

BUDGET FOR THE YEAR 2016

Prepared by: Directorate of the Hungarian Hydrocarbon Stockpiling Association (HUSA)

Approved by: Board of Directors, HUSA, 11 November 2015

General Meeting, HUSA, 16 December 2015

BUSINESS POLICY OF THE HUNGARIAN HYDROCARBON STOCKPILING ASSOCIATION

The Hungarian Hydrocarbon Stockpiling Association's (referred to as "the Association" or "HUSA") mission is to ensure full compliance with the requirements of 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 in 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 for in 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.

All procurements or sales by the Association (including the fulfilment of storage space requirements and the use of other services) are done through open or restricted competitive tendering or equivalent procedures. 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, its goal is to optimise risks and costs. 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. The Association plays an active role in consultations and coordination efforts with foreign partner institutions, and participates in the Annual Coordination Meetings of Strategic Stockpiling Organizations (ACOMES).

BUDGET FOR THE YEAR 2016

In 2016, 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.

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.

Pursuant to the provisions in force of the Oil Stockpiling Act, crude oil and petroleum product stockpiling obligations are determined according to the net imports data of the previous year; thus the obligations for 2016 are based on the net imports data expected for 2015.

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 2016 arise from the stock renewal obligations due every 6 years.

Under the powers conferred by the Gas Stockpiling Act, the minister in charge of energy policy sets by decree the level of strategic gas stocks, which is 915 Mn m³ based on the statutory requirements in force at the time of preparing the business plan, as described in detail in 1.2 hereunder.

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,
- 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 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 2016

Pursuant to the effective Oil Stockpiling Act, the final deadline for determining the 90 days' stockpiling obligation for 2016 is 31 March 2016. All purchases required for the fulfilment of the stockpiling obligation have to be completed by 31 July 2016. In order to ensure a well-founded budget, it was also necessary to anticipate the level of stocks expected for the following year. The estimate was based on actual net import data registered in the first 8 months of 2015, the expected annual net import data, and the domestic consumption data of the first 9 months of the year.

Domestic fuel consumption was particularly high in the first nine months of 2015; it was 9 % higher than in the same period of the previous year. The trend is expected to continue until the end of the year. Consumption growth is also reflected in imports. In order to determine estimated annual consumption, the following factors affecting net imports were also taken into account:

- Net imports of petroleum products and net imports of refinery raw materials;
- Naphtha production and naphtha yield;
- Expected level of commercial stocks at the end of the year.

The stockpiling obligation estimated accordingly for 2016 is presented in Table 1 below.

Table 1
Estimated Stockpiling Obligation for 2016

	<i>(oil equivalent, kt)</i>
Annual net imports (year 2015)	5 031.6
Daily net imports (year 2015)	13.8
90 days' net imports (year 2015)	1 242.0

1.1.2. Volume of Stocks

Under the Oil Stockpiling Act, in accordance with Directive 2009/119/EC (14 September 2009) on the obligation of Member States to maintain minimum stocks of crude oil and/or petroleum products, and in line with the regulations of the International Energy Agency, 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% for the purposes of calculating, 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 2015.

Table 2
Expected Volume of Stocks on 31/12/2015

	Gross Stocks (kt)	Net Stocks (kt of oil equivalent)
Crude oil	491.0	424.2
Petroleum products	733.0	791.6
Total	1 224.0	1 215.8

The above figures reflect also the opening level of stocks in January 2016, which is expected to correspond to only 88 days' net imports for the stockpiling period of 1 April 2016 to 31 March 2017 ($1\,215.8 : 13.8 = 88$).

On the basis of Table 1, the 90 days' stockpiling obligation can be fulfilled with a volume of 1 242 kt of oil equivalent ($90 \times 13.8 = 1\,242$). The level of stockpiling obligations for 2016 depends on a number of changing factors which need to be estimated; thus, in order to ensure full compliance, we propose the purchase of 60 kt Diesel fuel, in addition to the purchase of a smaller quantity of stocks corresponding to 90 days of stocks. As a result of the purchase of 60 kt Diesel fuel, the level of stock days is expected to reach 93 in 2016.

