

# Entering into a mature marketplace

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# AGENDA

- ▶ **MOL Group overview**
- ▶ **Risks and value**
- ▶ **Supply chain strategy**
- ▶ **The way forward**



# MOL Group: an introduction

MOL Group is an **integrated international oil and gas company**, working in the upstream and downstream sectors, active in around 40 countries across three continents, with a **dynamic international workforce** of nearly 30,000 people and a track record of more than **100 years in the industry**.



UPSTREAM

EBITDA 2013



DOWNSTREAM

EBITDA 2013



GAS MIDSTREAM

EBITDA 2013



## KEY FINANCIAL DATA

NET REVENUE

USD 24.1 BN

EBITDA

USD 2.3 BN

OPERATING CASH FLOW

USD 2.7 BN

CAPEX

USD 1.2 BN

	Countries of operation	40
	Number of employees	30,000
	Barrels of oil equivalent produced per year	38 MILLION
	Reserves SPE 2P	576M BARRELS OF OIL EQUIVALENT
	MOL Group Service Stations	1,700
	Customers buying our fuels every day	750,000
	Refineries	4
	Refineries throughput per day	417,000 BARRELS
	Petrochemical facilities	2
	Petrochemical production	2080 KTPA

MEMBERS OF  
MOL GROUP



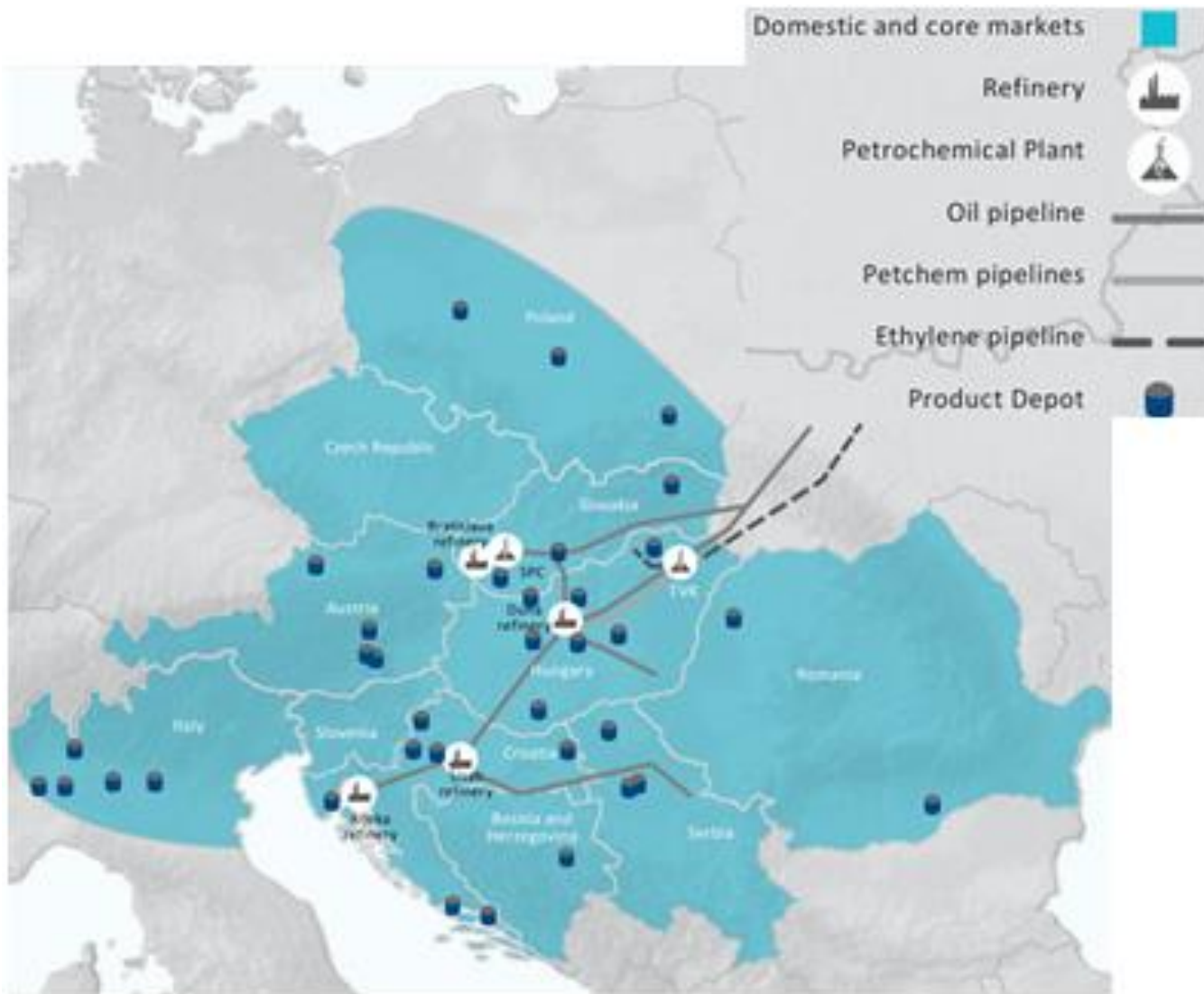
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STRATEGIC PARTNERS  
OF MOL GROUP



