

HUNGARIAN
HYDROCARBON
STOCKPILING
ASSOCIATION



ANNUAL REPORT, 2015

HUNGARIAN HYDROCARBON STOCKPILING ASSOCIATION

BUSINESS REPORT / 2015 ANNUAL REPORT

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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 2015 ordinary General Meeting, the Association has 78 active members, which is higher than a year before (72 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	2015
Oil Section	24	25	30	40	29	31	36	37	44
Gas Section	20	20	20	24	29	34	31	36	35
Total*	43	44	49	63	57	64	65	72	78

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

The Association

- uses the income from contribution fees, the capital reserve and other revenues (dividend received, “ticket sales” of surplus storage capacities, interest received) for financing storage costs, the expenditures related to the qualitative and quantitative maintenance of stocks, the interest on loans financing stocks, 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 2015

The Association is responsible for the stockpiling, 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.

The Association fulfilled the tasks for the year 2015 in accordance with the decisions of the General Meeting and the Board of Directors.

The Association continuously monitors and analyses the economic and market developments and changes affecting its activity. The drastic fall of world oil prices and domestic economic developments had a favourable effect on fuel consumption, which led to an increase of stockpiling obligations in the Oil Section. Considering the upward trend of stockpiling obligations, the HUSA Board of Directors decided to purchase 15 kt gas oil in order to raise the level of emergency oil stocks. The Association purchased this quantity in the course of 2015.

In view of the product replenishment obligation due every six years, stipulated by the Oil Stockpiling Act and the Statutes, petroleum product replacements of significant volume were performed in 2015, at the lowest possible cost.

Article 57 b) of Act LIII of 2015 on the Amendment of Certain Acts in the Field of Energy repealed on May 9, 2015 the provisions concerning the introduction and operation of the fuel marking and monitoring system. Consequently, the revenues and expenditures of the Oil Section had to be modified after submitting the proposal to the Board of Directors and the General Meeting. On May 28, 2015, the General Meeting approved the modified Budget.

The withdrawal of the statutory obligation to introduce a fuel marking and monitoring system also required a modification of the Association's Statutes. In addition to the necessary amendment of the text in line with statutory changes, the structure of the Statutes was modified. The resulting text of a more unified and clear structure also separates the substantive and procedural provisions. The General Meeting approved the modification in Decision No. 7/2015 (16/12/2015) and the new Statutes became effective on January 22, 2016, the date of its publication.

Based on the actual data of Q1 2015 in the Gas Section, the Association forecast considerably lower contribution fee revenues than planned, so it decided to review the natural gas consumption estimate for 2015 and the related revenues expected. Based on the authorisation specified in point 2 of Decision No. 9/2014 (16/12/2014) of the General Meeting, the Board of Directors decided to increase by 10 percent the contribution fee in the Gas Section, from HUF/GJ 65.15 to HUF/GJ 71.67, as of June 1, 2015.

At its June 24, 2015 meeting, the Board of Directors decided a Group-level restructuring¹ of the Association and its majority-owned subsidiaries in order to rationalize their operations make use of synergies existing between parallel activities and achieve cost reductions.

In the second half of 2015, the Association prepared for adopting the new operational model, which was introduced on January 1, 2016. The reorganisation led to staff reduction, most managerial positions were eliminated and the functional tasks (accounting, finance, information technology) were outsourced to Opal Zrt, which is wholly owned by HUSA. The rationalization of operations led to significant savings at the Group level already in 2015, and the Association's actual operating costs were much lower than planned.

1.3. Economic environment²

According to the estimates of the International Monetary Fund, the performance of the global economy grew by 3.1% in 2015 in comparison to the previous year, following the 3.4% growth rate in 2014. In 2015, the growth of the global economy was more moderate, mainly due to a slowdown in developing countries, increasing uncertainties in the Chinese economy and various geopolitical tensions. The changes in oil prices also affected the growth rate.

In 2015, GDP growth was 6.9% in China, 2.4% in the United States and 0.4% in Japan from the previous year. Based on preliminary data, the overall performance of EU member states (EU-28) was 1.8% higher than in 2014. According to the available data, most member states had GDP growth; of major national economies, Germany had a growth rate of 1.7% and the United Kingdom 2.2%.

The United States continued to apply loose monetary policies and the rise of interest rates was put off until December 2015. With the adoption of the third bailout package for Greece, the risk of a sovereign debt crisis decreased; however, the financial stability of EU countries is still threatened by the generally high level of government debt and the low profitability of the banking system in Greece.

In the light of good economic indicators and increased expectations in the United States, the EUR/USD exchange rate sank to less than 1.05, but the dollar did not reach parity with the euro in 2015.

In Hungary, real economy recovery continued in a low inflation environment in 2015. The main figures show that Hungary maintained a disciplined approach to fiscal policy, with considerable foreign trade surplus, decreasing external debt, and lessening vulnerability of the government bond market, proving that the country has more shock-resistance than most emerging economies. The same is shown by the fact that, in case of market stress, the Hungarian forint usually remained stronger than the currencies of emerging countries.

On government bond markets, long-term yields slightly picked up, while short-term bond yields continued to decline under the effect of the base rate cut and the changes in policy instruments.

¹ The Group level restructuring concerned the Association, OPAL Tartálypark Zrt.-t (OPAL), which is 100% owned by HUSA, and ÁMEI Zrt (ÁMEI) in which HUSA has 63.7%, OPAL has 31.8% and the Hungarian Petroleum Association (MÁSZ) has 4.5%.

² Source: Central Statistical Office (CSO), National Bank of Hungary, EUROSTAT

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 (liabilities).

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)

In 2013, the Hungarian economy embarked upon a period of dynamic expansion, which continued in 2015. The gross domestic product grew by 3.2% in the 4th quarter of 2015 and by 2.9% in the year 2015 compared to the previous year, according to the estimate of the Central Statistical Office. On the production side, economic growth came primarily from the increase of industrial production, trade, accommodation and catering services, while the performance of agricultural production put a drag on growth. In 2015, economic growth in Hungary was much higher than the EU average (1.8%).

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

Table 2
GDP Volume Indexes in the period 2011-2015
Same period of the previous year = 100.0

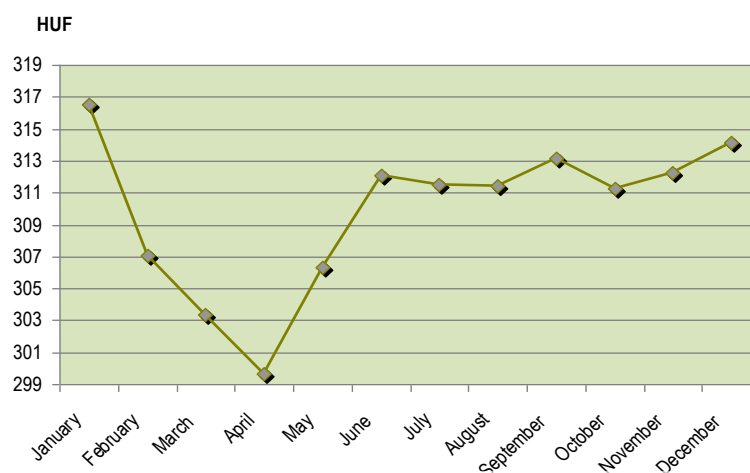
Year	Non-adjusted (raw) data (%)	Data adjusted for calendar effects (%)
2011	101,8	101,8
2012	98,3	98,3
2013	101,9	102,0
2014	103,7	103,6
2015	102,9	102,9

Source: Central Statistical Office

1.3.2. Forint / Euro exchange rate

In the first half of 2015, Euro exchange rate variations were mainly connected to news about the third bailout package for Greece. The first three and a half months of the year were characterised by a steady weakening of the euro/forint exchange rate, which reached its lowest point of EUR/HUF 296.10 in mid April and, after a pickup till the beginning of June, it varied within a band of EUR/HUF 308-315 until the end of the year. In 2015, the annual average exchange rate was EUR/HUF 309.90, while the December 31, 2015 closing rate was EUR/HUF 313.12. This was -0.6% lower than the closing rate of the previous year (EUR/HUF 314.89). The actual average annual rate corresponded to the planned level of EUR/HUF 310.

Diagram 1
Monthly Average Euro/Forint Exchange Rates in 2015



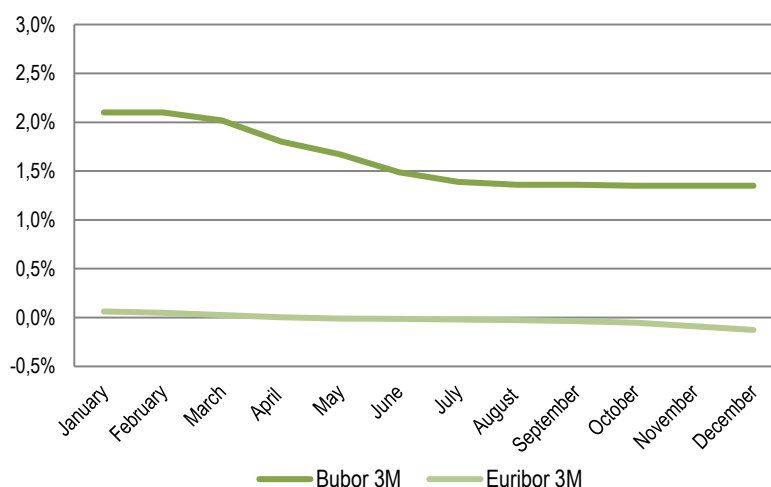
Source: National Bank of Hungary

1.3.3. Interest Rate Context

In 2015, euro rates prevailing in the European economic area continued to fall; the annual average three-month EURIBOR rate was -0.02%. This was lower than the 0.2% level expected in the 2015 Budget.

