draft Decree is a precondition for signing the contract.

Following the authorization, HUSA started preparatory consultations with the successful tenderer. The proposed contracts are ready to be signed immediately after the publication of the Draft Decree. However, the investments required for the introduction of the marking and monitoring system cannot be started until signature, as the winning tenderer will undertake the work only on the basis of a signed contract. It is estimated that the system development will require at least six months; if the Draft Decree is not published in 2014, the 1 July 2015 time limit specified in the Oil Stockpiling Act will need to be modified.

At the time of preparing the present Budget, the Draft Decree has not been published. Yet, the effective Oil Stockpiling Act stipulates that the Association has an obligation to introduce and start to operate the marking and monitoring system by 1 July 2015; thus, irrespective of the uncertainties concerning the publication of the Decree, the 2015 Budget has to take account of the higher contribution fee revenues serving to finance the marking and monitoring costs, and the introduction and operation costs of the system, as required by the Oil Stockpiling Act. If the date of introduction is modified, the mandatory increase of contribution fees in the Oil Section by 1 July 2015, prescribed by the Oil stockpiling Act, may also be rescheduled, which could imply an amendment of the 2015 Budget. According to the Association's Statutes, the General Meeting may modify the 2015 Budget upon the approval of the 2014 Annual Report, scheduled for the end of May 2015.

3. Costs and Revenues

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

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

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

These proceeds are divided between the gas and the oil sections according to the extent to which each section has contributed to generating these.

The Budget aims at ensuring sufficient resources for stable operations. The revenues from contribution fees and the costs of storage, financing, fuel marking and monitoring and operations, and the balance of costs and revenues (the budget result) are presented in the Budget principally on a cash accounting basis.

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

Appendix 4 contains the planning assumptions and Appendix 5 provides the details of the 2015 Budget.

3.1. Revenues

Total expected revenues for 2015 amount to HUF 35 745.5 Mn, of which HUF 21 996.1 Mn are the revenues of the Oil Section and HUF 13 749.4 Mn of the Gas Section. The major part of total revenues are the net revenues coming from contribution fee payments (HUF 29 030.7 Mn); other revenues (HUF 1 714.8 Mn) and the budget reserve of the oil section (HUF 5 000 Mn) carried over from 2014, constitute a smaller part. The calculations of expected revenues detailed in the manner explained above and according to sections, are as follows.

3.1.1. Contribution fee revenues

The revenues from contribution fees are determined by the expected consumption of fuel in the Oil Section and by the expected consumption of natural gas in the Gas Section for 2015.

In the second half of 2013, there was already a minor increase in fuel consumption, and this upward trend became stronger in 2014. Based on the data available at the time of preparing the present Budget, demand for fuel increased by nearly 5% in the first eight months of 2014. According to economic forecasts and the expectations of market players, market growth will continue in 2015, although the growth rate is expected to be lower. Accordingly, the budgeted revenues from contribution fees were calculated on the basis of an estimated fuel consumption of 4 070 kt (5 050 thousand m³) and 21 kt fuel oil consumption.

The increased contribution fee income in the **Oil Section**, resulting from growing fuel consumption, would be significantly higher than the expenses of the section if the level of contribution fees remains at the present effective level. Therefore, considering the statutory requirement of a +0 budget, contribution fee revenues should be lowered by decreasing the unit fee by product group. In order to adjust revenues to expenses (where revenues generated in 2014 are also taken into account), the unit contribution fee by product group can be decreased by HUF 1.80 in the first semester of 2015.

For the second half of 2015, the increased fees were taken into account in line with the statutory requirements related to fuel marking. Article 33, Section (5) a) of the Oil Stockpiling Act provides that, in order to ensure proper resources for the operation of the fuel marking and monitoring system, unit contribution fees per product group may not be lower than 1% of the monthly average fuel price[1] applicable in the first six months of the year when the Budget is approved by the General Meeting. In the Oil Section, the unit contribution fee by product group will increase from 1 July 2015 to ensure the coverage, from the increased contribution fee revenues, of the stockpiling and fuel marking and monitoring costs incurred in the same period.

Accordingly, gross contribution fee revenues in the Oil Section are expected to be HUF 17 261.1 Mn in 2015. Net contribution fee revenues amount to HUF 16 626.9 Mn (figure adjusted for fee recoveries of HUF 634.2 Mn).