Table 3
Fulfilment of Stockpiling Obligations in 2016

	Gross stocks (kt)	Net stocks (kt of oil equivalent)	90 days' net imports (kt of oil equivalent)	Number of stock days
Crude oil	491.0	424.2	1 242.0	93
Petroleum products	793.0	856.4		
Total	1 284.0	1 280.6		

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 2016, meaning that the only stock replacements required are those of the 6 years' replacement period. In the following year, 43.9 kt of motor gasoline and 16.8 kt of Diesel fuel will need to be renewed. The expected stock replacements require EUR 2 Mn (HUF 630 Mn) funding.

1.2. Gas Section

Decree No. 13/2015 (31/03/2015) of the National Ministry of Development concerning the level of strategic gas reserves, applicable in the budget planning period, prescribes 915 Mn m³ mandatory reserves. Since 1 July 2014, the Association holds 920.6 Mn m³ strategic gas stocks. The Association does not envisage any raise in the level of strategic gas stocks in the 2016 budget.

2. Costs and Revenues

The contribution 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), 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.

The revenues are divided between the Gas and the Oil sections according to the contribution of each section to generating these.

The purpose of the Budget is to ensure sufficient resources for stable operation. The revenues from contribution fees and the costs of storage, financing and operations, and the balance of costs and revenues (the budget result) are presented in the Budget principally on a cash accounting basis.

The Budget is divided into two subchapters. These report 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 2016 Budget.

2.1. Revenues

Total expected revenues for 2016 amount to HUF 29 872.6 Mn, of which HUF 13 021.2 Mn are the revenues of the Oil Section and HUF 16 851.4 Mn of the Gas Section. The major part of total revenues are the net revenues coming from contribution fees (HUF 21 743.5 Mn). Additional items include other revenues (HUF 5 129.1 Mn) and the revenue surplus created in the 2015 budget year, available to be brought forward to 2016, plus the savings on expenditures; these two items are expected to total HUF 3 000 Mn. The calculations of expected revenues detailed in the manner explained above and according to sections, are as follows.

2.1.1. 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 2016.

Oil Section

In the first nine months of 2015, demand for fuel consumption continued to grow, following an upward trend that started in the second half of 2013. Based on economic forecasts and the projections of market players, further market expansion is expected in 2016, although at a slower pace. Accordingly, budgeted revenues from contribution fees were calculated on the basis of an estimated fuel consumption of 4 700 kt (5.8 Mn m³), 20 kt fuel oil consumption, and kerosene¹ consumption remaining at the level of 175 kt.

The increased contribution fee income resulting from growing fuel consumption, together with all surplus revenues, all savings on expenditures and other revenues in 2015, covers the higher expenses due to additional stockpiling in the Oil Section. Therefore, the unit contribution fee by product group does not need to be modified.

Accordingly, gross contribution fee revenues in the Oil Section are expected to be HUF 8 622.9 Mn in 2016. Net contribution fee revenues amount to HUF 8 341.2 Mn (figure adjusted for fee recoveries of HUF 281.7 Mn).

Gas Section

Contribution fee revenues in the Gas Section were estimated in consideration of the expected 8.5 to 8.6 Bn m³ consumption for 2015 (based on the data available at the time of preparing the budget), as opposed to 8.3 Bn m³ consumption in 2014. About 3 Bn m³ of this is household consumption, on which the contribution fee paid by universal service providers and by eligible gas traders will be refunded in accordance with Article 8 (8)-(10) of the Gas Stockpiling Act. So only contribution fees paid on non-household consumption may be taken into account as actual revenues; this amounts to HUF 5.5 to 5.6 Bn m³ in 2015.

Industry forecasts and experts' analysis do not show significant consumption growth in 2016. Accordingly, with prudent, conservative estimate, it has been estimated that total gas consumption in 2016 will be 8.5 Bn m³, of which 5.5 Bn m³ non-household consumption; these correspond to the lowest expected consumption figures in 2015.

In light of the above, unit contribution fees do not need to be modified to balance revenue and expenditure in the Gas Section in 2016. Total net revenues from contribution fees (adjusted for contribution fee recovery) plus other revenues will cover the expected costs.