The Monetary Council of the National Bank of Hungary cut again the base rate in 2015, which reached a historical low of 1.35% in July 2015. 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 1.61%, with an end-of-year value of 1.35%. The average interest rate expected in the 2015 Budget was 1.36%.

Diagram 2
Indicative Interest Rates in 2015



Sources: National Bank of Hungary, European Central Bank

1.3.4. Price of Energy Sources and Products

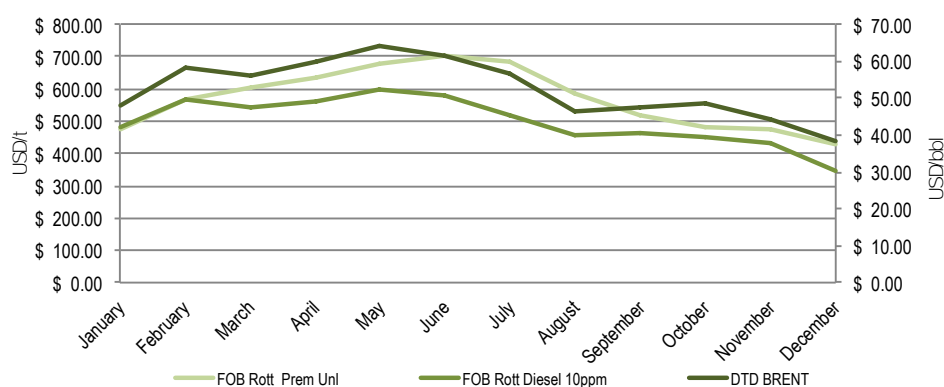
The world market price of crude oil dropped significantly in the third quarter of 2014, and this trend continued in 2015. The North Sea Brent Crude Oil price went down from the 62 USD/bbl level of the end of 2014 to 40 USD/bbl at the end of 2015.

On the fundamental side, the fall in oil prices was supported by sharp increasing oil supply throughout 2014-2015. In 2014, the daily surplus of 1.3 Mn barrels mainly resulted from the extremely rapid increase of crude oil production in North America. Oversupply continued to grow in 2015 in spite of low prices, which is explained by the boosting of oil production in OPEC countries. OPEC oil producers' strategy was to use production policy to protect their world market share, instead of regulating oil prices. Their aim was to squeeze the new high-cost energy sources, such as American shale oil, out of the world market.

On the other side, demand prospects weakened. The slowdown in China, the major oil-consuming country, and the contraction of the Russian economy put a damper on earlier expectations for demand, which also had an effect of lowering oil prices.

The price of petroleum products followed crude oil price variations as usual. On European markets, Diesel fuel prices started a downward trend parallel to diminishing crude oil prices and sank to less than 350 USD/ton at the end of the year. From the initial level of 500 USD/ton in the beginning of the year, gasoline prices fell to 430 USD/ton by the year's end.

Diagram 3
FOB Rotterdam Product Indexes and Brent Dtd Crude Oil Indexes in 2015



1.3.5. Domestic Petroleum Product Consumption

In Hungary, demand for fuel started to grow in the second half of 2013, further strengthened in 2014 and continued to do so in 2015. The overall increase of fuel consumption was 7.6% in 2015 from the previous year. Demand growth was 4.5% on the motor gasoline market and 8.8% in the case of Diesel fuel. Fuel demand growth was partly due to lower consumer prices following the drop in world oil prices after the autumn of 2014, and partly to stronger economic activity in Hungary also boosted by internal

consumption. With the return of consumer confidence, retail consumption climbed in several areas including fuel consumption. This resulted in an increase of freight transport and domestic tourism, which had a positive effect on demand for gasoline and Diesel fuel. “Fuel tourism” especially from the neighbouring Romania and also from Slovenia contributed to higher fuel consumption in Hungary. The most marked fuel sale increase was registered in the proximity of these borders, due to higher tax content in fuel prices in the above countries and the fact that freight carriers also profited from the fuel price difference.

Kerosene consumption continued to grow in 2015; 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 25 kt.

*Table 3
Consumption of Petroleum Products in 2010-2015*

Product group	2010	2011	2012	2013	2014	2015	<i>Unit: kt</i>
							Change (2015/2014) (%)
Gasoline	1 341,4	1 260,0	1 171,8	1 172,0	1 215,0	1 269,4	104,5%
Gas oil	2 983,8	2 888,7	2 660,8	2 777,5	2 977,7	3 240,2	108,8%
Fuel	4 325,2	4 148,7	3 832,6	3 949,5	4 192,7	4 509,6	107,6%
Kerosene	230,6	225,8	169,6	164,0	170,2	178,1	104,6%
Fuel oil	42,8	44,0	34,4	33,1	29,9	24,0	80,3%
Total	4 598,6	4 418,5	4 036,6	4 146,6	4 392,8	4 711,7	107,3%

The quantity of petroleum products for energy production imported for placement into free circulation, involving contribution payment obligation, was 4 711.7 kt according to HUSA records, and 4 712.8 kt according to the National Tax and Customs Administration (NTA). The difference between the two data (0.023%) is due to the different methodologies used for converting litres 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 to NTA.

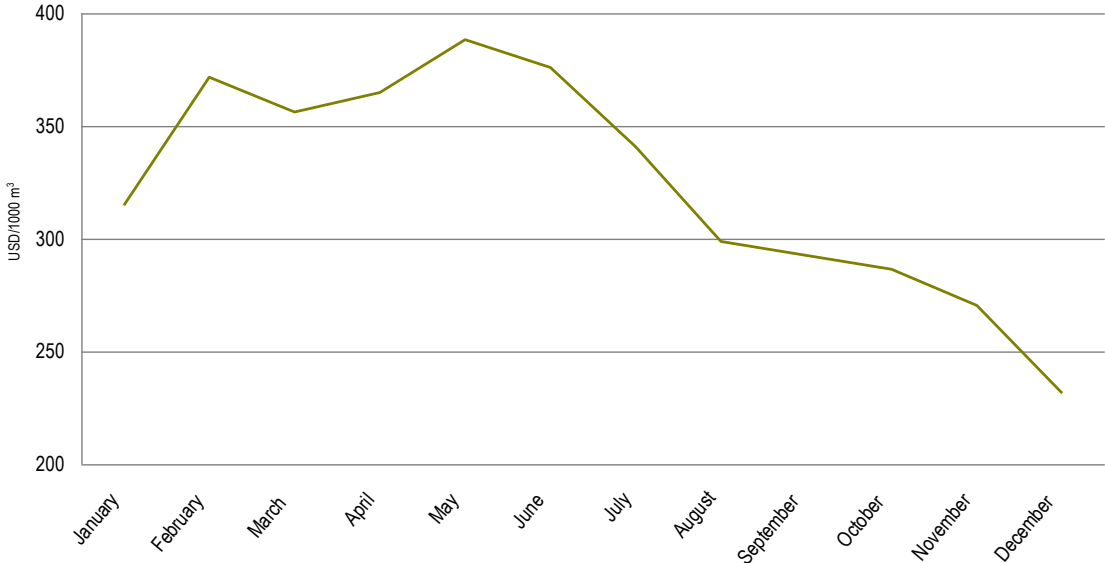
1.3.6. Domestic Natural Gas Prices

The import price of natural gas coming from Russia – which fundamentally determines the domestic wholesale price of natural gas – is based on the weighted average of fuel oil and gas oil stock prices in the nine months preceding a given quarter. The world market price of crude oil, which started on a downward trend in the last quarter of 2014, had an effect on the “oil-based” wholesale price level in 2015.

The Dutch natural gas spot market price, which fundamentally determines European wholesale gas prices, started to decline steadily in the first quarter of 2015; this continued throughout the year, resulting in 20 percent annual decrease, and the price of gas sank under EUR 17/MWh (about 195 USD/1000 m³) by the end of the year. The fall in gas price was partly due to the oversupply of LNG, used as a “replacement product”; another major factor was the decline in oil prices, which started to have an effect in the end of 2014.

In 2015, the mixed price (60/40%)³ of natural gas moved within the range of 230-390 USD/1000 m³.

*Diagram 4
Natural Gas Prices in 2015*



1.3.7. Domestic gas consumption

The data of the transmission system operator (hereinafter: TSO) show that, contrary to the downward trend of recent years, consumption based on physical transmission of gas increased in 2015. The gas volume of 8 800 Mn m³ in 2015 is 6.2% higher than in the previous year. The available data from research and analysis⁴ show that the increase was mainly due to particularly low consumption in the basis year; unusually mild winter temperatures led to significantly lower gas consumption in the 2014 heating period. Air temperature has great impact on gas demand; based on historical data, 1°C temperature decrease increases daily gas consumption by 2 Mn m³ on average. The Degree-day values⁵ of the two years show a change in the same direction; the annual degree-day value calculated on the basis of the 2014 mild temperature data was 1961 HDD, and that of 2015 was 2239 HDD.

³ 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.

⁴ Source: own calculations made on the basis of the temperature graphs of the National Meteorological Service (OMSZ).

⁵ Degree-day value: is a measure of temperatures falling below the temperature threshold expressed in proportion to the quantity of cold, as defined by the Network Code. (Source: Government decree No 19/2009 (30/01/2009) on the implementation of the provisions of Act XL of 2008 on Natural Gas Supply).