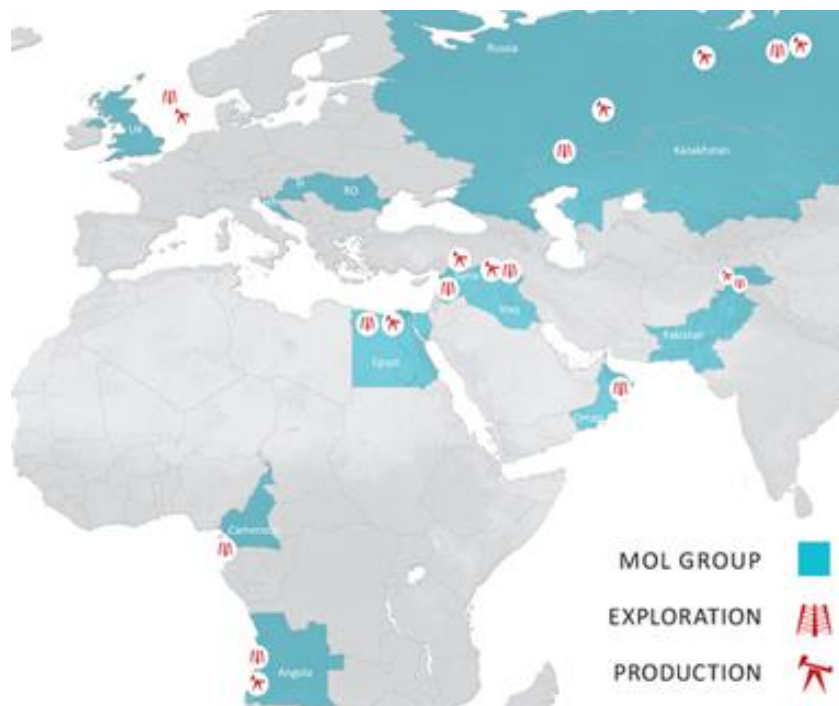
# Downstream: "Efficiency"



MOL operates 4 refineries, 2 petrochemical production units and more than 1700+ service stations under 8 brands in 12 CEE countries supplied by a region-wide logistics system. Through the “6 production unit model” MOL benefits from the synergistic operations of an increasingly complex asset base making the most of their geographical locations. MOL Group Petrochemicals brings distinct advantages to our refineries whilst delivering high quality products to our customers.

# Upstream: "Growth"

960 MMBOE\* EXPLORATION POTENTIAL OF CURRENT ASSETS



**CEE onshore & offshore**

**Hungary, Croatia, Romania**

150

**Kurdistan Region of Iraq**

**Akri-Bijeel, Shaikan Blocks**

250

**MMboe** Estimated recoverable resource potential\*

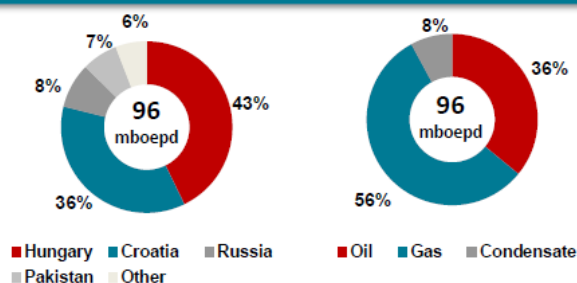
**140** **Russia**  
Matjushkinsky, Baitugan\*\*, Yerilinskiy\*\*

**135** **Kazakhstan**  
Fedorovskoye, North Karpovsky

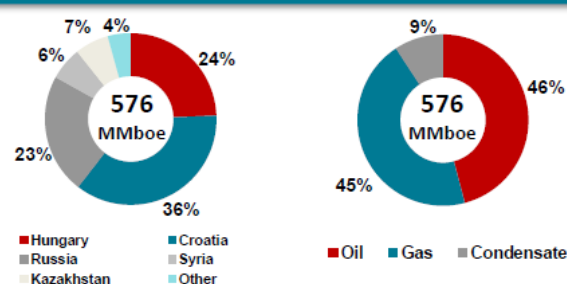
**70** **Pakistan**  
Tal, Karak, Ghauri, Margala N. Blocks