The time series[2] presenting the monthly evolution of natural gas consumption between 2007 and 2014 (see Appendix 6) confirms the declining trend (with the exception of the year 2010). As industry forecasts do not show significant market growth in 2015, no increase has been taken into account from the expected annual consumption level in 2014. Accordingly, with a prudent estimate, the budgeted contribution fee revenue is based on gas consumption of 8.7 Bn m³ (298.4 MGJ), which has to be reduced by the contribution fee recoveries based on the calorific value of expected gas sales to households in 2015, amounting to 3.1 Bn m³ (105.4 MGJ). Pursuant to Article 8 (8)-(10) of the Gas Stockpiling Act, the members holding a universal service provider's license and the members holding a gas trading licence, serving household consumers, are eligible for recovering the contribution fee payment made on the basis of natural gas sold to retail clients.

In 2015, the balance of revenues and expenditures in the **Gas Section** can be ensured only through an increase of the unit contribution fee, for the reasons mentioned above. The current unit contribution fee of HUF 60.50/GJ (HUF 2.057/ m³) needs to be raised by 8% to HUF 65.15/GJ (HUF 2.215/ m³), so total net revenues from contribution fees (adjusted for fee recovery) plus other revenues will cover the expected costs. Calculating with the increased contribution fees, expected gross revenues will amount to HUF 19 270.3 Mn, from which the

[1] The fuel price published by the National Tax and Customs Office (NAV), in accordance with Section 82 (2) of Act No. CXVII of 1995 on the Personal Income Tax, has to be considered.

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

contribution fee refund on household consumption, estimated to be HUF 6 866.5 Mn, has to be deducted, resulting in an adjusted net revenue of HUF 12 403.8 Mn.

The total gross contribution fee revenues in the two sections are estimated to be HUF 36 531.4 Mn in 2015; taking account of the HUF 7 500.7 Mn fee recovery by member companies, the adjusted net revenue from contribution fees will amount to HUF 29 030.7 Mn.

3.1.2. Other revenues (not coming from contribution fees)

In the Oil Section, the affiliated storage companies have stable financial and liquidity positions, their activities are profitable. Based on the expected after-tax profit of Terméktátoló Zrt in 2014, HUF 269.2 Mn dividend is estimated for 2015. No dividend is expected from the 2014 after-tax profit of OPAL Zrt, which has to create provisions for oil tank revisions scheduled for the period 2016-2020.

The interest income from the tying-up of disposable excess liquidity temporarily available, coming from the sale of stocks, is estimated to be HUF 100 Mn. Accordingly, total other revenues are expected to be HUF 369.2 Mn in the Oil Section.

In the Gas Section, HUF 1 116.0 Mn dividend income is expected for 2015, based on the expected 2014 after-tax profit of MMBF Földgáztároló Zrt, which is partly owned by HUSA (49%). At the end of 2013, the Hungarian State acquired majority ownership of MMBF Földgáztároló Zrt, which continues to produce good results. The expected profit for 2014 largely exceeds the level included in the business plan for the same period.

From the secondary sale of interruptible withdrawal and injection capacities booked in gas storage facilities, HUF 229.6 Mn[3] revenues are expected; no interest income was budgeted. Accordingly, total other revenues amount to HUF 1 345.6 Mn in 2015.

Total other revenues (not coming from membership fees) of the two Sections amount to HUF 1 714.8 Mn.

3.1.3. 2014 budget reserve of the Oil Section (which increases revenues in 2015)

In the 2014 Budget, total expected reserves amount to HUF 5 000 Mn, produced entirely by the Oil Section, due to the surplus income coming from increased fuel consumption. Under Article 24 (1) c) of the Oil Stockpiling Act, the Board of Directors shall submit a proposal to the General Meeting for the use of the 2014 budget reserve, and the General Meeting takes the decision concerning the use. In case of approval by the General Meeting, the larger part of the budget reserve brought forward from 2014 would finance the costs of investments, incurred in the first half of 2015, required for the introduction of the fuel marking and monitoring system by 1 July 2015, and the remaining funds would be used to cover a smaller part of stockpiling costs.

3.2. Expenditures

In 2015, the estimated total expenditures of HUSA amount to HUF 35 169.0 Mn, of which the expenditures of the Oil Section are HUF 21 439.5 Mn and those of the Gas Section are HUF

[3] In accordance with the average EUR/HUF exchange rate expected for 2015.

13 729.5 Mn. These include HUF 25 157.9 Mn stockpiling costs (stock reservation, maintenance and financing), HUF 9 331.1 Mn expenditures related to fuel marking and monitoring, and HUF 680 Mn operating costs of HUSA as described below.