The increased demand for electricity owing to summer cooling needs, and the restarting of operations at several power generation plants having regained competitiveness due to lower gas prices, somewhat contributed also to the increase of gas consumption in 2015. The more efficient natural gas power plants operated at about 50% of capacity, which was not typical in recent years. But, contrary to the rise of gas consumption for electricity production, gas consumption for industrial use continued to decline throughout the year. As a result of these two contrary developments, there was an insignificant increase in non-domestic gas consumption, amounting to some tens of millions of cubic meters, in comparison to the previous year.

Table 4
Annual Gas Consumption Based on TSO's Data

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Mn GJ	467,0	424,0	425,4	374,7	401,3	375,2	342,3	309,6	283,4	301,1
Mn m ³	13 615	12 362	12 402	10 924	11 700	10 939	9 978	9 026	8 262	8 778

2. Fulfilment of the stockpiling obligation

2.1. Volume of Stocks

2.1.1. Liquid Hydrocarbons

At the end of 2015, total gross stocks (including immobile stocks) amounted to 1 224.1 kt in the Oil Section, corresponding to 1 215.0 ktoe in crude oil equivalent (referred to as: ktoe), the unit used for calculating stockpiling obligations. Stocks increased by 14.1 kt compared to the opening level in January, which was mostly the result of the gas oil purchase made in accordance with the decision of the Board of Directors.

Table 5
Changes in stocks in the Oil Section, 2015 (kt)

Stocks	Opening stocks* 01/01/2015	Change within year relative to stock sales and purchase in 2015 (balance of purchase and sales)	Change within year relative to stock replacements in 2015 (balance of purchase-sales)	Closing stocks* 31/12/2015	Change in stocks due to storage, manipulation (loss/surplus)
Crude oil	491,5	0,0	0,0	491,4	-0,1
Gasoline	255,5	0,0	-0,8	254,6	-0,1
Diesel fuel	463,0	15,2	0,1	478,1	-0,2
Total	1 210,0	15,2	-0,7	1 224,1	-0,4

In accordance with the Oil Stockpiling Act and the requirements of the European Union, the stockpiling obligation of HUSA is determined since March 2013 according to the net imports of crude oil and petroleum products realized in the previous year. For calculating this, the balance of exports and imports of refinery feedstocks⁶ adjusted for change in stocks, is further adjusted for the annual domestic naphtha yield⁷, to which the net imports of petroleum products⁸ 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 2014, used for calculating the net imports that determine the 2015 stockpiling obligation.

⁶ Refinery feedstocks: crude oil, natural gas condensates (NGL), raw materials for refineries, additives, oxygenates, other carbohydrates.

⁷ The yield reduced by return stream to refineries from chemical industrial production.

⁸ Petroleum products: refinery gas (non liquefied), ethane, liquefied gas (LPG), motor gasoline, aviation gasoline, gasoline-type jet fuel, kerosene-type jet fuel, other kerosene, gas oil/Diesel fuel, heating oil for commercial and industrial uses, fuel oil with low sulphur content (sulphur content lower than 1%), fuel oil with high sulphur content (sulphur content of 1% or higher), white spirit and other special gasoline, lubricants, bitumen, paraffin waxes, petroleum coke, other refinery products.

Table 6
Calculation and Fulfilment of Liquid Hydrocarbon Stockpiling Obligations in 2015

Refinery feedstocks		<i>kt</i>
a	Imports of refinery feedstocks	6 463
b	Exports of refinery feedstocks	23
c	Change in stocks of refinery feedstock	-33
	a-b+c	6 407

Petroleum products		<i>kt</i>
d	Imports of petroleum products	1 909
e	Exports of petroleum products	3 231
f	Change in stocks of petroleum products	-35
	d-e+f	-1 357

Calculation of industrial gasoline yield		<i>kt</i>
h1	Industrial gasoline production	904
h2	Return stream to refineries from industrial production	331
h3	Refinery feedstocks used	8 327
h	Industrial gasoline yield (%) $(h1-h2)/h3*100$	6,90
g	$1-h/100$ or 0.96 if $h < 7\%$	0,960

Net imports		<i>ktoe</i>
N	Annual net imports $(a-b+c)*g + (d-e+f)*1,065$	4 706
A	Average daily net imports $(N/365)$	12,89
	90 days' net imports: $A * 90$	1 160

In 2014, net imports amounted to 4 706 kt in crude oil equivalent; accordingly, the 90 days' stockpiling obligation was 1 160 ktoe for the period specified by law (April 1, 2015 – March 31, 2016). On April 1, 2015, the level of stocks was equivalent to 93 days' average net imports.

In 2015, with the authorisation of the Board of Directors, the Association reviewed its stockpiling strategy; in its forecast, it projected a further increase in domestic fuel consumption and a gradual decline in domestic crude oil production, with the consequent growth of imports and stockpiling obligations. Considering the low level of crude oil prices in 2015, the Board of Directors approved the procurement of 15 kt gas oil, in addition to the use of available free storage capacities; the approved quantity was purchased in October 2015.

Table 7
Net Closing Stocks and Days of Stocks on December 31, 2015

	Net volume (without immobile stocks)	
	<i>kt</i>	<i>ktoe</i>
Crude oil	490,8	424,1
Petroleum products	732,2	790,8
Total	1 223,0	1 214,9
Number of stock days	94	

2.1.2. Natural gas

The Association's opening stocks of natural gas on January 1, 2015, as well as its closing stocks on December 31, 2015, were 31.7 Mn GJ (920.6 Mn m³). Decree No. 13/2015 (31/03/2015) of the Ministry of National Development "on the Extent of Strategic Natural Gas Storage" set the mandatory level of gas stocks at 915 Mn m³, which remained at the same level during 2015.

Table 8
Level of Stocks of the Gas Section in 2015

Stocks	Opening stocks 01/01/2015			Change over the year (balance of purchases- sales)			Closing stocks 31/12/2015		
	Mn m ³	Mn GJ	kWh	Mn m ³	Mn GJ	kWh	Mn m ³	Mn GJ	kWh
Natural gas	920,6	31,7	9 753 158 379	0,0	0,0	0,0	920,6	31,7	9 753 158 379

2.2. Storage of stocks

On December 31, 2015, 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			260,5
	Tiszaújváros			130,9
	Celldömök	29,4	65,9	
	Vámosgyörk	29,1	66,8	
	Pétfürdő	44,5	67,0	
	Mád		8,3	
	Szajol	14,3	2,7	
	Komárom		14,0	
OPAL Tartálypark Zrt in total		117,3	224,7	391,4
MOL Nyrt	Százhalombatta			46,5
	Tiszaújváros			53,5
MOL Nyrt in total		0,0	0,0	100,0
Terméktároló Zrt	Tiszaújváros	88,1	109,3	
	Komárom	16,9	28,3	
	Szajol	32,3	115,8	
Terméktároló Zrt in total		137,3	253,4	0,0
Altogether		254,6	478,1	491,4

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

Storage company	Storage plant	Volume		
		Mn m ³	Mn GJ	kWh
MMBF Zrt	Szőreg I.	920,6	9 753 158 379,0	9 753 158 379

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

3. Fulfilment of the budget

The budget of the Association has special structure based on the cash accounting principle used for determining income from contribution fees. This differs from the business plan model applied by economic entities. Consequently, the report on the fulfilment of the business plan has a different structure than the ones applied by economic entities. In accordance with Article 37 (1) of the Oil Stockpiling Act, the business report presents detailed information on the fulfilment of the budget in figures and text.

In Article 37 (2) and (3), the Oil Stockpiling Act stipulates that the annual activity and financial position of the Association have to be presented also in the form of the Balance Sheet and the Profit and Loss Statement as described in Act C of 2000 on Accounting (Accounting Act).

The two structures differ considerably; the objectives of the Association are reflected by the Budget Report containing the results at the budget level, so the present chapter focuses on the fulfilment and evaluation of this. The differences between the Budget Report and the Profit and Loss Statement referred to in the Accounting Act will be described in this report when explaining the way to obtain the Pre-Tax Profit of the Accounting Act from the profit at the budget level (Budget Result).

3.1. 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
2014 BUDGET RESERVE	5 000	5 589	-	0	0	-	5 000	5 589	-
Contribution fee paid	7 913	8 273	105%	19 270	19 976	104%	27 183	28 249	104%
Contribution fee recovery	-634	-291	46%	-6 866	-7 205	105%	-7 500	-7 496	100%
NET CONTRIBUTION FEE REVENUE	7 279	7 982	110%	12 404	12 771	103%	19 683	20 753	105%
Dividend received + capital reduction	269	300	112%	1 116	1 265	113%	1 385	1 565	113%
Booked capacities / ticket sales	0	0	-	230	208	90%	230	208	90%
Interest received	100	91	91%	0	0	-	100	91	91%
OTHER REVENUE	369	391	106%	1 346	1 473	109%	1 715	1 864	109%
TOTAL REVENUE	12 648	13 962	110%	13 750	14 244	104%	26 398	28 206	107%
Storage and maintenance fees	-10 862	-10 847	100%	-11 451	-11 450	100%	-22 313	-22 297	100%
Interest due, other costs	-977	-610	62%	-1 939	-1 296	67%	-2 916	-1 906	65%
STORAGE COSTS	-11 839	-11 457	97%	-13 390	-12 746	95%	-25 229	-24 203	96%
OPERATING COSTS OF HUSA	-340	-282	83%	-340	-282	83%	-680	-564	83%
TOTAL EXPENDITURES	-12 179	-11 739	96%	-13 730	-13 028	95%	-25 909	-24 767	96%
BUDGET RESULT	469	2 223	474%	20	1 216	6079%	489	3 439	703%

3.2. Revenues

In 2015, total revenues of HUSA amounted to HUF 28 206 Mn, which was 7% higher than planned, with higher than expected revenues for the two Sections. Of total revenues, the share of the Oil Section was HUF 13 962 Mn and the share of the Gas Section was HUF 14 244 Mn, as detailed below.