**215** **Other International**  
Egypt, Cameroon, Angola, Oman, North Sea

PRODUCTION BY COUNTRIES AND PRODUCTS, Q1-Q3 2014\*



RESERVES BREAKDOWN BY COUNTRIES AND PRODUCTS, 2013\*\*



# How we operate

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THINK

CREATE

MOVE

➤ Vision: become 'Best of the Rest'

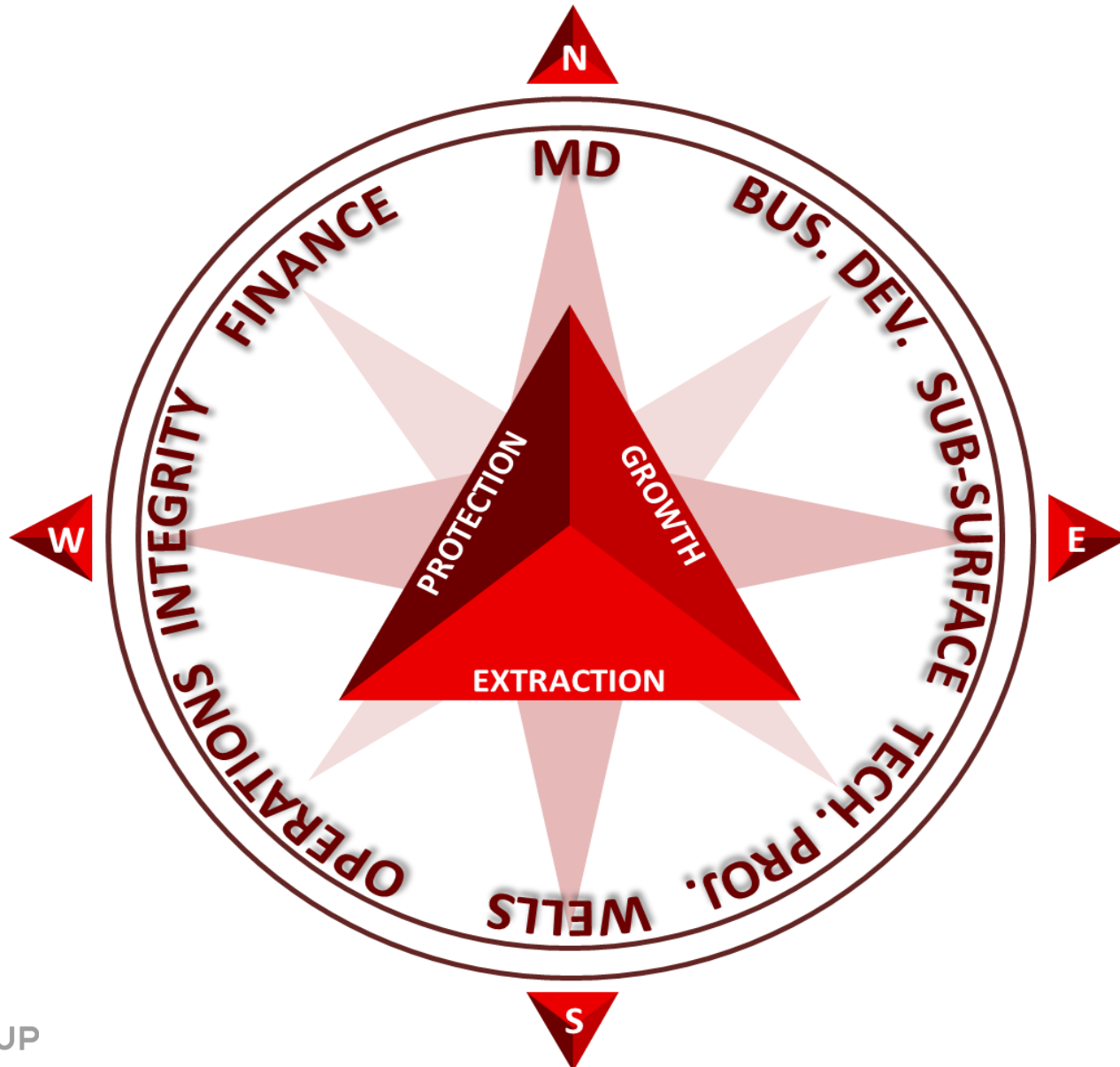
➤ Mission: systematically overcome all frontiers

