OPERATING REVIEW OF 2015

External environment

	FY 2014	FY 2015	CH. %
Total MOL Group refinery margin (USD/bbl)	3.4	6.1	79
Complex refinery margin (MOL+Slovnaft) (USD/bbl)	4.6	7.3	58
Brent dated (USD/bbl)	98.9	52.4	(47)
Ural Blend (USD/bbl)	98.0	51.9	(47)
Brent Ural spread (USD/bbl)	1.35	1.39	2
Crack spread – premium unleaded (USD/bbl)	11.3	15.9	40
Crack spread – gasoil 10ppm (USD/bbl)	15.9	14.7	(7)
Crack spread – naphtha (USD/bbl)	(8.1)	(3.8)	53
Crack spread – fuel oil 3.5 (USD/bbl)	(15.9)	(12.1)	24
Integrated petrochemicals margin (EUR/t)	359	680	89

Promising trends in downstream environment

The Downstream environment surprised to the upside in 2015, as both refining and petrochemical margins surged reaching levels well above mid-cycle levels.

Refiners benefited from shrinking oil prices through lower cost of own consumption and losses. Lower oil prices likewise drove the improvement of black product crack spreads. Additionally, the gasoline crack spread was supported by high global demand growth mainly driven by the US and Asia.

The integrated petrochemical margin reached all-time highs. Spiking margins have been supported by the shrinking naphtha price in line with oil. Furthermore, supply was limited by planned and unplanned shutdowns as 19% of European cracker capacity went offline in the second quarter of the year. Import pressure to Europe eased as the USD strengthened 20% against the EUR, coupled with healthy demand from the automotive and the packaging industry throughout the year.

Regional demand

Demand evolution in the CEE countries was heavily influenced by the continued low end-user prices, reflecting the underlying oil price change. Market size increased by 5% versus the previous year, well above the growth rates of the previous 3 years. Substantial increases in demand were recorded in both Hungary and Slovakia, while Croatian demand stagnated compared to 2014 levels. Motor gasoline consumption developed positively as private consumption increased, as diesel demand growth was even more substantial.

CHANGE IN REGIONAL MOTOR FUEL DEMAND FY 2015 VS. FY 2014 IN %	MARKET		
	GASOLINE	DIESEL	MOTOR FUELS
Hungary	3	8	7
Slovakia	1	8	6
Croatia	(2)	3	1
Other	2	6	5
CEE 10 countries	**2**	**6**	**5**

Annual performance

MOL Group Downstream benefited from the favourable external environment and the success of internal efficiency improvement efforts, hence why Downstream's clean CCS EBITDA rose by an outstanding 124% in a year-on-year comparison, amounting to HUF 462bn.

CCS-BASED DS EBITDA[3,4] (BN HUF)	FY 2014	FY 2015	CH. %
MOL Group	**206.3**	**461.5**	**124**
o/w Petrochemicals	37.2	160.3	331
o/w Retail	47.4	61.8	30
MOL excl. INA	235.4	454.7	93
INA	(29.1)	6.8	N.A.
CCS-BASED DS OPERATING PROFITS[3,4] (BN HUF)	FY 2014	FY 2015	CH. %
MOL Group	**95.2**	**350.2**	**268**
MOL excl. INA	147.3	363.9	147
INA	(52.0)	(13.6)	(74)

[3-4] Notes and special items listed in Appendix I and II.

CAPEX BY TYPE (IN HUF BN)	FY 2014 RESTATED	FY 2015	CH %
Total	**186.9**	**180.3**	**(4)**
Strategic projects	115.2	88.0	(24)
Normalized CAPEX	71.7	92.3	29

Total Downstream CAPEX stood at HUF 180bn, almost half of that spending targeted strategic projects including the expansion of the retail network and organic petrochemical development. Considering the record high clean CCS EBITDA generation over total CAPEX spending, Downstream was the earnings engine of MOL Group during 2015 delivering HUF 282bn or over USD 1bn simplified free cash flow (clean CCS EBITDA over total CAPEX).

In 2015, both Downstream Clean CCS EBITDA and Clean CCS operating profit saw significant improvements over the corresponding period of last year, reaching HUF 462bn and HUF 350bn respectively. The excellent results came on the back of:

(+) A favourable external macro environment, including a substantial improvement of the Group refinery margin (from 3.4 USD/bbl to 6.1 USD/bbl) and the integrated petrochemical margin (from 359 EUR/t to 680 EUR/t);
(+) Higher sales volumes in R&M, petrochemicals and retail;
(+) Positive internal development of the Next Downstream Program including the material yield improvement in refining and reduction of unplanned downtime especially in MOL Petrochemicals;
(+) material yield improvement in refining;
(+) A 20% weakening of the HUF against the USD.

EXTERNAL REFINED AND PETROCHEMICALS PRODUCT SALES BY PRODUCT (KT)	FY 2014	FY 2015	CH. %
Total refined products	**16,724**	**17,234**	**3**
o/w Motor gasoline	3,614	3,826	6
o/w Diesel	9,133	9,402	3
o/w Fuel oil	554	470	(15)
o/w Bitumen	629	553	(12)
o/w Retail segment sales	**3,513**	**3,916**	**11**
o/w Motor gasoline	1,073	1,157	8
o/w Gas and heating oils	2,347	2,661	13
Total Petrochemicals product sales	**1,126**	**1,298**	**15**
o/w Olefin products	184	198	8
o/w Polymer products	942	1,088	15
o/w Butadiene products	0	12	0
Total refined and petrochemicals product sales	**17,850**	**18,532**	**4**

MOL continued to experience increased competition in its core motor fuel markets amid supportive market conditions, and as a result its Hungarian, Slovak and Croatian market share declined in a yearly comparison. On the other hand sales volumes increased more substantially outside the core countries. Petrochemical sales improved in line with improving market conditions.

Significant improvement in retail performance

The Retail arm delivered a 30% increase on a clean CCS EBITDA basis and contributed HUF 62bn.

TOTAL RETAIL SALES (KT)	FY 2014	FY 2015	CH. %
Hungary	864	934	8
Slovakia	452	536	19
Croatia	1,077	1,075	0
Romania	501	586	17
Czech Republic	147	359	144
Other	472	426	(10)
Total retail sales	**3,513**	**3,916**	**11**

- In Hungary volumes improved versus last year (+8%) due to demand increase supported by lower fuel prices.
- In Slovakia sales grew by 19% versus 2014 as a result of healthy demand trend and inorganic network expansion.
- In Croatia volumes stagnated year-on-year.
- Strong volume increase was experienced in Romanian (17%) and Czech market (144%), mainly as the result of the inorganic network expansion.