3.2.1. Contribution fee revenues

The General Meeting and the Board of Directors of the Association approved the following contribution fees for 2015:

Table 12
Contribution Fees in 2015

Product	Unit	01/01/2015- 31/05/2015	01/06/2015- 31/12/2015	Combined nomenclature 01/01/2015-31/12/2015
Gasoline type fuel	HUF/ 1000 litres ₁₅	1 500		2710 1231 , 1241, 1245, 1249, 1251, 1259, 1270
Kerosene	HUF/ 1000 litres ₁₅	1 252		2710 19 21
Gas oil	HUF/ 1000 litres ₁₅	1 405		2710 1943, 1946, 1947, 1948, 2011, 2015, 2017, 2019
Fuel oil	HUF/ t	1 275		2710 19 62, 1964, 1968, 2031, 2035, 2039
Natural gas	HUF/ GJ	65,15	71,67	2711

In 2015, the members of the Oil Section paid HUF 8 273 Mn contribution fees to HUSA, which was nearly 5% higher than planned (HUF 7 913 Mn) due to higher than expected fuel consumption.

Members recovered HUF 291 Mn contribution fees on 185.1 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 Defence Force and to non energy-related use.

The members of the Gas Section paid HUF 19 976 Mn contribution fees based on the reports submitted; this is 4% higher than the amount figuring in the 2015 budget plan. However, based on Articles 8 (8) – (10) of the Gas Stockpiling Act, member companies recovered the contribution fees paid on the 3.1 Bn m³ heat capacity sold to household consumers, so gross revenues decreased by HUF 7 205 Mn, to HUF 12 771 Mn. This net amount is 3% (HUF 367 Mn) higher than planned (HUF 12 404 Mn), due to the June 1, 2015 increase of contribution fee levels in the Gas Section. Based on the reports submitted by member companies, total non household gas consumption was 5.46 Bn m³ in

2015, which was lower than expected in the budget (5.6 Bn m³). So net contribution fee revenues would not have reached the budgeted level without the increase of the contribution fee.

Total revenues of the two Sections amounted to HUF 20 753 Mn, which was 5% higher than planned (HUF 19 683 Mn).

3.2.2. Other revenues (other than contribution fees)

In 2015, dividend revenue was higher than planned in the two Sections.

In the Oil Section, the dividend received from Terméktároló Zrt (HUF 285 Mn) was HUF 16 Mn higher than planned, and ÁMEI Zrt paid HUF 15 Mn non budgeted unexpected dividend to HUSA.

In the Gas Section, MMBF Zrt paid HUF 1 265 Mn dividend, which was HUF 149 Mn higher than planned.

In the Oil Section, the revenues from the “ticket” sales of a part of surplus stocks existing in addition to the obligatory level are accounted among other revenues. No such revenues were planned or accounted for 2015.

In the Gas Section, HUF 208 Mn other revenues came from the secondary sales of interruptible withdrawal and injection capacities booked in gas storage facilities.

From the lockup of temporary liquidity surplus, revenues were HUF 9 Mn lower than expected (HUF 91 Mn); this was mainly due to lower than planned actual interest rates in 2015.

3.3. Expenditures

3.3.1. Storage and stock maintenance costs

In the Oil Section, annual storage costs in 2015 were mostly as planned. Total costs of the storage and maintenance of crude oil and petroleum products amounted to HUF 10 847 Mn.

In the Gas Section, storage costs were almost exactly at the planned level, with a difference of only minus HUF 1 Mn.

Total storage costs of the two Sections amounted to HUF 22 297 Mn, which was HUF 16 Mn lower than planned.

3.3.2. Financing costs

The major part of financing costs is constituted by the interest on loans financing stocks, and a smaller part is represented by other costs related to loan agreements.

The interest costs of loans financing stocks were lower than planned for the two Sections. One of the reasons was the lower than expected base rate. The Association also took advantage of favourable conditions offered in response to its call for tenders for the refinancing of loans expiring in 2015; in addition to refinancing loans reaching maturity, the Association prepaid loans not yet reaching expiry, taking new loans with longer term and lower interest premium. Consequently, interest costs (HUF 1 906 Mn) were lower than expected in the Business Plan (HUF 2 916 Mn), and HUF 1 010 Mn savings were made in this budget line.

3.3.3. Operating costs

Operating expenses were much lower than planned and only 83% of the available funds were used. In 2015, total actual operating costs amounted to HUF 564 Mn, which was HUF 116 Mn lower than planned (HUF 680 Mn).

Personnel costs remained within the planned limits despite the additional expenses due to staff reduction in connection to restructuring.

The "Costs of services" were 21% 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; the latter two were lower than planned as a result of restructuring.

„Other expenditures" were lower than planned because the fuel subsidy fund provided to the National Tax Authority was not increased in 2015.

Additional savings on "other expenditures" were made on transaction fees paid to banks.

The costs of purchase of tangible assets were also lower than expected due to the introduction of tangible assets management at the group level within the framework of restructuring, making use of the synergies existing at that level.

Table 13
Main Cost Elements (HUF Mn)

	2015	2015	2015
	Plan	Actual	Actual/Plan
Material and material-type costs	8	5	63%
Personnel expenses	475	402	85%
Value of services	105	83	79%
Other costs	12	10	83%
Other expenditures	50	37	74%
Purchase-sale of tangible assets	30	27	90%
Total	680	564	83%

3.4. Budget Result

In the 2015 Budget of the Association, HUF 489 Mn profit at the budget level (budget result) was planned. The actual budget result was HUF 3 439 Mn, which is HUF 2 950 Mn higher than planned, resulting from the HUF 2 223 Mn profit obtained in the Oil Section and the HUF 1 216 Mn profit of the Gas Section.

3.5. Profit Before Taxation, Retained Earnings, Capital Reserve

In addition to the revenues and expenses presented in the budget structure, the sum of costs and revenues of other economic events (sales of stocks, purchase of tangible assets, other events not planned or events not including monetary movement) also need to be taken into account in the Profit and Loss Statement prepared according to the Accounting Act.

To obtain Profit Before Taxation according to the Accounting Act, the Budget Result is adjusted for the items detailed below; in the case of HUSA, the amount of Profit Before Taxation corresponds to the amount of Retained Earnings, considering that the Association is not subject to Act LXXXI of 1996 on Corporate Tax and Dividend Tax.

Table 14
Profit Before Taxation / Capital Reserve in 2015 (HUF Mn)

	Actual
Profit at the budget level (budget result)	3 439
Profit from stock sales and stock replacement	4 674
<i>of which: Crude oil</i>	
<i>revenues</i>	14 181
<i>costs</i>	12 026
<i>profit/loss</i>	2 155
<i>Sale of gas oil</i>	
<i>revenues</i>	3 627
<i>costs</i>	3 099
<i>profit/loss</i>	528
<i>Sale of gasoline</i>	
<i>revenues</i>	10 406
<i>costs</i>	8 415
<i>profit/loss</i>	1 991
<i>Sale of natural gas</i>	
<i>revenues</i>	0
<i>costs</i>	0
<i>profit/loss</i>	0
2014 Budget reserve	-5 589
Storage fee difference	-3 817
Exchange rate variation of for.ex. loans, for.ex.	705
Purchase and sale of tangible assets	27
Depreciation	-29
Adjustment for other income	2
Total correction items	-4 027
Retained Earnings /Capital Reserve	-588

3.4.1. Stock sale, purchase and replacements

In 2015, total Accounting Earnings from stock replacements of crude oil and petroleum products (sale and purchase) amounted to HUF 4 674 Mn, due to the fact that the sales price was higher than the clearing price at which the stocks were registered. When accounting stock replacements, 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 needs to be taken into account in the Profit and Loss Statement.

In 2015, petroleum product replacements included the sale and purchase of 45 kt motor gasoline and 15 kt Diesel oil. Moreover, the sale and purchase of 80 kt crude oil was performed for coverage purposes, in connection with stock replacements.

3.5.2. Budget Reserve in 2014

The HUF 5 589 Mn budget reserve carried forward from 2014 was taken into account as income in the 2015 Budget. However, this is not an income from an accounting point of view; it diminishes Accounting Earnings.

3.5.3. Storage Fee Difference

The storage fee difference comes from the fact that the Association prepaid 3 months' storage fee to MMBF Zrt (advance), on the basis of the storage agreement between them. In 2015, the contracting parties discontinued the practice of prepayment and settled accounts for the 3 months' storage fee. From an accounting point of view, this meant that the deferral for 3 months' advance appearing in the books of HUSA was settled (removed) against the budget result. This did not involve monetary movements and affected only the Accounting Earnings and not the Budget Result.

3.4.4. Exchange gain (loss) on Foreign Exchange Loans

In 2015, 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 gain of HUF 705 Mn.

3.4.5. 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.

3.4.6. 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 2015, HUF 29 Mn depreciation was accounted.

3.4.7. Adjustment for Other Revenues

The adjustment is necessary due to Other Revenues (e.g. damages paid by insurance companies, gain from rounding up/down, other revenues) appearing in the Accounting Earnings and not in the Budget Result.