3.2.1. Storage and stock maintenance costs

Stocks in the Oil Section are stored within the framework of long-term custody agreements. The fulfilment of storage tasks set for 2015 is ensured by the existing agreements, with the difference that the custody fee will also include the costs related to quantitative and qualitative maintenance of stocks (costs of ongoing control, quality inspections, interventions as required). The custody agreement with Opal Zrt takes account of a capacity increase in 2015; however, the agreement stipulates that no indexing to inflation may be applied in determining the custody fee for the following year. In the case of other storage companies as well, HUSA does its best to avoid raising the custody fees agreed in storage contracts more than actually justified, i.e. only in accordance with the inflation index. Estimated storage costs in the Oil Section amount to HUF 10 817.9 Mn in 2015.

All strategic stockpiles of natural gas are stored in the Szőreg-1 facilities of MMBF Zrt. The company's successful operations, the surplus liquidity created in the last period and the fact that the MMBF Zrt is able to ensure its long-term and short-term working capital loan requirements from the financial markets at favourable conditions, make it possible to end prepayments, regarding the three-month advance payment of the custody fee by HUSA. This means that short-term financing by the parent company (HUSA) is replaced by market-based financing. Accordingly, the 2015 storage costs of HUSA are reduced by HUF 3 816.6 Mn, and the indexed capacity fee amounts to HUF 11 451.0 Mn.

The total storage costs of the two sections amount to HUF 22 268.9 Mn.

3.2.2. Financing Costs

3.2.2.1. Stock-financing loans

Of the EUR 369.5 Mn stock-financing loans outstanding at the end of 2014, EUR 121 Mn (HUF 37 510.0 Mn) loans will expire in the first half of 2015. The Association will invite tenders for refinancing these contracts. To refinance maturing loans and to finance oil product replacements, EUR 3.6 Mn (HUF 1 116.0 Mn) new loans will be necessary. From the VAT refund requested in connection with the petroleum product purchases of the fourth quarter of 2014, EUR 5.8 Mn (HUF 1 798.0 Mn) loan prepayment was budgeted.

As a result of these changes, the value of outstanding stock-financing loans should be reduced to EUR 367.3 Mn (HUF 113 863.0 Mn)[4] by the end of 2015.

3.2.2.2. Interest due, other costs

In the Oil Section, the last acquisition loan repayment was performed in the first quarter of 2014, reducing financing costs by the amount of the instalment and the acquisition loan interest. In order to finance the increase in stocks due to gasoline and diesel and gas oil purchases in 2014, more loans are necessary, which increases interest costs in 2015. The result of these two contrary effects is a moderate increase; the expected interest costs amount to HUF 950.5 Mn.

[4] Calculating with the average EUR/HUF exchange rate included in the planning assumptions.

In the Gas Section, the growing financing needs of increased stocks, caused by gas purchases in 2014, lead to higher interest costs, expected to be HUF 1 938.5 Mn. Interest costs are further increased because the 2014 budget deficit of the section (expected to be HUF 5.5 Bn) is financed from the budget reserve of the Oil Section (in accordance with the 18 December 2013 decision of the General Meeting of HUSA), so that the amount of the deficit increases the loans of the Gas Section and reduces the loans of the Oil Section by the same amount.

The two Sections' total financing costs are estimated to be HUF 2 889.0 Mn in 2015.

3.2.3. Operating costs of the fuel marking and monitoring system

According to the contractual conditions related to the creation of a fuel marking and monitoring system, the Association will ensure the central marker blending facilities; the marker charging machines and the analytical equipment for marking control will be purchased by the Association or a company founded by it, and the Association has to pay a service fee for the operation of the overall system and for the marking substance (depending on the quantity of fuel to be marked). The Association plans to ensure the required funds (about HUF 3 130 Mn according to the tender and the negotiations so far) from the budget reserve of the Oil Section carried over from 2014, without taking a credit. The monthly service fee related to fuel marking is expected to be between HUF 780 Mn – 1 100 Mn, depending on domestic fuel consumption.

Under the Oil Stockpiling Act, HUSA is responsible for the control of fuel marking. In the 2015 Budget, HUF 312.8 Mn costs were foreseen for this task. The Association plans to perform the controlling activity related to fuel marking through an independent company owned by it.

Based on these elements, HUF 9 331.1 Mn expenses were budgeted for fuel marking and monitoring tasks in the Oil Section.

3.2.4 Operating expenses

The total budget for operating expenses is HUF 680.0 Mn in 2015, which is the same as in 2014.

The largest item is HUF 475.0 Mn for personnel costs, which is the same as the amount budgeted for 2014, but higher than the actual amount expected for 2014. This is explained by the expected staff increase required for the introduction of the fuel marking and monitoring system, and the increase in the number of members in the Supervisory Board of HUSA.