➤ Values:

- Integrity
- Accountability
- Collaboration
- Excellence

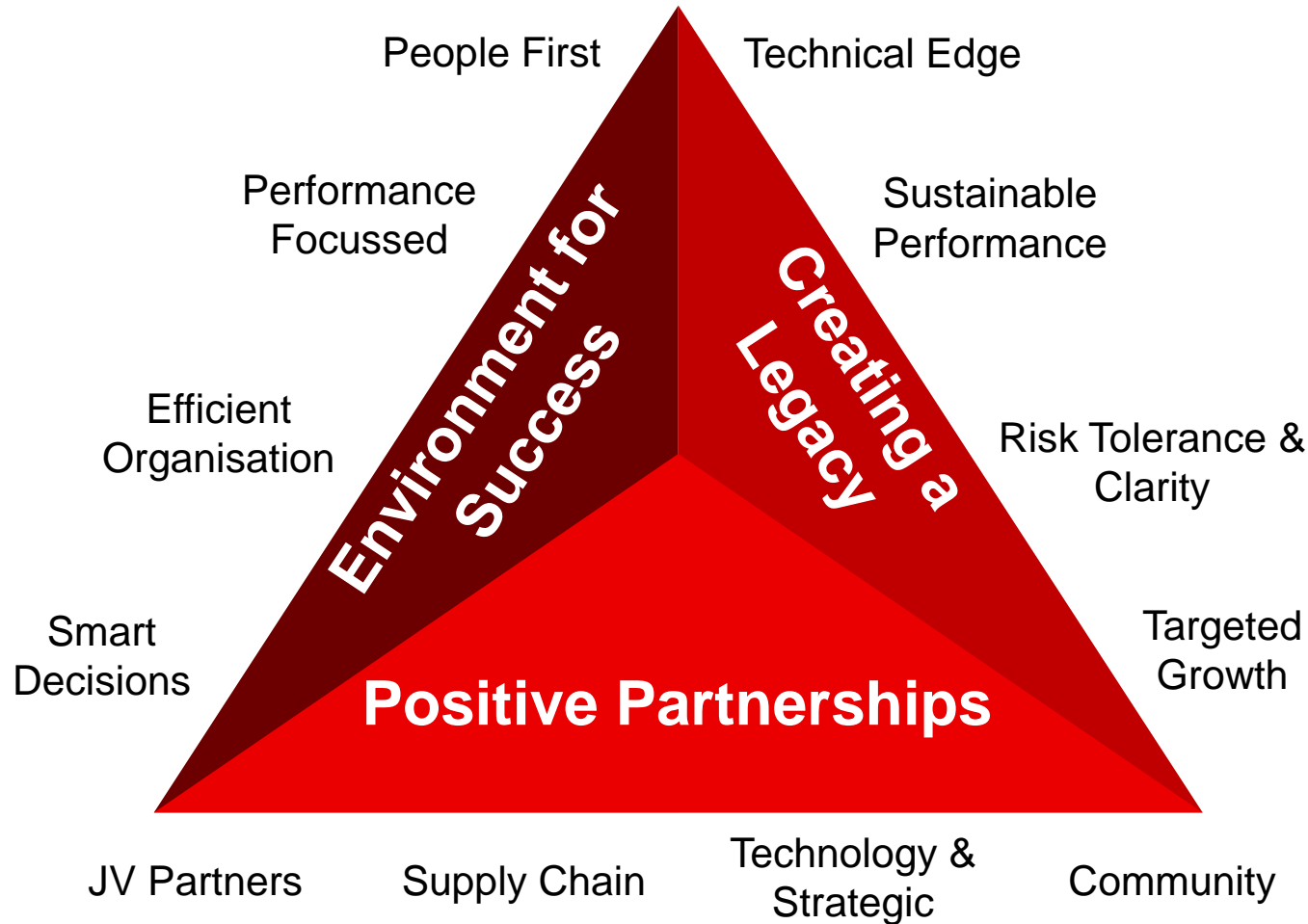
# People first

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# Competitive Advantage

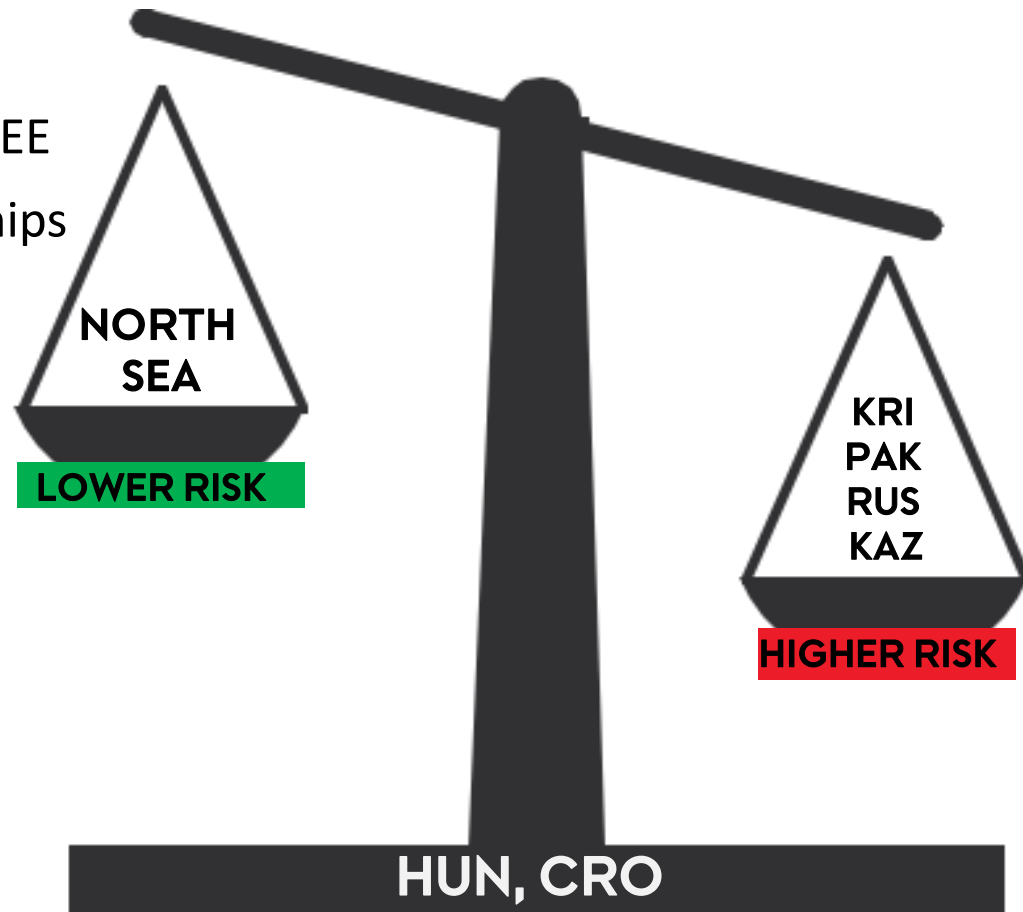
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# Why the North Sea?

- BALANCE RISK AS WELL AS SEEK NEW ACCRETIVE EXPLORATION AND DEVELOPMENT OPPORTUNITIES
  - Utilise opportunities that arise from lower oil price environment
  - Targeting more balanced portfolio in terms of country risk
  - More focus on exploration
  - Obtain know-how outside core CEE
  - Establish new strategic partnerships



# What is Risk Management and why use it?

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- We must add value / grow – this requires courage and commitment
- Risk management helps minimise the effects of risk on the organization's capital and earnings and provides a coordinated and economical application of resources to maximize the realization of opportunities
- Improve the probability of success of improved value
- Market cap = Profitability \* Multiple of (Growth plus Reputation)
  - Profitability – ability to extract value from the business
  - Growth – ability to grow and add value to the business
  - Reputation – ability to protect the value that can be created in the business

# Types of business and operational risks

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## Profit

- **Asset availability**
- **Well performance**
- **Operating costs**
- Production numbers
- Oil and Gas price
- Forex
- Organisation performance
- Shutdown performance
- Competency

## Growth

- **Access to finance**
- **Access to third party infrastructure**
- **Supply chain partners**
- Reserves to production ratio
- Mergers and acquisitions
- Strategic capabilities
- Access to technologies