As a whole, the balance of increasing and decreasing items is HUF 4 027 Mn. The Budget Result (HUF 3 439 Mn) needs to be reduced by this amount to obtain the Profit Before Taxation referred to in the Accounting Act (which correspond to Retained Earnings) amounting to HUF -588 Mn.

In accordance with Article 37 (2) of the Accounting Act, this amount has to be placed in the budget reserve when opening the 2016 Balance Sheet and the negative budget reserve would be set off from the capital reserve. In comparison to the HUF 199 849 Mn capital reserve, the amount of the negative budget reserve is insignificant, so the financial position of the Association remains stable despite the accounting of the loss.

4. 2015 Balance Sheet, Financial Position of the Association

4.1. 2015 Balance Sheet

The end-of-year balance of assets and sources was HUF 319 012 Mn. The Assets Employed amounted to HUF 27 442 Mn, mainly composed of the net value of participations in various companies.

The value of current assets was HUF 291 558 Mn, of which the book value of stocks was HUF 279 480 Mn. Receivables amounted to HUF 4 198 Mn and liquid assets represented HUF 7 879 Mn.

Among sources, the value of the Association's own sources was HUF 199 849 Mn, which comprises the profits made in previous years and the accounting loss of 2015.

Liabilities totalled HUF 119 104 Mn. Of these, short-term liabilities amounted to HUF 25 794 Mn, mainly composed of short-term loans (HUF 24 110 Mn) and the part of long-term loans falling due within one year. Accounts payable to suppliers amounted to HUF 91 Mn, and liabilities toward affiliated companies were HUF 1 267 Mn, all of which were supply obligations.

The value of accrued and deferred liabilities was HUF 59 Mn, most of which came from capacity reservation fee income due in 2016.

The 2015 Balance Sheet and Profit and Loss Statement of the Association are contained in the Report.

4.2. 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 Association had sufficient liquidity at all times to perform its activity and always fulfilled its payment obligations in a timely and accurate manner.

On December 31, the book value (registration value) of stocks was HUF 279 480 Mn. The principal value of loans financing stocks amounted to EUR 375 Mn (HUF 117 420 Mn)⁹. The market value of stocks was HUF 229 090 Mn on December 31.

⁹ Calculated as the exchange rate of December 31, 2015 of the National Bank of Hungary.

Table 16
Loan Portfolio of the Association on December 31, 2015

Foreign exchange loan	Interest rate	Average margin	Credit line	Amount drawn
Loans financing stocks	EURIBOR	1,28	408,0	375,0
Total EUR (Mn)			408,0	375,0
<i>Total HUF (Mn)</i>			<i>127 753,0</i>	<i>117 420,0</i>

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

Table 17
Main Indicators of the Association's financial position

	2011	2012	2013	2014	2015	Change 2015/2014
Equity ratio						
<u>Equity</u> %	42,4	57,6	69,2	62,7	62,7	100,0
Total sources						
Liquidity ratio						
<u>Liquid assets+receivables</u> %	61,1	35,0	43,1	41,0	46,2	112,5
Short-term liabilities						
Indebtedness ratio						
<u>Liabilities+Accrued expenses</u> Equity capital	1,4	0,7	0,4	0,6	0,6	-

5. Activity of affiliated companies in 2015

5.1. Affiliated companies

The Association has the following participations in affiliated companies.

Table 18
Affiliated Companies (December 31, 2015)

Company name	HUSA ownership ratio (%)	Participation (HUF Mn)
OPAL Tartálypark Zrt	100,0	13 552
ÁMEI Zrt	63,6	140
MMBF Zrt	48,9	12 751
Terméktároló Zrt	25,9	8
Petrotár Kft	20,0	40
Total		26 491

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.

5.1.1. 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 December 1, 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 m³ crude oil and 380 thousand m³ fuel storage space at five locations (this includes two storage tanks of 20 000 m³ constructed and placed into service in Pétfürdő in 2014).

MMBF Natural Gas Storage Close Company

The Association established MMBF Natural Gas Storage Close Company (MMBF Zrt) in 2006 with a registered capital of HUF 1 Bn, in order to help ensure the fulfilment of the tasks set out in the Gas Stockpiling Act, initially as project company and later as storage company.

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

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

Since December 15, 2009, the storage facility has the capacity to store 1 200 Mn m³ emergency gas stocks in accordance with the custody agreement. In line with legal requirements, the statutory level of stocks remained 920.6 Mn m³ during the year 2015.

Terméktároló Zrt

Terméktároló Zrt was established by MOL Plc 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 m³ storage capacity was created in Tiszaújváros and Szajol. Since October 2015, the Association has used the maximum capacity level of 490 thousand m³ specified by the custody agreement, taking account of the 15 kt gas oil purchase and of the capacities rented from MOL Plc.

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 m³ 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, 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 fulfilment 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 January 1, 2012.

5.1.2. ÁMEI Zrt

ÁMEI Petroleum Products Quality Inspection Company (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.

5.2. Activity and financial position of storage companies in 2015

The data and information available on the 2015 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 285 Mn dividend from Terméktároló Zrt, HUF 1 265 Mn from MMBF Zrt and HUF 15 Mn from ÁMEI Zrt for the 2014 business year, in accordance with the Association's ownership ratio. The Supplementary Notes describe the profit figures and the changes in equity of the storage companies.

6. Monitoring activity of the Association in 2015

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 XXIII of 2013 and Act XXVI of 2006) and the Statutes.
- Inspections at the affiliated storage companies and their facilities in order to verify the fulfilment of their contractual obligations, the preservation of the quantity and quality of the Association's products and the fulfilment and maintenance of storage conditions that have to be in accordance with complex technical, safety and environment protection criteria.

6.1. Monitoring of contribution fee payments

Since January 1, 2012, the Association uses risk analysis to determine the type and frequency of monitoring contribution fee payment. 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. In 2015, inspections were performed at member companies in 95 cases.

In 2015 in the Oil Section, one member company was given a demand note, and two member companies received written request for the payment of late interest, altogether amounting to HUF 8 thousand. HUSA has no overdue claims toward member companies exceeding 90 days.

In the Gas Section, 11 member companies were given a demand note and, in the case of 5 member companies, a decision of the executive director was issued concerning non-fulfilled liabilities. Members of the Gas Section had HUF 49 Mn overdue liabilities on December 31, 2015, of which HUF 32 Mn more than 30 days overdue. The collection of debts less than 30 days overdue is generally carried out successfully 5 to 10 days after dispatching the demand note or the decision of the executive director.

Under its Cooperation Agreement with HUSA, the National Tax Authority (NTA) verifies each month the veracity of quantitative data of petroleum products supporting the contribution fee declarations of members; moreover, NTA supplies to HUSA sales and purchase data of petroleum products falling under contribution payment obligation. As a result of the information technology developments relating to the successful cooperation, member companies fulfil all contribution fee reporting obligations electronically (including the completion of the declaration form, authentic electronic signatures, dispatching) since February 2015.

The monthly data supply of the TSO, aiming to support the monitoring of member companies in the Gas Section, was completed in October 2015 with the indication of the amount of energy based on Gross Calorific Value (kWh), with the authorisation given in point 18.1.9 of the Statutes, to satisfy gas market requirements.

6.2. Monitoring of storage companies and storage sites

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

In a targeted review performed at all storage sites, we 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 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.

7. Organisational structure of the Association

On the balance-sheet date, the staff of the Association consisted of 8 members, of whom 7 full-time employees, and one person on childcare support. The statistical average was 13 persons in 2015.

8. 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.

9. International relations

In 2015, HUSA continued the activities undertaken 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 fulfilment 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.

The Association actively participated in the emergency review of Hungary performed by IEA in October 2015.

Budapest, April 27, 2016

Dr. Béla Attila Bártfai
CEO

Zsuzsanna Dávid
Deputy CEO

Statistical number:

18053302-9499-599-01

Budapest-Capital Regional Court Reg. No.:

01-08-0000001

Hungarian Hydrocarbon Stockpiling Association

1037 Budapest, Montevideo u. 16/b.

Annual Report

2015

Dated: Budapest, April 27, 2016

Head (Representative) of the Entity

Stamp

Statistical number:
18053302-9499-599-01

Budapest Metropolitan Court Reg. No.:
01-08-0000001

BALANCE SHEET "A" Assets

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2015
a	b	c	d	e
1	A. Assets employed	27 454 030	0	27 442 073
2	I. INTANGIBLE ASSETS	870 733	0	868 425
3	Capitalised Value of Establishment and Restructuring			
4	Capitalised Value of R+D			
5	Rights	14 723		13 136
6	Intellectual Property	1 468		747
7	Business Value-Goodwill	854 542		854 542
8	Advance payment for intangibles			
9	Reassessment of Intangible Assets			
10	II. FIXED ASSETS	55 193	0	55 034
11	Real estates and related rights	21 868		19 580
12	Machinery and Equipment			
13	Other Equipment, fittings and vehicles	33 325		35 454
14	Breeding Livestock			
15	Capital expenditures, renovation			
16	Advance Payment on Capital Expenditures			
17	Reassessment of Fixed Assets			
18	III. FINANCIAL INVESTMENTS	26 528 104	0	26 518 614
19	Participations in affiliates	26 491 223		26 491 223
20	Long-term loans granted to affiliates			
21	Other participations			
22	Loang-term loans granted to other participations			
23	Other long-term loans granted	36 881		27 391
24	Long-term credit securities			
25	Reassessment of Financial Investments			