A major part of expected expenditures for the purchase of tangible assets (HUF 30.0 Mn) is the amount budgeted for IT investments (HUF 15.0 Mn). Planned purchases include the development of encrypted data services toward member companies using time stamp and electronic signature features (e.g. account balance information, e-certificate, etc.), support to new member companies for the introduction of electronic signatures, the introduction of a new operational system (Windows 10) and the related system requirements, development and maintenance tasks required for the daily operation of the IT equipment. In addition to IT developments, tangible asset purchases also include HUF 10.0 Mn for the purchase of company cars.

The costs of services (HUF 105.0 Mn) are the same as in 2014, no increase is expected. These include the services needed for performing regular activities, rental fees related to this budget line, repair and maintenance costs and telecommunications costs, all indexed for inflation.

Other expenditures contain the costs of fuel allocated within the framework of the cooperation agreement with the National Tax Authority (NAV) and various tax-type payments. Due to the increased support provided to NAV, HUF 50 Mn is budgeted for 2015, which is HUF 10 Mn higher than the amount planned for 2014.

Due to changes in the structure of costs in previous years, HUF 8.0 Mn was budgeted for the cost of materials (HUF 4 Mn lower than the year before) and HUF 12 Mn was allocated for other costs (amount increased by HUF 4.0 Mn). Banking and insurance fees are the major items in other costs.

4. The level of contribution fees

It is a basic requirement in the Association's Budget is that both Sections should close a "+0" budget position. In the assessment of funding needs, the primary objective was to ensure a balanced budget in 2015.

Based on the expected costs described above, the Association's funding needs amount to HUF 35 169.0 Mn in 2015, of which the requirements of the Oil and the Gas Sections are, respectively, HUF 21 439.5 Mn and HUF 13 729.5 Mn.

In 2015, HUF 29 030.7 Mn membership fee revenues are expected, of which HUF 16 626.9 Mn in the Oil Section and HUF 12 403.8 Mn in the Gas Section. Other revenues (sale of booked capacities, dividend and interest income) are HUF 1 714.8, of which HUF 369.2 Mn in the Oil Section and HUF 1 345.6 Mn in the Gas Section. The revenues of the Oil Section will be increased by the HUF 5 000 Mn budget reserve expected for 2014 (subject to the approval of the General Meeting), which can also be used for the investments related to the compulsory development of the fuel marking and monitoring system in 2015.

In the Oil Section, the growth in fuel consumption makes it possible to cut the unit contribution fee per product group by HUF 1800/thousand litres on 1 January 2015; the revenues calculated at the lower fee level, plus other revenues and the reserves carried over from 2014 provide sufficient coverage for the costs budgeted for 2015 in the Oil Section. In case of the extension of the deadline for introducing the fuel marking and monitoring system, the budget balance of the Oil Section can be ensured with the same level of unit contribution fees per product group as planned for the first half of the year, and with the revenues calculated with the fuel consumption indicated in the planning assumptions.

The balance of revenues and costs in the Gas Section can be ensured in 2015 only by raising the unit contribution fee of members in the section by 8%, from HUF 60.50/GJ (HUF 2.057 m^3) to HUF 65.15/GJ (HUF 2.215 m^3).

Therefore, total expected revenues for 2015 are HUF 35 745.5 Mn, of which HUF 21 996.1 Mn in the Oil Section and HUF 13 749.4 in the Gas Section.

In the 2015 Budget, HUF 556.6 Mn budget reserve is expected to be created in the Oil Section and HUF 19.9 Mn in the Gas Section.

Accordingly, the consolidated 2015 budget is expected to close with a profit of HUF 576.5 Mn, taking account of the following unit contribution fees by product groups.

Table 4

Statutory level of contribution fees after 1 January 2015

Product group	**Combined nomenclature number**	**Statutory Contribution Fees**		
		Until 30/06/2015	**After 01/07/2015 (introduction of marking system)**	
Gasoline-type fuel	2710 12 31 2710 12 41 2710 12 45 2710 12 49 2710 12 51 2710 12 59 2710 12 70	1 500	4 823	HUF/ 1000 litres $_{15}$
Kerosene	2710 19 21	1 252	1 252	HUF/ 1000 litres $_{15}$
Diesel and Gas oil	2710 19 43 2710 19 46 2710 19 47 2710 19 48 2710 20 11 2710 20 15 2710 20 17 2710 20 19	1 405	4 980	HUF/ 1000 litres $_{15}$
Fuel oil	2710 19 62 2710 19 64 2710 19 68 2710 20 31 2710 20 35 2710 20 39	1 275	3 775	HUF/ ton
Natural gas	2711	61.15	65.15	HUF/GJ

5. Factors and Risks Affecting the Fulfilment of the Budget

The Budget was based on the information available in the budgeting period (October 2014). The assumptions taken include the parameters applied by crude oil and natural gas companies, determined in budget committees and the projections made by the Hungarian National Bank and the financing banks. Obviously, these are of a hypothetical nature.