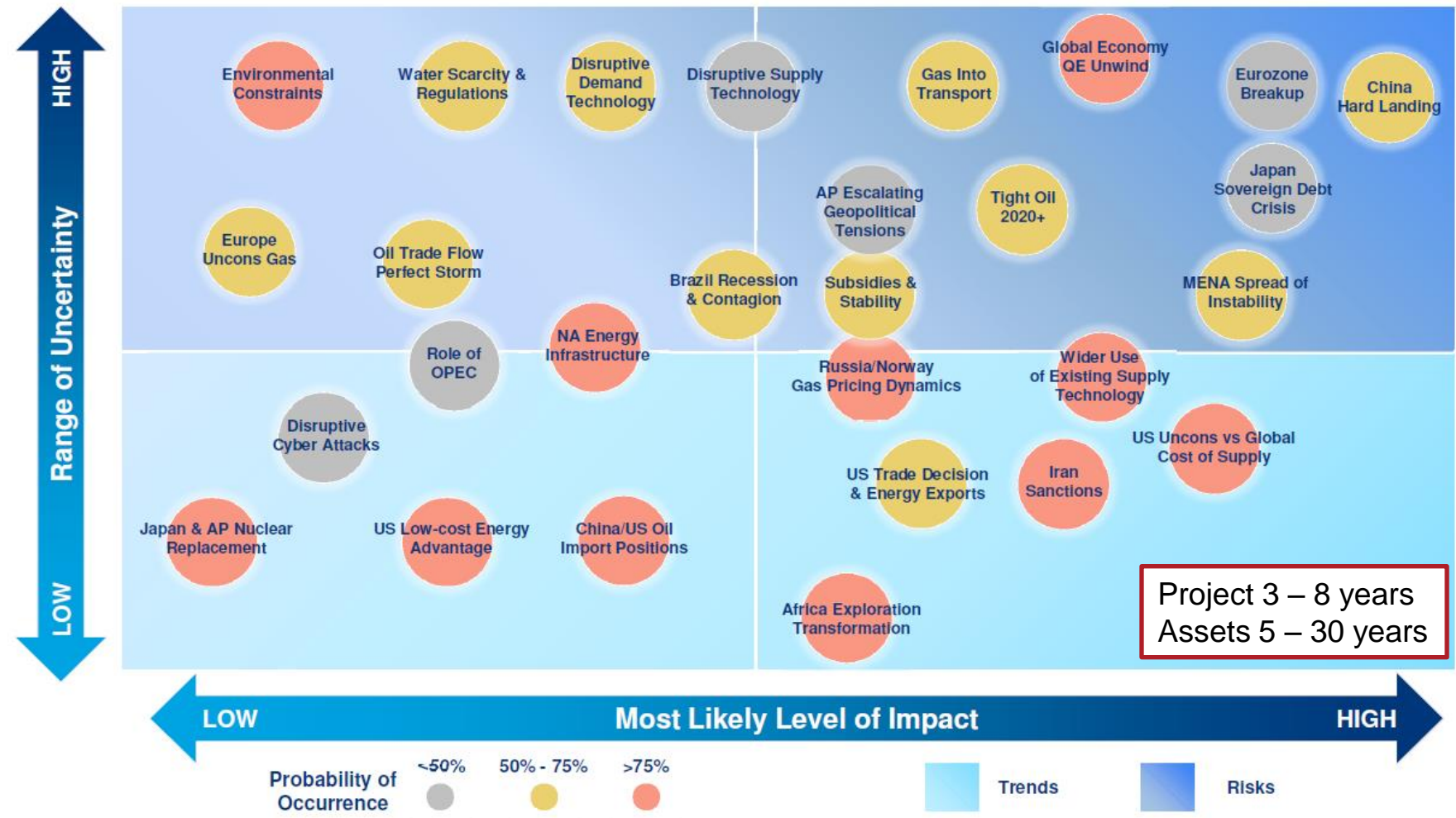
## Reputation

- **HSE performance**
- **Meet expectations on targets**
- **Strength of leadership team**
- Stakeholder management
- Corporate responsibility