Dated: Budapest, April 27, 2016

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BALANCE SHEET "A" Assets

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2015
a	b	c	d	e
26	B. Current assets	288 332 033	0	291 557 570
27	I. INVENTORIES	271 692 188	0	279 480 411
28	Materials			
29	Work in progress and semi-finished products			
30	Growing, feeding and other livestock			
31	Finished goods			
32	Goods	271 692 188		279 480 411
33	Advance payment for Inventories			
34	II. RECEIVABLES	10 605 869	0	4 197 921
35	Accounts Receivable (Trade Receivables)	806 455		6
36	Receivables from affiliates			
37	Receivables from other participations			
38	Receivables from bills of exchange			
39	Other receivables	9 799 414		4 197 915
40	III. SECURITIES	0	0	0
41	Participations in affiliates	0		0
42	Other participations			
43	Own shares and holdings			
44	Credit securities for trading			
45	IV. CASH	6 033 976	0	7 879 238
46	Cash in hand, cheques	560		637
47	Bank accounts	6 033 416		7 878 601
48	C. Accruals	3 835 752	0	11 913
49	Accrued revenue	7 808		1 531
50	Accrued costs and expenses	3 827 944		10 382
51	Deferred expenses			
52	Total assets	319 621 815	0	319 011 556

Dated: Budapest, April 27, 2016

Head (Representative) of the Entity

Stamp

Statistical number:
18053302-9499-599-01

Budapest Metropolitan Court Reg. No.:
01-08-0000001

BALANCE SHEET "A" Liabilities

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2015
a	b	c	d	e
53	D. Shareholders' Equity	200 436 954	0	199 848 970
54	I. SHARE CAPITAL			
55	of which: Own Shares and Stocks repurchased			
56	II. CALLED UP CAPITAL NOT FUNDED (-)			
57	III. CAPITAL RESERVE	200 436 954		200 436 954
58	IV. ACCUMULATED PROFIT RESERVE			
59	V. DEPOSITED RESERVE			
60	VI. VALUATION RESERVE			
61	VII. RETAINED EARNING			-587 984
62	E. Provisions, Allowances	0	0	0
63	Provisions for Expected Losses			
64	Provisions for Expected Obligations			
65	Other Provisions, Allowances			
66	F. Liabilities	119 120 458	0	119 103 885
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	78 565 055	0	93 309 760
72	Long-term loans received			
73	Convertible bonds			
74	Payable for Bond issue			
75	Investment and development loans			
76	Other long-term loans	78 565 055		93 309 760
77	Long-term liabilities to affiliates			
78	Long-term liabilities to other participations			
79	Other long-term liabilities			

Dated: Budapest, April 27, 2016

Head (Representative) of the Entity

Stamp

Statistical number:
18053302-9499-599-01

Budapest Metropolitan Court Reg. No.:
01-08-0000001

BALANCE SHEET "A" Liabilities

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2015
a	b	c	d	e
80	III. SHORT-TERM LIABILITIES	40 555 403	0	25 794 125
81	Short-term credits			
82	Of which: convertible bonds			
83	Short-term loans	38 101 690		24 110 240
84	Advances received from customers			
85	Accounts payable to suppliers (trade creditors)	1 266 388		91 210
86	Debts under bills of exchange			
87	Short-term liabilities to affiliates	1 035 211		1 267 222
88	Short-term liabilities to other participations			
89	Other short-term liabilities	152 114		325 453
90	G. Defferrals	64 403	0	58 701
91	Accrued income	56 332		54 563
92	Accrued costs and expenditures	8 071		4 138
93	Deferred receivables			
94	Total liabilities	319 621 815	0	319 011 556

Dated: Budapest, April 27, 2016

Stamp

Head (Representative) of the Entity

Statistical number:
18053302-9499-599-01

Budapest Metropolitan Court Reg. No.:
01-08-0000001

PROFIT AND LOSS STATEMENT "A"

(total cost method)

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2015
a	b	c	d	e
1	1 Net Domestic Sales	67 691 609		28 423 306
2	2 Net Export Sales	141 249		0
3	I. Net Sales (01+02)	67 832 858	0	28 423 306
4	3 Change in Inventories of own Production ±			0
5	4 Capitalised Value of assets from own Production			0
6	II. Capitalised Value of own Production (±03+04)	0	0	0
7	III. Other Revenues	27 774 116		20 755 893
8	Od which: Contribution Fees, Oil Section	16 817 178		7 982 278
9	Contribution Fees, Gas Section	10 937 772		12 770 165
10	5 Material Expenses	41 050		39 735
11	6 Value of Services	25 736 406		26 197 546
12	7 Other Services	10 020		9 999
13	8 Cost of Sales	52 383 778		23 540 356
14	9 Value of services sold (mediated)	199		256
15	IV. Expenses (05+06+07+08+09)	78 171 453	0	49 787 892
16	10 Wages and Salaries	212 949		219 512
17	11 Other personnel Expenses	94 825		99 497
18	12 Social Security	80 146		83 044
19	V. Total Personnel Expenses (10+11+12)	387 920	0	402 053
20	VI. Depreciation	28 434		28 731
21	VII. Other Expenses	19 679		2 775
22	Of which: loss of value	0		0
23	A. OPERATING (BUSINESS) PROFIT (I±II+III-IV-V-VI-VII)	16 999 488	0	-1 042 252

Dated: Budapest, April 27, 2015

Head (Representative) of the Entity

Stamp

Statistical number:
18053302-9499-599-01

Budapest Metropolitan Court Reg. No.:
01-08-0000001

PROFIT AND LOSS STATEMENT "A"

(total cost method)

HUF thousand

Line no.	Description	Prior year	Prior year's adjustments	31/12/2015
a	b	c	d	e
24	13 Dividend received	338 807		1 565 138
25	Of which: from affiliates	258 807		1 565 138
26	14 P/L of Equity sales			
27	Of which: from affiliates			
28	15 Interest Income on Financial Investments			
29	Of which: from affiliates			
30	16 Other interest or interest bearing income	234 524		90 441
31	Of which: from affiliates			
32	17 Other Income of Financial Activity	156 323		819 438
33	VIII. Income of Financial Activity (13+14+15+16+17)	729 654	0	2 475 017
34	18 Exchange loss on Financial Investments			
35	Of which: to affiliates			
36	19 Interest Paid	2 188 858		1 905 990
37	Of which: to affiliates			
38	20 Write-off of Financial Investments			
39	21 Other Expenses of Financial Activities	5 997 183		114 759
40	IX. Expenses of Financial Activities (18+19±20+21)	8 186 041	0	2 020 749
41	B. PROFIT/LOSS OF FINANCIAL ACTIVITIES (VIII-IX)	-7 456 387	0	454 268
42	C. INCOME OF ORDINARY ACTIVITIES (±A±B)	9 543 101	0	-587 984
43	X. Extraordinary Income			
44	XI. Extraordinary Expenses	2 631		
45	D. INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)	-2 631	0	0
46	E. PROFIT BEFORE TAXATION (±C±D)	9 540 470	0	-587 984
47	XII. Taxes	0	0	0
48	F. PROFIT AFTER TAXATION	9 540 470	0	-587 984
49	G. Capital Reserve / Retained Earnings	9 540 470	0	-587 984

Dated: Budapest, April 27, 2015

Head (Representative) of the Entity

Stamp

10. 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): December 31

Balance sheet prepared on: April 27, 2016

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 Attila Bártfai

1021 Budapest, Labanc utca 15. 3/A31

11. Rules of Accounting, Accounting Policy

- 11.1.** 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 as the Rules on Valuation, Inventory and Cost Price Calculation constituting a part of the Accounting Policy, all approved by the competent minister.
- 11.2.** 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 fulfilment of the budget. This corresponds to the Business Report.
- 11.3.** 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.
- 11.4.** 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.
- 11.5.** 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 at Ernst & Young 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 Kft provided no other services to the Association. Szabolcs Antal (2484 Gárdony, Botond utca 6, registration number: 172131), director of finance and accounting is responsible for the duties of accounting services.

12. Details and explanation of the Balance Sheet and the Profit and Loss Statement

12.1. Changes in intangible and fixed assets (HUF thousand)

	Gross value	Depreciation	Net amount
I. Intangible assets			
<i>1. Rights</i>			
Opening value 01/01/2015	38 454,0	23 730,9	14 723,1
Increase	8 685,4	10 200,5	
Decrease	755,0	682,5	
Closing value 31/12/2015	46 384,4	33 248,9	13 135,5
<i>2. Intellectual property</i>			
Opening value 01/01/2015	1 467,5	0,0	1 467,5
Increase	0,0	0,0	
Decrease	720,0	0,0	
Closing value 31/12/2015	747,5	0,0	747,5
<i>3. Goodwill</i>			
Opening value 01/01/2015	6 101 244,9	5 246 702,7	854 542,2
Increase	0,0	0,0	
Decrease	0,0	0,0	
Closing value 31/12/2015	6 101 244,9	5 246 702,7	854 542,2
II. Fixed assets			
<i>1. Real estate and related rights</i>			
Opening value 01/01/2015	40 863,5	18 995,4	21 868,1
Increase	2 090,3	4 378,5	
Decrease	0,0	0,0	
Closing value 31/12/2015	42 953,8	23 373,9	19 579,9
<i>2. Other equipment, vehicles</i>			
Opening value 01/01/2015	105 020,0	71 694,8	33 325,2
Increase	16 288,9	14 151,5	
Decrease	8 633,3	8 624,8	
Closing value 31/12/2015	112 675,6	77 221,5	35 454,1
Total closing value 31/12/2015			923 459,2

All depreciation accounted in 2015 was straight-line depreciation as planned.