Calculating with the contribution fee applicable since 1 June 2015, i.e. HUF 2.437 per cubic meter (71.67 HUF/GJ), expected gross revenues will amount to HUF 20 712.6 Mn, from which the contribution fee refund on household consumption, estimated to be HUF 7 310.3 Mn, has to be deducted, resulting in an adjusted net revenue of HUF 13 402.3 Mn.

The total gross contribution fee revenues in the two sections are estimated to be HUF 29 335.5 Mn in 2016; taking account of the HUF 7 592 Mn fee recovery by member companies, the adjusted net revenue from contribution fees will amount to HUF 21 743.5 Mn.

2.1.2. Other revenues (not coming from contribution fees)

Based on the expected after-tax profit of Terméktároló Zrt in 2015, HUF 260 Mn dividend income is expected for 2016 in the Oil Section. OPAL Zrt is expected to pay HUF 1 400 Mn dividend from its 2015 after-tax profit.

¹ Subject to fulfilment of the conditions set out in Article 41 (2) of the Oil Stockpiling Act, the contribution fee paid on kerosene can be reclaimed. The projected kerosene consumption was taken into account for calculating the estimated contribution fee refund.

The interest income from the tying-up of disposable excess liquidity temporarily available is estimated to be HUF 20 Mn. Accordingly, total other revenues are expected to be HUF 1 680 Mn in the Oil Section.

In the Gas Section, HUF 3 218.8 Mn dividend income is expected for 2016, based on the expected 2015 after-tax profit of MMBF Földgáztároló Zrt, which is partly owned by HUSA (49%). Dividend payment at MMBF Zrt. is limited under the credit agreements made between the company and the financing banks; accordingly, MMBF Zrt. should make prepayments in a value equivalent to dividend payments. Negotiations have started with the banks in order to remove this restriction.

From the secondary sale of interruptible withdrawal and injection capacities booked in gas storage facilities, HUF 230.3 Mn revenues are expected.

Considering that disposable liquid funds are minimal due to tight budget constraints of the Gas Section, no interest income was budgeted. Accordingly, total other revenues are expected to be HUF 3 449.1 Mn in 2016.

Total other revenues (not coming from membership fees) of the two Sections amount to HUF 5 129.1 Mn.

2.1.3. Surplus revenue and savings on expenditures in the 2015 budget, increasing revenues in 2016

Surplus revenue and savings on expenditures in the 2015 budget are expected to amount to HUF 3 000 Mn, of which HUF 2 000 Mn was created in the Oil Section and HUF 1 000 Mn in the Gas Section. Surplus revenues in the Oil Section come from higher than expected fuel consumption; in the Gas Section, excess revenues come from the contribution fee increase introduced in the course of the year and from higher than expected dividend income. Savings on expenditures were due to lower than expected operating and financing costs.

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 surplus revenues and savings on expenditures created in the budget, and the General Meeting takes the decision concerning the use. The 2016 budget was prepared with the assumption that the General Meeting approves the use of all surplus revenues and cost savings expected in 2015 for increasing the 2016 revenues of the Oil Section. This would avoid the need to increase the unit contribution fee in 2016 in the Oil Section; this would also allow the repayment of a part of the loan conceded by the Oil Section to the Gas Section in 2014.

If the Gas Section starts repaying its debt, this would mean fulfilling the requirement of the 2014 Annual Report of HUSA, according to which: *“Therefore, the Gas Section has a debt in the value of HUF 5 774 Mn toward the Oil Section, which needs to be repaid in subsequent years; the Gas Section is expected to start repayment from the surplus available in the 2016 budget year.”*

2.2. Expenditures

In 2016, the estimated total expenditures of HUSA amount to HUF 29 618.8 Mn, of which the expenditures of the Oil Section are HUF 12 893.8 Mn and those of the Gas Section are HUF 16 725 Mn. These include HUF 29 048.8 Mn stockpiling costs (stock reservation, maintenance and financing) and HUF 570 Mn operating costs of HUSA as described below.

2.2.1. 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 2016 is ensured by extending the existing agreements. The main elements of estimated storage costs were the surplus capacity mentioned in 1.1.2 and the rental of additional technological tanks (for easier scheduling of tank revisions and product replacements). Storage fee modifications are negligible due to

low inflation. Accordingly, total storage and stock maintenance costs of the Oil Section in 2016 are HUF 11 878.6 Mn.