In the overall structure of expenses, the storage fee remains the major item. The second largest item comprises the costs related to fuel marking and monitoring, which appeared for the first time in the 2014 budget. The share of financing costs grew from 6.7% to 8.2% from the previous year, while the share of storage fees came down from 68.1% to 63,4%. Operating costs have a minor part, only 1.9%, and marking expenses constitute 26.5% of all costs.

Table 5
Structure of Costs (HUSA)

Storage fees, stock maintenance costs	63.4%
Financing costs	8.2%
Operating costs, asset purchases	1.9%
Marking costs	26.5%
Total:	100%

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

- Natural gas consumption by non-household consumers in 2014 presents an important risk. If the actual consumption by non-household consumers is lower than estimated, it may be necessary to raise contribution fees during the year in order to ensure budgetary balance.
- In the Gas Section, the expected dividend income was calculated from the expected after-tax profit of MMBF Zrt for 2014. If the actual after-tax profit is lower, less dividend may be paid. Considering the modest budget reserve in the section, amounting to HUF 19.9 Mn, even a moderate decrease of dividends may require raising the contribution fee in the course of the year.
- In the Oil Section, the costs of fuel marking and monitoring were estimated on the basis of information provided by the contractor; however, actual costs can be exactly determined only after the conclusion of the contract.

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

However, especially in the case of the Gas Section, a more important contribution fee increase may also be necessary if the conditions underlying the budget are not fulfilled according to the expectations mentioned above. In that case, a proposal for modifying the 2015 Budget and for raising the contribution fee by more than 10% will have to be submitted to the General Meeting in May 2015 when the Annual Report is approved.

6. Financial Plan

Until the end of 2014, the Association's portfolio of loans financing stocks is expected to be EUR 369.5 Mn (HUF 114 545.0 Mn)[5]. Appendix 2 contains the expected changes in the loan portfolio until the end of 2014.

Of the EUR 369.5 Mn stock-financing loans estimated for the end of 2014, EUR 121.0 Mn loans will expire in the first half of 2015, which need to be refinanced. For financing petroleum product stock replacements, EUR 3.6 Mn new loans will be necessary. The VAT reclaimed in connection with the petroleum products purchased in the fourth quarter of 2014, was used for the prepayment of loans in the amount of EUR 5.8 Mn.

Accordingly, EUR 118.8 Mn (HUF 36 828.0 Mn)[5] new loans will be necessary in 2015.

Budapest, 4 November 2014

[5] The conversion was made at the average EUR/HUF exchange rate specified in the planning assumptions.

LIST OF APPENDICES

1. Forecast Balance of Stocks, 2015
2. Expected Credit Portfolio, 31/12/2014
3. HUSA Participation in Affiliated Companies
4. Planning Assumptions
5. Summary Tables of the 2015 Budget
6. Natural Gas Turnover Data, 2008-2014

Forecast Balance of Stocks
2015

Oil Section

	Gross opening stocks (01/01/2015) (kt)	Change during the year (kt)	Closing Stocks (31/12/2015)		
			Gross stocks (kt)	Net stocks (kt)	Net stocks (ktoe)
Crude oil	491.0	0.0	491.0	441.9	424.2
Petroleum products	707.0	0.0	707.0	636.3	763.6
Gasoline	*255.0*	*0.0*	*255.0*	*229.5*	*275.4*
Diesel oil	*452.0*	*0.0*	*452.0*	*406.8*	*488.2*
Total	**1 198.0**	**0.0**	**1 198.0**	**1 078.2**	**1 187.8**

Gas Section

	Opening stocks (01/01/2015)	Change during the year (sale)	Change during the year (purchase)	Closing stocks (31/12/2015)
Natural gas (Mm^3)	920.6	0.0	0.0	920.6

Expected Credit Portfolio

31/12/2014

Foreign Exchange Loans	Interes rate	Average margin	Credit line	Utilisation
Stock financing	EURIBOR	1,89	381,5	369,5
Total EUR Mn			**381,5**	**369,5**
Total HUF Mn			*118 265,0*	*114 545,0*
			HUF/EUR	*310,00*

HUSA Participation in Affiliated Companies

Expected for 31 December 2014

Company Name	HUSA Participation (%)	Investment Value (HUF Mn)
OPAL Tartálypark Zrt	100.0	13 552.3
ÁMEI Zrt	63.6	140.0
MMBF Földgáztároló Zrt	49.0	12 761.0
Terméktároló Zrt	25.9	8.4
Petrotár Kft	20.0	40.0
Total		**26 501.7**