- 12.2.** 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 ETSHON, 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.
- 12.3.** 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.
- 12.4.** As of December 1, 2007, Kőolajtároló Zrt, IPR Vámosgyörk Zrt and PTT Kft merged into OPAL Zrt, whose sole owner is the Association.
- 12.5.** 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%.
- 12.6.** 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, 2007, the Association sold 62% of its ownership ratio to MOL Plc. 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, 2007, the name of the company was changed to MMBF Natural Gas Storage Close Company (MMBF Zrt) (registered seat: 1117 Budapest, Budafoki út 79). By another increase in the equity registered on July 25, 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 dematerialise 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 Plc decided to sell its share. In accordance with the Share Purchase Agreement made between MOL Plc as seller and MBF Zrt and HUSA as buyers, the majority owner (51%) of the company became MFB Zrt on December 30, 2013, and the participation of HUSA increased to 49%. In 2014, MMBF Zrt moved to a new seat located at: 1037 Budapest, Montevideo utca 16/B.

12.7. The Association holds major participations in the following companies:

- *Petrotár Petroleum Storage Limited Liability Company (Petrotár Kft) (Registered seat: 1143 Budapest, Besnyői u. 13) where, in 2008, the owners decided a capital increase of 100 Mn HUF, to which the Association did not contribute. As a result, the share of HUSA dropped from 20% to 30%, the value of the participation remaining HUF 60 Mn. 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 Mn and HUF 20 Mn, respectively. On the balance sheet date of February 16, 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 Projekt 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 February 6, 2013.*
- *of HUF 420 000 thousand (25.93%) in Terméktároló Zrt (Registered seat: 1037 Budapest, Montevideo u. 16/b). As a result of the May 5, 2014 capital reduction of Terméktároló Zrt, the share of HUSA decreased to HUF 8 400 thousand.*

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

Participation (Company name)	Book value of participation 31/12/2015	Ownersh p ratio	Note
OPAL Zrt	13 552 254	100,0%	Subsidiary company
ÁMEI Zrt	140 000	63,6%	Subsidiary company
MMBF Zrt	12 750 569	48,9%	Associated undertaking
TERMÉKTÁROLÓ Zrt	8 400	25,9%	Associated undertaking
PETROTÁR Kft	40 000	20,0%	Associated undertaking
Total	26 491 223		

The following table shows the shareholders' equity of the companies on December 31, 2015:

Company (HUF thousand)	Shareholders' equity	Share capital	Capital reserve	Profit reserve	Deposited reserve	Valuation reserve	Retained earnings
OPAL Zrt	18 266 498	4 000 000	3 223	13 833 275	430 000		0
ÁMEI Zrt	637 584	220 000	7 464	384 847	0	0	25 273
MMBF Zrt	54 610 000	26 022 000	87 000	24 844 000	991 000	0	2 666 000
TERMÉKTÁROLÓ Zrt	1 161 446	32 400	0	0	0	0	0
PETROTÁR Kft	1 313 948	200 000	0	1 113 948	0	0	0

12.9. Book value of inventories on December 31, 2015

		Stored quantity	Inventory value	Division according to value
	Unit		(HUF thousand)	(%)
Crude oil	tons	492 962,77	76 149 405	35,4
Gasoline ESZ 95	litres at 15°C	341 925 751,00	50 848 201	23,6
Gas oil EN 590	litres at 15°C	570 400 322,00	88 390 870	41,0
Heating oil -power	tons	0,00	0	
			215 388 476	100,0
Natural gas	GJ	31 690 937,52	64 091 936	
			279 480 412	

12.10. Accounts receivable amounted to HUF 6 thousand on the accounting date, and were settled by the balance sheet closing date.

Other receivables (HUF thousand)	31/12/2014	31/12/2015
Advances	6 043	4 260
Receivables from employees	0	6 060
Local taxes, health care benefit contribution in excess	22	16
Account for natural gas contribution fees	923 495	1 138 144
Account for crude oil contribution fees	2 531 051	653 430
Deferred technical VAT advances	251 920	287 992
Other receivables from affiliates	0	24 038
Value-added tax	6 086 883	2 083 975
	9 799 414	4 197 915
	31/12/2014	31/12/2015
PREPAYMENTS, ACCRUED INCOME (HUF thousand)	3 835 752	11 913
Capacity reservation fee for Q1 (Jan.-March)	3 816 501	0
Office rent, operating cost	6 587	6 273
Insurance fees	4 014	3 583
Subscription for technical periodicals	154	80
Photocopier rental fee	10	0
IT security package fee	256	0
Fees related to electronic signature	0	17
Collateral agency fee	422	429
Accrued costs and expenses	3 827 944	10 382
Income from ticket sale	7 808	0
Interest on fixed deposits	0	1 531
Accrued income	7 808	1 531

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

12.11. Long-term acquisition loans were repaid on March 20, 2014 in accordance with the agreement; since then, no acquisitions were made, the Association has no liabilities related to acquisition on the balance sheet date.

12.12. None of long-term loans had portions expiring in 2015, so no reclassification was made.

12.13. Charges related to loans:

On June 15, 2015, the Association entered into a pledge and security agreement to guarantee the liabilities related to loan agreements financing stocks; the lien established and registered in connection with the stockpiling activities of the Association is based on the insurance income derived from insurance contracts made by contracting partner companies of the Association on the one hand, and on the proceeds of sales of stocks.

Additional charges:

Custody 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 October 31, 2007. The loan was entirely repaid on December 31, 2015, so the custody right is abolished.

12.14. Total accounts payable to suppliers shows HUF 1 358 432 thousand, short-term liabilities to affiliates shows HUF 1 267 222 thousand, and liabilities to trade creditors amount to HUF 91 210 thousand. Accounts payable to suppliers were fully settled by the Balance Sheet closing date.

12.15.

Other liabilities (HUF thousand)	31/12/2014	31/12/2015
Tax and contributions	13 729	12 495
Crude oil contribution fee account	796	617
Natural gas contribution fee account	137 589	307 411
Commitment fee	0	4 801
Compensation	0	129
	152 114	325 453

12.16. The statistical average of HUSA permanent staff is 13 persons. In the course of the year, HUF 219 512 thousand was paid for wages. HUF 1 010 thousand fringe benefits were paid and 2 employees received interest-free company loans during the year. Company loans to employees amounted to HUF 56.0 Mn on December 31, 2015. On January 1, 2016, as a result of restructuring, 2 employees benefiting of interest-free company loans were transferred to OPAL Tartálypark Zrt by succession of employment contract; as a result, company loans decreased by HUF 24.0 Mn to HUF 32.0 Mn. All employees belong to the white-collar category.

12.17. The Board of Directors and the Supervisory Board of the Association received fees in value of HUF 88 279 thousand. No guarantee, loans or advance payments were granted to them.

12.18. The Association had no lawsuits in 2015.

12.19. 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.

12.20. Net assets

12.20.1. Changes in the structure of assets

Elements of assets	31/12/2014	31/12/2015	Percentage (%)		Change (%)
	<i>HUF thousand</i>	<i>HUF thousand</i>	2014	2015	2015/2014
Assets employed	27 454 030	27 442 074	8,59	8,60	99,96
Current assets	288 332 033	291 557 570	90,21	91,39	101,12
Accruals	3 835 752	11 913	1,20	0,00	0,31
Total assets	319 621 815	319 011 557	100,00	100,00	99,81

12.20.2. Changes in the structure of resources

Elements of assets	31/12/2014	31/12/2015	Percentage (%)		Change (%)
	<i>HUF thousand</i>	<i>HUF thousand</i>	2014	2015	2015/2014
Shareholder's equity (capital reserve)	200 436 954	199 848 971	62,71	62,70	99,71
Provisions	0	0	0,00	0,00	0,00
Liabilities	119 120 458	119 103 885	37,27	37,34	99,99
Deferrals	64 403	58 701	0,02	0,02	91,15
Total resources	319 621 815	319 011 557	100,00	99,95	99,81

13. Cash flow statement

Cash flow from ordinary activities (HUF thousand)

		2014	2015
1	Profit before taxation*	9 229 538	-2 153 122
2	Accounted depreciation	28 434	28 731
3	Difference of provisions made and used	0	0
4	Gains/losses on sale of assets employed	-971	202
5	Change in accounts payable	1 123 190	-943 167
6	Change in other short-term liabilities	-528 995	173 339
7	Change in deferrals	-10 284	-5 702
8	Change in accounts receivable	1 507 503	806 449
9	Change in current assets (w/out acc. receivable, cash)	-51 329 983	-2 186 724
10	Change in accruals	30 642	3 823 840
Operating cash flow (lines 1 to 10)		-39 950 926	-456 154

*Adjusted for dividend received

Cash flow from investment activities (HUF thousand)

		2014	2015
11	Purchase of assets employed	343 117	-17 304
12	Sale of assets employed	15 552	327
13	Dividend received	338 807	1 565 138
Cash flow from investment (lines 11 to 13)		697 476	1 548 161

Cash flow from financial transactions (HUF thousand)

		2014	2015
16	Loans received	107 003 176	14 744 705
17	Liquid assets received definitely	-	-
18	Redemption of shares (capital reduction)	-	-
19	Repayment of bonds	-	-
20	Repayment of loans	-73 563 608	-13 991 450
21	Liquid assets transferred definitely	-	-
Cash flow from financial activities (lines 16 to 21)		33 439 568	753 255

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

	2014	2015
	-5 813 882	1 845 262

14. Indicators of assets, financial position and revenues

14.1. Indicators of assets

14.1.1. Equity Ratio

	31/12/2014		31/12/2015	
<u>Equity</u>	200 436 954	= 0,63	199 848 971	= 0,63
Total assets	319 621 815		319 011 557	

14.1.2. Borrowed Capital Ratio

	31/12/2014		31/12/2015	
<u>Borrowed capital</u>	119 184 861	= 0,37	119 162 586	= 0,37
Total assets	319 621 815		319 011 557	

14.1.3. Leverage Ratio

	31/12/2014		31/12/2015	
<u>Borrowed capital</u>	119 184 861	= 0,59	119 162 586	= 0,60
Equity	200 436 954		199 848 971	

The Association was established with "0" registered capital. Its assets are financed from short-term and medium-term loans.

