



CITGO Petroleum Corporation

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Dear Stakeholders:

February 15 marked the one-year anniversary of the appointment of the new CITGO Petroleum Corporation Board of Directors. This milestone offers an ideal opportunity to share with you the progress we have made in strengthening CITGO performance and to highlight a few key 2020 priorities we are advancing to build on this positive momentum.

We are deeply aware that CITGO's success depends on the incredible support and partnership of our stakeholders – the company's employees, suppliers, customers, regulators, creditors, contractors, communities and, of course, our shareholder. To strengthen the bond of trust needed to sustain these relationships, the Board embraces a commitment to all our stakeholders to be accountable for our actions and transparent in our decisions.

All our efforts in 2019 were intensely focused on making CITGO financially and operationally sustainable, while at the same time improving the Company's systems of governance and control aimed at raising CITGO to the highest standards and best practices of the energy industry. We are proud to report significant progress in three critical areas.

First, we have taken action to enhance CITGO's financial stability.

When we assumed our role as board members last February, our first task was to put CITGO on a sound financial foundation. During 2019, we successfully refinanced 70 percent of CITGO and CITGO Holding's aggregate debt, managing to reduce CITGO Holding's debt costs by \$220 million over 5 years. As a result, the credit rating agency Fitch upgraded its rating of CITGO Holding's debt, while Standard & Poors and Moodys reaffirmed CITGO and CITGO Holding's ratings with stable outlooks.

Second, we have significantly improved CITGO's operations and strengthened our position in the marketplace.

In 2019 we recognized an increase of 20,000 barrels-per-day in refining capacity (only the second capacity increase in 20 years), accomplished with throughput optimization projects, and we set a new record in overall refinery reliability. We are pleased to report that these improvements in operational efficiency were achieved during one of the best years of refinery safety in our company's history.

We also took critical steps to enhance the resilience of our operations by quickly and efficiently optimizing our crude slate, replacing Venezuelan crude with economical crudes from Colombia,



Mexico and Ecuador and at the same time increasing our U.S. light crude runs. Low-priced light American crude oil now accounts for 48 percent of the CITGO total crude supply and 64% of the total U.S. Gulf Coast crude slate.

Our goal is to buy the most economical crude to maximize our returns improving shareholder value.

These efforts have not only helped us better serve the American market, but also enabled us to become a significant exporter of refined products; in fact, exports now account for 25 percent of CITGO's total production.

Third, we have made important progress in raising the level of CITGO's governance and internal controls.

One of the core responsibilities of the Board is to ensure that CITGO operates at the highest levels of integrity and with the highest standards for ethical behavior. Upon assuming this role, the Board immediately initiated a thorough review of the Company's existing governance and internal controls environment with the goal of achieving best industry practices in all of our internal processes.

As a result of this intensive process, we have restructured several positions and reformed the procurement process. To ensure we have the best talent in place to lead CITGO's transformation, we conducted an open, competitive process that led to the hiring of CEO and President Carlos Jordá, a new Vice President of Legal and Government Affairs, and the first-ever woman to serve as CITGO's General Auditor. After a thorough review of our compliance systems and following best practices, the current VP of Legal was also named the company's new Chief Compliance & Ethics Officer, overseeing all facets of the CITGO compliance and ethics program.

These changes demonstrate our commitment as a Board to doing business the right way, to raising our standards and to earning the confidence of our partners and stakeholders. Because of these efforts, CITGO is now in a far stronger position to maximize our value to all constituencies, serve the energy needs of our American customers and deliver greater returns to our shareholders.

Our Priorities for Year Two:

As we enter 2020, the Board is committed to building on the strong foundation we laid in 2019.



- **Enhancing Financial Stability:** The Board will continue working to improve CITGO profitability, control expenses and reduce costs in order to make us an even better financial partner to our stakeholders and enable us to pay dividends to our shareholder as soon as possible. We are also defining medium-term goals to improve CITGO's competitive position within the U.S. refining industry and assess the company's ability to assist in the eventual reconstruction of Venezuela's oil sector.
- **Investing in Our Operations:** In 2020, we will continue to invest in upgrading and modernizing our three refineries in Texas, Louisiana and Illinois. Our goal is to operate at capacity and utilization levels that best serve our U.S.-based customers and optimize our export capabilities.
- **Setting the Highest Standards:** We plan to publish a new, more engaging Code of Conduct that aspires to set new standards for our industry. All employees will be provided the training needed to achieve the level of best practices in terms of individual behavior, internal controls and corporate governance in a user-friendly way. A newly rebranded "whistleblower" process will also be launched to encourage employees to quickly, safely and efficiently report any irregularities.
- **Instilling a Culture of Integrity and Accountability:** On Feb. 11, we announced the appointment of Jack Lynch as CITGO's new Chief Compliance and Ethics Officer. Mr. Lynch, who will have direct reporting access to both the Board and CEO, will be responsible for developing and implementing a world-class compliance program which includes: monitoring and reporting compliance performance; promoting an ethical business culture characterized by strong governance, transparency and collaboration; and encouraging an environment where employees are comfortable raising concerns without fear of retaliation.
- **Improving business practices:** As we receive the final reports on the outcomes of the Board's investigations, we pledge to implement the necessary actions to ensure we operate with the highest standards. The Board's work to date has had a number of positive benefits for the Company, including establishing a relationship of cooperation and transparency with investigators at the United States Department of Justice ("DOJ") and enabling improvements to the Company's compliance and control environment. All of these benefits are critically important to CITGO in terms of both the current DOJ investigation and the Board's mission to protect CITGO through strengthening its financial stability and enhancing its corporate governance. Additionally, we will continue our full cooperation with the current DOJ investigation



- ***Strengthening Our Corporate Social Responsibility Programs:*** Through the Simón Bolívar Foundation, the CITGO 501 (c)(3) private foundation, we are working to alleviate the complex humanitarian crisis facing the people of Venezuela. The Foundation recently awarded seven grants to NGOs (Non-Governmental Organizations) dedicated to helping people suffering from malnutrition, providing patients with medication, providing healthcare for pregnant women and newborns, and facilitating the continued presence of young Venezuelan doctors and medical students in Venezuela where they are most needed. In 2020, the Foundation will continue building and assisting a network of NGOs that can have an immediate, real-life impact in Venezuela.

We have come a long way in a short time. We are proud of the accomplishments of 2019. But we are not resting on them. With your continued support, we are confident that the strategy we are pursuing will not only enhance CITGO's financial and operational stability, but enhance the value we provide to all of our stakeholders and the role we play as a socially responsible enterprise.

Sincerely,

The CITGO Board of Directors