Planning Assumptions

for Budget 2015

	Period	Unit	Value
National GDP Growth	2015	%	2.5
Consumer Price Index*	2014	%	0.2
Producer Price Index*	2014	%	0.3
Consumer Price Index*	08/2013 - 08/2014	%	0.2
Producer Price Index*	08/2013 - 08/2014	%	-0.4
Gasoline Price (FOB Rott Prem Unl)	Average for 2nd half of 2014	USD/t	925
Diesel Oil Price (FOB Rott Diesel 10ppm)	Average for 2nd half of 2014	USD/t	881
Natural Gas Price** (Delivered at storage facility)	2015	EUR/GJ	8.67
Natural Gas Consumption	2015	Mrdm³	8.7
- of which: household consumption	2015	Mrdm³	3.1
EUR/HUF exchange rate	2015	HUF	310
EUR/USD exchange rate	2015	USD	1.3
3-months EURIBOR	2015	%	0.2
3-months BUBOR	2015	%	2.4
Diesel and Gas Oil consumption	2015	thousand m^3	3 400
		kt	2 850
Gasoline Consumption	2015	thousand m^3	1 650
		kt	1 220
Fuel Oil Consumption	2015	kt	21

* Indicators for indexing Custody Fees

**Under Article 5 (4) b) of Decree No 13/2011 (IV. 7.) NFM (as last amended) on the size, sale and replenishment of strategic stockpiles of natural gas, “the beneficiary shall set the unit price of the natural gas to be replenished, with the proviso that the unit price shall not be higher than the weighed average price based on the source contracts concluded by the beneficiary.”

SUMMARY TABLE-BUDGET 2015

OIL SECTION

HUF Mn

		January	February	March	April	May	June	July	August	Sept.	Okt.	Nov.	Dec.	TOTAL
2014 BUDGET RESERVE	**HUF Mn**	**5 000,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**5 000,0**
Gross contribution fee income	HUF Mn	**553,4**	**552,3**	**633,2**	**632,7**	**707,9**	**644,8**	**2 305,0**	**2 309,9**	**2 300,0**	**2 541,2**	**2 290,5**	**1 790,2**	17 261,1
Contribution fee refund	HUF Mn	43,9	42,8	50,9	50,4	52,8	62,5	62,5	67,4	57,5	49,5	48,0	46,0	634,2
NET CONTRIBUTION FEE INCOME	**HUF Mn**	**509,5**	**509,5**	**582,3**	**582,3**	**655,1**	**582,3**	**2 242,5**	**2 242,5**	**2 242,5**	**2 491,7**	**2 242,5**	**1 744,2**	**16 626,9**
Dividend received	HUF Mn	0,0	0,0	0,0	0,0	0,0	269,2	0,0	0,0	0,0	0,0	0,0	0,0	269,2
Income from capacity sale	HUF Mn	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Interest received	HUF Mn	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	100,0	100,0
OTHER INCOME	**HUF Mn**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**269,2**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**100,0**	**369,2**
TOTAL INCOME	***HUF Mn***	**5 509,5**	**509,5**	**582,3**	**582,3**	**655,1**	**851,5**	**2 242,5**	**2 242,5**	**2 242,5**	**2 491,7**	**2 242,5**	**1 844,2**	**21 996,1**
Storage and stock maintenence costs	HUF Mn	918,8	829,9	918,8	889,1	918,8	889,1	918,8	918,8	889,1	918,8	889,1	918,8	10 817,9
Interest due, other costs	HUF Mn	0,0	0,0	239,3	0,0	0,0	235,1	0,0	0,0	237,2	0,0	0,0	238,9	950,5
TOTAL STOCKPILING COSTS	**HUF Mn**	**918,8**	**829,9**	**1 158,1**	**889,1**	**918,8**	**1 124,3**	**918,8**	**918,8**	**1 126,3**	**918,8**	**889,1**	**1 157,6**	**11 768,4**
Marking costs	HUF Mn	1 252,0	0,0	939,0	0,0	0,0	939,0	999,9	999,9	999,9	1 111,0	999,9	777,7	9 018,3
Marking monitoring costs	HUF Mn	0,0	70,0	0,0	0,0	75,4	34,4	21,9	21,9	21,9	21,9	21,9	23,4	312,8
FUEL MARKING AND MONITORING COSTS	**HUF Mn**	**1 252,0**	**70,0**	**939,0**	**0,0**	**75,4**	**973,4**	**1 021,8**	**1 021,8**	**1 021,8**	**1 132,9**	**1 021,8**	**801,1**	**9 331,1**
OPERATING COSTS OF HUSA	HUF Mn	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**28,3**	**340,0**
TOTAL EXPENDITURES	***HUF Mn***	**2 199,1**	**928,2**	**2 125,4**	**917,5**	**1 022,5**	**2 126,1**	**1 968,9**	**1 968,9**	**2 176,5**	**2 080,0**	**1 939,3**	**1 987,1**	**21 439,5**
BALANCE OF INCOME AND EXPENDITURES	**HUF Mn**	**3 310,4**	**-418,7**	**-1 543,1**	**-335,2**	**-367,4**	**-1 274,6**	**273,6**	**273,6**	**66,0**	**411,7**	**303,2**	**-142,9**	**556,6**