All strategic stockpiles of the Gas Section are stored in the Szőreg-1 UGS of MMBF Zrt. In the 2016 Business Plan, HUSA took account of the conditions of the long-term storage agreement. On the basis of these, the indexed capacity booking fee in the Gas Section will amount to HUF 15 267.6 Mn.

The total storage and stock maintenance costs of the two sections are expected to be HUF 27 146.2 Mn.

2.2.2. Financing Costs

In 2016, expected financing costs in the Oil Section are HUF 730.2 Mn, which is higher than the value expected for 2015. Loans will increase due to new borrowings to finance petroleum product purchases and product replacements; this will entail higher interest costs despite the recent reduction of the average interest margin on the loan portfolio.

In the Gas Section, interest costs will be HUF 1 172.4 Mn, which is lower than in 2015. This is mainly due to a lower average interest rate and, to a lesser extent, to repayment toward the Oil Section, which has an effect of decreasing loans.

In 2016, total financing costs in the two sections are expected to be HUF 1 902.6 Mn.

2.2.3 Operating Expenses

Total expected operating expenses in 2016 amount to HUF 570 Mn, is substantially lower than the operating expenses budgeted for 2015 and is also lower than the actual value expected for 2015 (HUF 600 Mn). This is mainly due to savings related to organisational restructuring, rationalisation and staff reduction.

After 1 January 2016, the organisational structure of the Association will be modified. Financial, accounting and information technology functions will be transferred to OPAL Tartálypark Zrt., a company fully owned by HUSA. Consequently, the structure of operating charges will change as follows.

Within operating expenses, personnel costs will remain the major item. This is expected to amount to HUF 370 Mn 2016, which is much lower than the value planned for 2015, considering that staff will be reduced by 3 persons and a part of managerial posts will also be removed due to restructuring.

The costs of services expected for 2016 is HUF 130 Mn, which includes the service fee payable to Opal Zrt. The service fee contains the value of financial and accounting activities, IT governance and the rental of IT tools. The costs of services also include the office rental fee, which is much lower than in the previous year, as well as the repair, maintenance and telecommunications costs, which were indexed according to inflation.

The outsourcing of IT tasks entails the transfer of the IT tools of the Association to OPAL Zrt., which becomes manager of these assets. The costs of replacement and purchase of such tools will no longer be at the charge of the Association. Accordingly, asset purchases expected in 2016 include only the purchase of other tangible assets (no IT assets), in the value of HUF 5 Mn.

The budget for other expenditures (HUF 48 Mn) remains the same as in 2015. The major part of this (HUF 40 Mn) is constituted by the cost of fuel allocated within the framework of the co-operation agreement with the National Tax Authority (NAV), and the various tax-type payments also appear on this line of the budget. HUF 5 Mn was budgeted for the cost of materials and material-type expenses, and HUF 12 Mn was allocated for other costs.

3. The level of contribution fees

The funding needs of expected costs as outlined above (HUF 29 618.8 Mn) are covered from net contribution fee revenue (HUF 21 743.5 Mn), calculated at the unit contribution fee by product group detailed in Table 4, other revenues (HUF 5 129.1 Mn) and the use of surplus revenue and savings on expenditures (HUF 3 000 Mn) realised in the 2015 budget.

Both Sections fulfil the basic requirement of the Association's budget, which prescribes closing a "+0" budget position. With reserves of HUF 127.4 Mn in the Oil Section and HUF 126.4 Mn in the Gas Section, the total budget reserve will amount to HUF 253.8 Mn.