14.1.4. Coverage of Assets Employed

	31/12/2014		31/12/2015	
<u>Equity+long-term liabilities</u>	279 002 009	= 10,16	293 158 731	= 10,68
Assets employed	27 454 030		27 442 074	

5.1.5. Working Capital

	31/12/2014		31/12/2015	
<u>Current assets – short-term liabilities</u>	247 776 630	= 1,24	265 763 445	= 1,33
Equity	200 436 954		199 848 971	

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.

14.2. Financial liquidity indicators

14.2.1. Liquidity Ratio

	31/12/2014	31/12/2015
<u>Current assets</u>	288 332 033 = 7,11	291 557 570 = 11,30
<u>Short-term liabilities</u>	40 555 403	25 794 125

A ratio higher than 1 indicates good liquidity position.

14.2.2. Long-term Indebtedness Ratio

	31/12/2014	31/12/2015
<u>Debt ratio</u>	116 666 745 = 0,42	117 420 000 = 0,40
<u>Long-term liabilities+Equity</u>	279 002 009	293 158 731

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

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

ASSETS (HUF thousand)

Line no.	Description	Oil Section 31/12/2015	Gas Section 31/12/2015	Total
a	b	c	d	e
1	A. Assets employed	14 216 078	13 225 995	27 442 073
2	I. INTANGIBLE ASSETS	434 212	434 213	868 425
3	Capitalised value of establishment, restructuring			
4	Capitalised value of R+D			
5	Rights	6 568	6 568	13 136
6	Intellectual property	373	374	747
7	Business value - goodwill	427 271	427 271	854 542
8	Advance payment for inventories			
9	Reassessment of intangible assets			
10	II. FIXED ASSETS	27 517	27 517	55 034
11	Real estates and related rights	9 790	9 790	19 580
12	Machinery and equipment			
13	Other equipment, fittings and vehicles	17 727	17 727	35 454
14	Breeding livestock			
15	Capital expenditures, renovation			
16	Advance payment on capital expenditures			
17	Reassessment of fixed assets			
18	III. FINANCIAL INVESTMENTS	13 754 349	12 764 265	26 518 614
19	Participation in affiliates	13 740 654	12 750 569	26 491 223
20	Long-term loans granted to affiliates			
21	Other participations			
22	Long-term loans granted to affiliates			
23	Other long-term loans granted	13 695	13 696	27 391
24	Long-term securities			
25	Reassessment of financial investments			
26	B. Current assets	220 275 843	71 281 727	291 557 570
27	I. INVENTORIES	215 388 475	64 091 936	279 480 411
28	Materials			
29	Work in progress, semi-finished products			
30	Growing, feeding and other livestock			
31	Finished goods			
32	Goods	215 388 475	64 091 936	279 480 411
33	Advance payment on inventories			
34	II. RECEIVABLES	1 856 603	2 341 318	4 197 921
35	Accounts receivable (trade receivables)	3	3	6
36	Receivables from affiliates			
37	Receivables from other participations			
38	Receivables from bills of exchange			
39	Other receivables	1 856 600	2 341 315	4 197 915

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	3 030 765	4 848 473	7 879 238
46	Cash in hand, cheques	318	319	637
47	Bank accounts	3 030 447	4 848 154	7 878 601
48	C. Accruals	5 956	5 957	11 913
49	Accrued revenue	765	766	1 531
50	Accrued costs and expenses	5 191	5 191	10 382
51	Deferred expenses			
52	Total assets	234 497 877	84 513 679	319 011 556

LIABILITIES (HUF thousand)

Line no.	Description	Oil Section 31/12/2015	Gas Section 31/12/2015	Total
a	b	c	d	e
53	D. Shareholders' equity	101 723 782	98 125 188	199 848 970
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	1 505 305	-2 093 289	-587 984
62	E. Provisions, allowances	0	0	0
63	Provisions for expected losses			
64	Provisions for expected obligations			
65	Other provisions, allowances			
66	F. Liabilities	40 436 238	78 667 647	119 103 885
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	31 049 928	62 259 832	93 309 760
72	Long-term loans received			
73	Convertible bonds			
74	Payable for bond issue			
75	Investment and development loans			
76	Other long-term loans	31 049 928	62 259 832	93 309 760
77	Long-term liabilities to affiliates			
78	Long-term liabilities to other participations			
79	Other long-term liabilities			

LIABILITIES (cont.)

Line no.	Description	Oil Section 31/12/2015	Gas Section 31/12/2015	Total
a	b	c	d	e
80	III. SHORT-TERM LIABILITIES	9 386 310	16 407 815	25 794 125
81	Short-term credits			
82	of which: convertible bonds			
83	Short-term loans	8 022 968	16 087 272	24 110 240
84	Advances received from customers			
85	Accounts payable to suppliers (trade creditors)	86 701	4 509	91 210
86	Bills of exchange payable			
87	Short-term liabilities to affiliates	1 267 222	0	1 267 222
88	Short-term liabilities to other participations			
89	Other short-term liabilities	9 419	316 034	325 453
90	G. Deferrals	2 069	56 632	58 701
91	Accrued income		54 563	54 563
92	Accrued costs and expenditures	2 069	2 069	4 138
93	Deferred receivables			
94	Total liabilities	142 162 089	176 849 467	319 011 556

PROFIT AND LOSS STATEMENT (HUF thousand)

Line no.	Description	Oil Section 31/12/2015	Gas Section 31/12/2015	Total
a	b	c	d	e
1	1 Net domestic sales	28 214 911	208 395	28 423 306
2	2 Net export sales			0
3	I. Net sales (01+02)	28 214 911	208 395	28 423 306
4	3 Change in inventories of own production ±			0
5	4 Capitalised value of assets from own production			0
6	II. Capitalised value of own production (±03+04)	0	0	0
7	III. Other revenues	7 983 482	12 772 411	20 755 893
8	of which: Contribution fees, Oil Section	7 982 278	0	7 982 278
9	Contribution fees, Gas Section	0	12 770 165	12 770 165
10	5 Cost of materials	19 867	19 868	39 735
11	6 Value of services	10 888 912	15 308 634	26 197 546
12	7 Other services	4 999	5 000	9 999
13	8 Cost of sales	23 540 356	0	23 540 356
14	9 Value of services sold (mediated)	128	128	256
15	IV. Material-type expenses (05+06+07+08+09)	34 454 262	15 333 630	49 787 892
16	10 Wages and salaries	109 756	109 756	219 512
17	11 Other personnel expenses	49 748	49 749	99 497
18	12 Payroll taxes	41 522	41 522	83 044
19	V. Total personnel expenses (10+11+12)	201 026	201 027	402 053
20	VI. Depreciation	14 365	14 366	28 731
21	VII. Other expenses	1 387	1 388	2 775
22	of which: loss of value			0
23	A. OPERATING (BUSINESS) PROFIT (I±II+III-IV-V-VI-VII)	1 527 353	-2 569 605	-1 042 252

PROFIT AND LOSS STATEMENT (cont.)

Line no.	Description	Oil Section 31/12/2015	Gas Section 31/12/2015	Total
a	b	c	d	e
24	13 Dividend received (due)	300 402	1 264 736	1 565 138
25	of which: from affiliates	300 402	1 264 736	1 565 138
26	14 Exchange gain/loss on equity sales			
27	of which: from affiliates			
28	15 Interest income, exchange gains on financial investments			
29	of which: from affiliates			
30	16 Other interest or interest-bearing income received (due)	34 787	55 654	90 441
31	of which: from affiliates			
32	17 Other income of financial activity	315 191	504 247	819 438
33	VIII. Income of financial activity (13+14+15+16+17)	650 380	1 824 637	2 475 017
34	18 Exchange loss on financial investments			
35	of which: to affiliates			
36	19 Interest paid	634 241	1 271 749	1 905 990
37	of which: to affiliates			
38	20 Write-off of financial investments			
39	21 Other expenses of financial activities	38 187	76 572	114 759
40	IX. Expenses of financial activities (18+19±20+21)	672 428	1 348 321	2 020 749
41	B. PROFIT/LOSS ON FINANCIAL ACTIVITIES (VIII-IX)	-22 048	476 316	454 268
42	C. INCOME OF ORDINARY ACTIVITIES (±A±B)	1 505 305	-2 093 289	-587 984
43	X. Extraordinary income			
44	XI. Extraordinary expenses			
45	D. INCOME OF EXTRAORDINARY ACTIVITIES (X-XI)	0	0	0
46	E. PROFIT BEFORE TAXATION (±C±D)	1 505 305	-2 093 289	-587 984
47	XII. Taxes	0	0	0
48	F. PROFIT AFTER TAXATION	1 505 305	-2 093 289	-587 984
49	G. Capital reserve / Retained Earnings	1 505 305	-2 093 289	-587 984

Budapest, April 27, 2016

Dr. Béla Attila Bártfai
CEO

Zsuzsanna Dávid
Deputy CEO