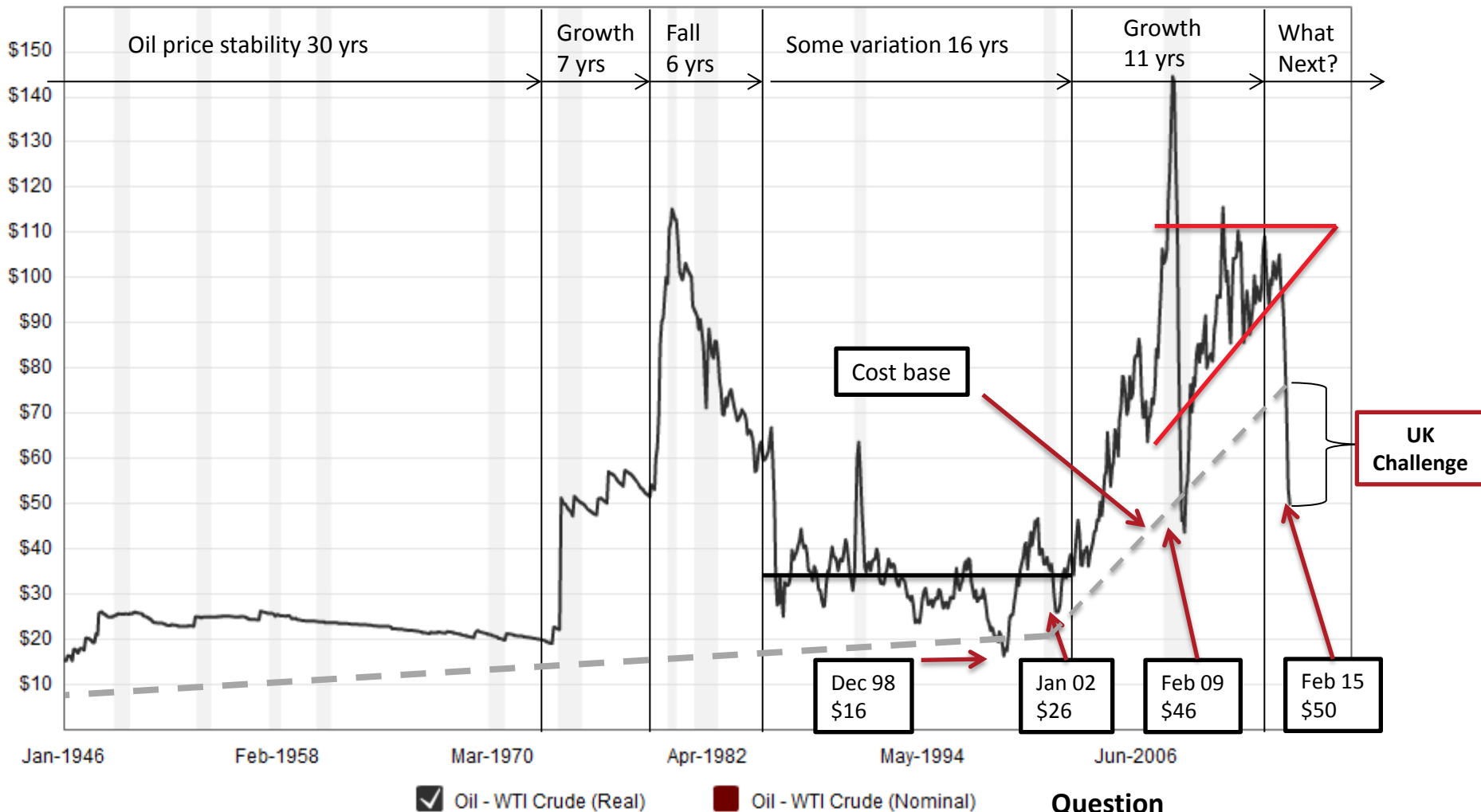
# Global Risks to consider – macro economics