Table 4
Statutory level of contribution fees after 1 January 2016

Product group	Combined nomenclature number	Statutory Contribution Fees	
		After 01/01/2016	
Gasoline-type fuel	2710 12 31	1 500	Ft/ 1000 litres ₁₅
	2710 12 41		
	2710 12 45		
	2710 12 49		
	2710 12 51		
	2710 12 59		
	2710 12 70		
Kerosene	2710 19 21	1 252	Ft/ 1000 litres ₁₅
Gasoil	2710 19 43	1 405	Ft/ 1000 litres ₁₅
	2710 19 46		
	2710 19 47		
	2710 19 48		
	2710 20 11		
	2710 20 15		
	2710 20 17		
	2710 20 19		
Fuel oil	2710 19 62	1 275	Ft/ ton
	2710 19 64		
	2710 19 68		
	2710 20 31		
	2710 20 35		
	2710 20 39		
Natural gas	2711	71,67	HUF / GJ

4. Risks and factors affecting budget fulfilment

The Budget was based on the information available in the budgeting period (October 2015). 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 expenditures, the storage fee remains the major item. The second largest item is the cost of financing. If, for comparing the expenditure side of the 2015 and the 2016 budgets, we take out the fuel marking and monitoring costs of the 2015 budget and, instead of the gas storage fee actually paid for 9 months, we consider the amount anticipated for 12 months, with these adjustments the following difference in proportions appear in the structure of costs:

Table 5
Structure of Costs (HUSA)

	2015*	2016
Storage fees, stock maintenance costs	88.0%	91.5%
Financing costs	9.7%	6.5%
Operating costs, asset purchases	2.3%	2.0%
Total	100.0%	100.0%

* Based on adjusted figures expected for 2015

The major risks arising in connection with budget balance are the following.

- Natural gas consumption by non-household consumers in 2016 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 2015. If the actual after-tax profit is lower, less dividend can be paid. For the payment of dividend as planned, the agreement of the financing banks will be necessary; due to the current restriction included in the credit contracts of the company, MMBF Zrt. can only pay half of the dividend calculated on the basis of its after-tax profit. In lack of such agreement with the banks, only half of the expected dividend was included in the budget. Considering the modest budget reserve in the section, amounting to HUF 126.4 Mn, even a moderate decrease of dividends may require raising the contribution fee in the course of the year.
- In the Oil Section, stockpiling obligations may grow faster than expected and, consequently, additional stock purchases could be necessary. In this case, the reserves do not provide sufficient coverage for increased storage and interest costs, and the unit contribution fee may need to be raised.

In order to partly counter the risks outlined above, the General Meeting is advised to authorise 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 $\pm 10\%$.

However, particularly 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 modifying the 2016 Budget will have to be submitted to the General Meeting in May 2016 when the 2015 Annual Report is approved

5. Financial Plan

In decision No. 9/2014 (17.12.2014) on the approval of the 2015 Budget, and in decision No. 5/2015 (28.05.2015) on the amendment of the 2015 Budget, the General Meeting authorised the Directorate to contract loans for stock financing within the limit of maximum EUR 384.5 Mn (credit limit).

On 1 January 2016, loans financing stocks amount to EUR 375 Mn in the portfolio of the Association; this does not exceed the credit limit approved by the General Meeting. In view of the anticipated increase of stockpiling obligations in the Oil Section in 2016, however, new loan agreements concluded in the middle of 2015 included a committed amount of EUR 408 Mn available to HUSA. The amount in excess of the EUR 384.5 Mn credit limit may be drawn subject to approval by the General Meeting.

To ensure the additional petroleum product purchases required according to Chapter 1 concerning the fulfilment of stockpiling obligations, EUR 40 Mn new loans need to be secured, and EUR 2 Mn additional funds are needed for financing petroleum product replacements. This means that, by the end of 2016, the total need of loans financing stocks will grow by EUR 42 Mn, from EUR 375 Mn to EUR 417 Mn.

If the General Meeting approves the credit limit increase, a part of the funds needed for petroleum product purchases may be drawn without tendering procedure, up to the EUR 408 Mn limit. For the remaining EUR 9 Mn additional funding needs, and for refinancing the EUR 90 Mn loans reaching maturity on 30 June 2016, the Association will organise an invitation to tender based on the approval of the General Meeting.