SUMMARY TABLE-BUDGET 2015

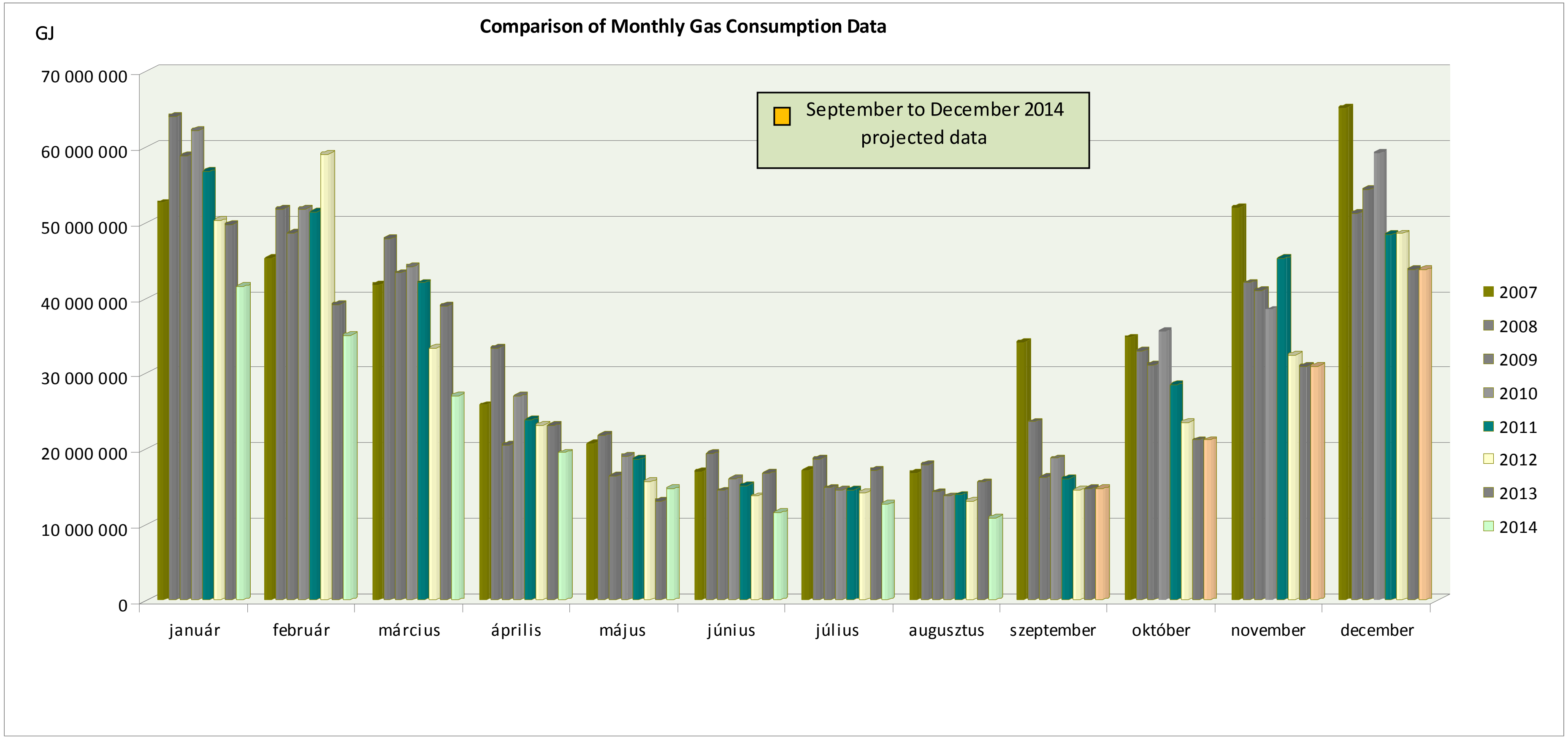
GAS SECTION

HUF Mn

		January	February	March	April	May	June	July	August	Sept.	Okt.	Nov.	Dec.	TOTAL
2014. BUDGET RESERVE		**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Gross contribution fee income	*HUF Mn*	2 297,09	2 313,19	2 314,03	1 822,18	1 541,50	1 197,00	1 169,22	862,01	1 087,60	1 251,10	1 437,59	1 977,83	19 270,3
Contribution fee refund	*HUF Mn*	877,10	890,06	885,14	665,67	542,19	421,51	405,50	243,99	366,36	421,80	456,43	690,70	6 866,5
NET CONTRIBUTION FEE INCOME	**HUF Mn**	**1 420,0**	**1 423,1**	**1 428,9**	**1 156,5**	**999,3**	**775,5**	**763,7**	**618,0**	**721,2**	**829,3**	**981,2**	**1 287,1**	**12 403,8**
Dividend received	*HUF Mn*	0,0	0,0	0,0	0,0	0,0	1 116,0	0,0	0,0	0,0	0,0	0,0	0,0	1 116,0
Income from capacity sale	*HUF Mn*	0,0	0,0	0,0	229,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	229,6
Interest received	*HUF Mn*	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
OTHER INCOME	**HUF Mn**	**0,0**	**0,0**	**0,0**	**229,6**	**0,0**	**1 116,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**1 345,6**
TOTAL INCOME	***HUF Mn***	**1 420,0**	**1 423,1**	**1 428,9**	**1 386,1**	**999,3**	**1 891,5**	**763,7**	**618,0**	**721,2**	**829,3**	**981,2**	**1 287,1**	**13 749,4**
Storage costs	*HUF Mn*	0,1	0,1	0,1	1 272,3	1 272,3	1 272,3	1 272,3	1 272,3	1 272,3	1 272,3	1 272,3	1 272,3	11 451,0
Interest due, other costs	*HUF Mn*	0,0	0,0	478,0	0,0	0,0	483,3	0,0	0,0	488,6	0,0	0,0	488,6	1 938,5
TOTAL STOCKPILING COSTS	**HUF Mn**	**0,1**	**0,1**	**478,1**	**1 272,3**	**1 272,3**	**1 755,6**	**1 272,3**	**1 272,3**	**1 760,9**	**1 272,3**	**1 272,3**	**1 760,9**	**13 389,5**
