

# LETTER FROM THE CHAIRMAN CEO AND GROUP CEO



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Chairman and CEO, MOL Group



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**W**e are proud to say that MOL Group delivered a strong set of financial and operational results in 2014 despite a tough external environment, with geopolitical events unfolding and oil prices dropping dramatically. Our 2014 financial and operational results are testimony to the strength and resilience of MOL Group's integrated business model, which has clearly demonstrated its value.

Looking back we have managed to deliver strong results despite the drastic fall in oil prices we experienced during the second half of the year. We virtually maintained our Clean EBITDA level (a mere one percent decline), preserved our strong cash generating position, grew our capital expenditure and kept our gearing and indebtedness ratios at historical lows, while being fully committed to maintaining our dividend distribution.

## MILESTONES ACHIEVED IN UPSTREAM

We are proud to acknowledge that the Upstream division has achieved great milestones during the last year. We delivered a strong EBITDA despite the drastic fall in oil prices and managed to turn a corner, starting to increase production after recent years of decline and exceeding our original 2014 production target. At the same time we surpassed the 100% organic reserve replacement ratio, whilst the disposal and acquisition of different assets allowed us to optimize our international E&P portfolio further and establish our position in a hub of technology know-how, the North Sea. Finally, our new senior international Upstream management was established during the year and major organizational changes were implemented, further laying the foundations for future growth of the division.

## EXCEPTIONAL PERFORMANCE IN DOWNSTREAM

Our Downstream division has delivered truly exceptional performance in 2014, exceeding all our previous expectations – especially in the second half of the year.

EBITDA increased considerably, with all our divisions – refining, retail and petrochemicals – significantly improving their contribution. The New Downstream Program – a comprehensive efficiency program which was launched in 2011 – was successfully completed in 2014, fully delivering on our promises. Clearly an improved macro environment has been beneficial, but the outstanding results that the Downstream division has delivered during 2014 is fundamentally the result of the continuous efforts to improve from within, proving that through continual transformation and innovation we have become an even stronger Downstream player.

## CHALLENGING CONTEXT IN 2015

Although the combination of a low oil price environment and a turbulent geopolitical scene pose certain challenges for the industry, we are looking into the future with great confidence. MOL Group is undergoing considerable changes and, as we embark on many exciting new projects, we continue to have a very strong financial position and to strike the right balance between Upstream and Downstream. This bodes well for the long-term success of the Group.

## SIGNIFICANT GROWTH

In Upstream, we are determined to continue increasing production in the coming years with our existing portfolio, targeting substantial growth in our international operations, while being fully determined to maintain disciplined cost control across all of our operations. And although a low oil price environment is a challenge, we believe that we can benefit from it as the strength of our balance sheet will allow us to seek new inorganic opportunities. Finally, given the positive impact of our global management team, we are determined to attract additional highly-qualified international professionals who can contribute to developing long-term performance within the division.

## ADDITIONAL EFFICIENCY IMPROVEMENTS

As for Downstream, we are all very proud of the results achieved, but we will under no circumstances put all our faith in an improving macro environment and ride on the back of a cyclical recovery. We will continue to implement structural changes to put Downstream on an even stronger footing, cementing our position as one of the most successful integrated businesses in Europe. The launch of our Next Downstream Program demonstrates our resolve for further progress as we target additional efficiency improvements, simultaneously benefitting from several major growth projects and sowing the seeds for future growth. The extension of the value chain in petrochemicals will strengthen our position among European petrochemical producers, while the continuous expansion of our retail network will consolidate our leading position in the region. We are hopeful that these initiatives will translate into sustainable growth in profitability, very strong cash flow generation and improved returns during the coming years.

## STRONG FINANCIAL POSITION

Behind all of MOL Group's past achievements and future aspirations lies a strong financial foundation, which will continue to be our highest priority. This is the reason why, as a board, we devote a great deal of time to assessing, debating and challenging investment proposals from management, whilst closely monitoring progress and performance. We are as determined as ever to keep our robust financial position, leaving our increasingly integrated business model well-positioned to take advantage of changes in the market and deliver the results and value creation that our shareholders rightfully expect from us.

MOL Group's long-term success can only be achieved through the integration of environmental and social matters into our daily operations. This year, we reported the lowest injury rate ever achieved, whilst our energy efficiency programs resulted in a saving of more than 300,000 tons of CO<sub>2</sub> annually compared to 2011 baseline. And whilst we are very encouraged by these positive results, our efforts addressing environmental and social topics will remain of utmost importance in the future as we aim for a place in the top 20% of oil and gas companies as measured by sustainability performance. Considering the fundamental importance of transparency to the market, our non-financial performance will continue to be reported in line with leading external initiatives such as the principles of the UN Global Compact and overseen by dedicated board-level and executive bodies.

## MAKING A POSITIVE DIFFERENCE

We feel very privileged to lead this exceptional organization. Almost 30,000 talented and dedicated individuals led by a fantastic and transformed management team have delivered great results throughout the year, achieving the Group's objectives and providing value for both shareholders and stakeholders alike. As we embark on a new year, we look forward with great confidence, fully convinced that we are on the right path. We truly believe that MOL Group makes a positive difference wherever it operates, and we are determined to participate in and add value to the local communities, regions and host countries in which we live and work. We would like to thank all our employees for their dedication and hard work as well as our partners, customers and suppliers for their excellent cooperation throughout the year.