Budapest, 3 November 2015

1. Forecast Balance of Stocks, 2016
2. Expected Credit Portfolio, 31/12/2016
3. HUSA Participation in Affiliated Companies
4. Planning Assumptions
5. Summary Tables of the 2016 Budget

Forecast Balance of Stocks

2016

Oil Section

	Gross opening stocks (01.01.2016)(kt)	Change within the year (kt)	Closing stocks (31/12/2016)		
			Gross stocks (kt)	Net stocks (kt)	Net stocks (ktoe)
Crude oil	491.0	0.0	491.0	441.9	424.2
Petroleum products	733.0	60.0	793.0	713.7	856.4
<i>Gasoline</i>	255.0	0.0	255.0	229.5	275.4
<i>Diesel oil</i>	478.0	60.0	538.0	484.2	581.0
Total	1 224.0	60.0	1 284.0	1 155.6	1 280.6

Gas Section

	Opening stocks (01.01.2016)	Change within the year (sale)	Change within the year (purchase)	Closing stocks (31/12/2016)
Natural gas (Mm ³)	920.6	0.0	0.0	920.6

EXPECTED CREDIT PORTFOLIO FOR 2016 (LOANS FINANCING STOCKS)

Portfolio values and items	Loans (EUR Mn)	Loans (HUF Mn)
Opening value on 01/01/2016	375	118 125
Loans needed for additional petroleum product purchase	40	12 600
Loans needed for petroleum product replacement	2	630
Loans reaching maturity on 30/06/2016	-90	-28 350
Refinancing of loans reaching maturity	90	28 350
Closing value on 31/12/2016	417	131 355

HUSA Participation in Affiliated Companies

Expected for 31 December 2015

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	12 750.5
Terméktároló Zrt	25.9	8.4
Petrotár Kft	20.0	40.0
Total		26 491.2

Planning Assumptions for Budget 2016

	Period	Unit	Value
Consumer Price Index *	2015	%	0.2
Producer Price Index*	2015	%	0.3
Consumer Price Index*	08/2014 - 08/2015	%	0
Producer Price Index*	08/2014 - 08/2015	%	-0.8
Gasoline Price (FOB Rott Prem Unl)	Average for 2nd half of 2015	USD/t	500
Diesel Oil Price (FOB Rott Diesel 10ppm)	Average for 2nd half of 2015	USD/t	500
Natural Gas Consumption**	2016	Bn m ³	8.5
- of which: non household consumption	2016	Bn m ³	5.5
EUR/HUF exchange rate	Average for 2016	HUF	315
EUR/USD exchange rate	Average for 2016	USD	1.1
3-months EURIBOR	Average for 2016	%	0.2
3-months BUBOR	Average for 2016	%	1.36
Diesel Oil Consumption***	2016	thousand m ³	4 050
		kt	3 400
Gasoline Consumption***	2016	thousand m ³	1 750
		kt	1 300
Kerosene Consumption	2016	thousand m ³	225
		kt	175
Fuel Oil Consumption***	2016	kt	20

* Indicators for indexing Custody Fees

** Transfer at domestic exit point

***Consumption subject to contribution fee payment under the Oil Stockpiling Act

SUMMARY TABLE - BUDGET 2016

OIL SECTION

HUF Mn

	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	TOTAL
2015 BUDGET RESERVE	3 000,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3 000,0
Gross contribution fee income	603,6	603,6	689,8	689,8	776,1	689,8	776,1	776,1	776,1	862,3	776,1	603,6	8 622,9
Contribution fee refund	19,7	19,7	22,5	22,5	25,4	22,5	25,4	25,4	25,4	28,2	25,4	19,7	281,7
NET CONTRIBUTION FEE INCOME	583,9	583,9	667,3	667,3	750,7	667,3	750,7	750,7	750,7	834,1	750,7	583,9	8 341,2
Dividend received	0,0	0,0	0,0	0,0	1 660,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1 660,0
Income from capacity sale	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	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	20,0	20,0
OTHER INCOME	0,0	0,0	0,0	0,0	1 660,0	0,0	0,0	0,0	0,0	0,0	0,0	20,0	1 680,0
TOTAL INCOME	3 583,9	583,9	667,3	667,3	2 410,7	667,3	750,7	750,7	750,7	834,1	750,7	603,9	13 021,2
Storage and stock maintenance costs	971,1	908,5	1 020,7	987,8	1 007,8	975,3	1 007,8	1 007,8	975,3	1 007,8	987,8	1 020,7	11 878,6
Interest due, other costs	0,0	0,0	154,4	0,0	0,0	169,7	0,0	0,0	202,5	0,0	0,0	203,6	730,2
TOTAL STOCKPILING COSTS	971,1	908,5	1 175,1	987,8	1 007,8	1 145,0	1 007,8	1 007,8	1 177,8	1 007,8	987,8	1 224,4	12 608,9
OPERATING COSTS OF HUSA	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	285,0
TOTAL EXPENDITURES	994,9	932,3	1 198,9	1 011,6	1 031,6	1 168,7	1 031,6	1 031,6	1 201,5	1 031,6	1 011,6	1 248,1	12 893,8
BALANCE OF INCOME AND EXPENDITURES	2 589,0	-348,4	-531,6	-344,3	1 379,1	-501,4	-280,9	-280,9	-450,8	-197,5	-260,9	-644,2	127,4