Operating costs of HUSA	*HUF Mn*	28,3	28,3	28,3	28,3	28,3	28,3	28,3	28,3	28,3	28,3	28,3	28,7	340,0
Total expenditures	***HUF Mn***	**28,4**	**28,4**	**506,4**	**1 300,6**	**1 300,6**	**1 783,9**	**1 300,6**	**1 300,6**	**1 789,2**	**1 300,6**	**1 300,6**	**1 789,6**	**13 729,5**
Balance of income and expenditures	*HUF Mn*	**1 391,6**	**1 394,7**	**922,5**	**85,5**	**-301,3**	**107,6**	**-536,9**	**-682,6**	**-1 068,0**	**-471,3**	**-319,4**	**-502,5**	**19,9**

SUMMARY TABLE-BUDGET FOR YEAR 2015

	OIL	GAS	TOTAL
BUDGET RESERVE, 2014	**5 000,0**	**0,0**	**5 000,0**
Gross income from contribution fees	*17 261,1*	*19 270,3*	*36 531,4*
Contribution fee recovery	*-634,2*	*-6 866,5*	*-7 500,7*
NET INCOME FROM CONTRIBUTION FEES	**16 626,9**	**12 403,8**	**29 030,7**
Dividend received	*269,2*	*1 116,0*	*1 385,2*
Income from capacity sale	*0,0*	*229,6*	*229,6*
Interest received	*100,0*	*0,0*	*100,0*
OTHER INCOME	**369,2**	**1 345,6**	**1 714,8**
TOTAL INCOME	**21 996,1**	**13 749,4**	**35 745,5**
Storage and stock maintenance costs	*-10 817,9*	*-11 451,0*	*-22 268,9*
Interest due, other costs	*-950,5*	*-1 938,5*	*-2 889,0*
TOTAL STOCKPILING COSTS	**-11 768,4**	**-13 389,5**	**-25 157,9**
FUEL MARKING AND MONITORING COSTS	**-9 331,1**	**0,0**	**-9 331,1**
OPERATING COSTS OF HUSA	**-340,0**	**-340,0**	**-680,0**
TOTAL EXPENDITURES	**-21 439,5**	**-13 729,5**	**-35 169,0**
BUDGET RESULT	**556,6**	**19,9**	**576,5**



January February March April May June July August September October November December