SUMMARY TABLE – BUDGET 2016

GAS SECTION

HUF Mn

	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	TOTAL
2015 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	2 308,80	2 431,18	2 666,96	2 270,51	1 844,32	1 588,67	1 383,23	822,26	979,49	1 130,65	1 355,95	1 930,60	20 712,6
Contribution fee refund	855,88	900,80	963,66	807,45	641,41	556,69	463,27	258,35	350,40	395,79	451,03	665,61	7 310,3
NET CONTRIBUTION FEE INCOME	1 452,9	1 530,4	1 703,3	1 463,1	1 202,9	1 032,0	920,0	563,9	629,1	734,9	904,9	1 265,0	13 402,3
Dividend received	0,0	0,0	0,0	0,0	3 218,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3 218,8
Income from capacity sale	0,0	0,0	0,0	230,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	230,3
Interest received	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	0,0	0,0	0,0	230,3	3 218,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3 449,1
TOTAL INCOME	1 452,9	1 530,4	1 703,3	1 693,4	4 421,7	1 032,0	920,0	563,9	629,1	734,9	904,9	1 265,0	16 851,4
Storage costs	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	1 272,3	1 272,3	1 272,3	15 267,6
Interest due, other costs	0,0	0,0	291,5	0,0	0,0	291,5	0,0	0,0	294,7	0,0	0,0	294,7	1 172,4
TOTAL STOCKPILING COSTS	1 272,3	1 272,3	1 563,8	1 272,3	1 272,3	1 563,8	1 272,3	1 272,3	1 567,0	1 272,3	1 272,3	1 567,0	16 440,0
OPERATING COSTS OF HUSA	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	23,8	24,2	285,0
TOTAL EXPENDITURES	1 296,1	1 296,1	1 587,6	1 296,1	1 296,1	1 587,6	1 296,1	1 296,1	1 590,8	1 296,1	1 296,1	1 591,2	16 725,0
BALANCE OF INCOME AND EXPENDITURES	156,8	234,3	115,7	397,3	3 125,6	-555,6	-376,1	-732,2	-961,7	-561,2	-391,2	-326,2	126,4

SUMMARY TABLE – BUDGET FOR YEAR 2016

	HUF Mn		
	OIL	GAS	TOTAL
2015 BUDGET RESERVE	3 000,0	0,0	3 000,0
Gross contribution fee income	8 622,9	20 712,6	29 335,5
Contribution fee refund	-281,7	-7 310,3	-7 592,0
NET CONTRIBUTION FEE INCOME	8 341,2	13 402,3	21 743,5
Dividend received	1 660,0	3 218,8	4 878,8
Income from capacity sale	0,0	230,3	230,3
Interest received	20,0	0,0	20,0
OTHER INCOME	1 680,0	3 449,1	5 129,1
TOTAL INCOME	13 021,2	16 851,4	29 872,6
Storage and stock maintenance costs	-11 878,6	-15 267,6	-27 146,2
interest due, other costs	-730,2	-1 172,4	-1 902,6
TOTAL STOCKPILING COSTS	-12 608,8	-16 440,0	-29 048,8
OPERATING COSTS OF HUSA	-285,0	-285,0	-570,0
TOTAL EXPENDITURES	-12 893,8	-16 725,0	-29 618,8
BUDGET RESULT	127,4	126,4	253,8