www.woodmac.com

## Global Energy Risk Tracker



# Global Risks to consider – commodity prices

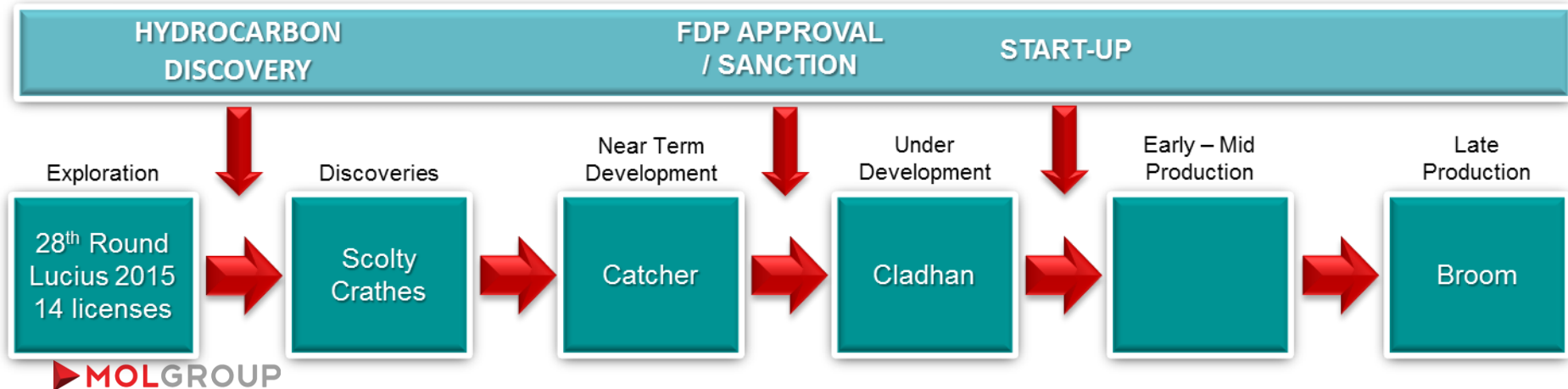
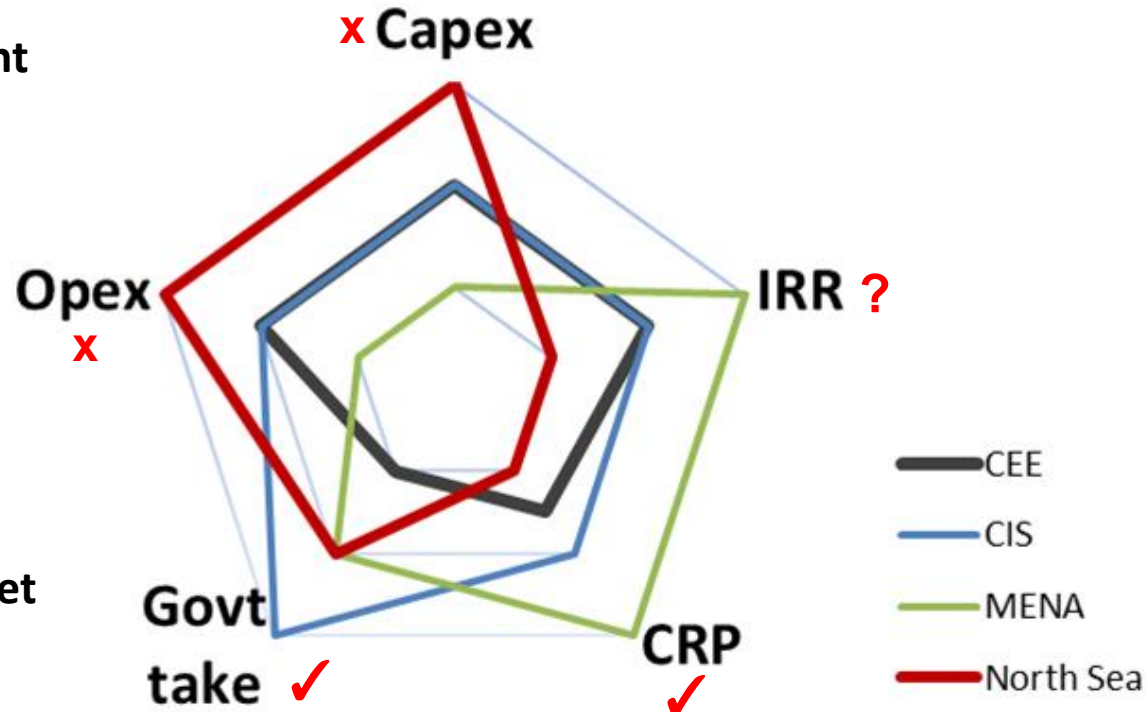


## Question

Longer term low price or just a blip as in 02/2009

# The North Sea Environment

- UKCS - stable low risk environment
- Develop/improve offshore capabilities
- Export technologies to facilitate further growth in other basins
- Bring in technologies to enhance value creation
- Parent funding for a balanced asset portfolio and operation at reasonable scale



# Unit Cost Reduction – 6 Key areas

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## 1. ASSET (Cashflow):

- JV Management
  - Access to infrastructure
  - Commercial deals
  - Production efficiency
  - Maintainability
- \$ X / BOE  
(1-3)
- 

## 2. SPEED OF DECISION MAKING

- Development Engineering
  - Oil price
  - Forex
  - Decks
  - Recycling
  - Decision making
- \$ X / BOE  
(1-3)
- 

## 3. SUPPLY CHAIN (Speed & Quality)

- Speed and delivery
  - Standardisation
  - Strategic relationships
  - Interface management
- \$ X / BOE  
(3-8)
-

# Unit Cost Reduction – 6 Key areas

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## 4. PORTFOLIO MANAGEMENT (Efficiency)

- Portfolio, program, project mgt
- Risk mgt
- Performance mgt
- Cluster development

\$ X / BOE  
(1-3)

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## 5. PEOPLE/PROCESSES/TOOLS (Engagement)

- Resource mgt
- Development – L+3C+M
- Communication
- Interface mgt
- Organizational MoC / Solid foundations
- Culture / Alignment

\$ X / BOE  
(2-4)

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## 6. DISRUPTIVE IDEAS (Step Change)

- Technologies
- R&D
- Use of Assets

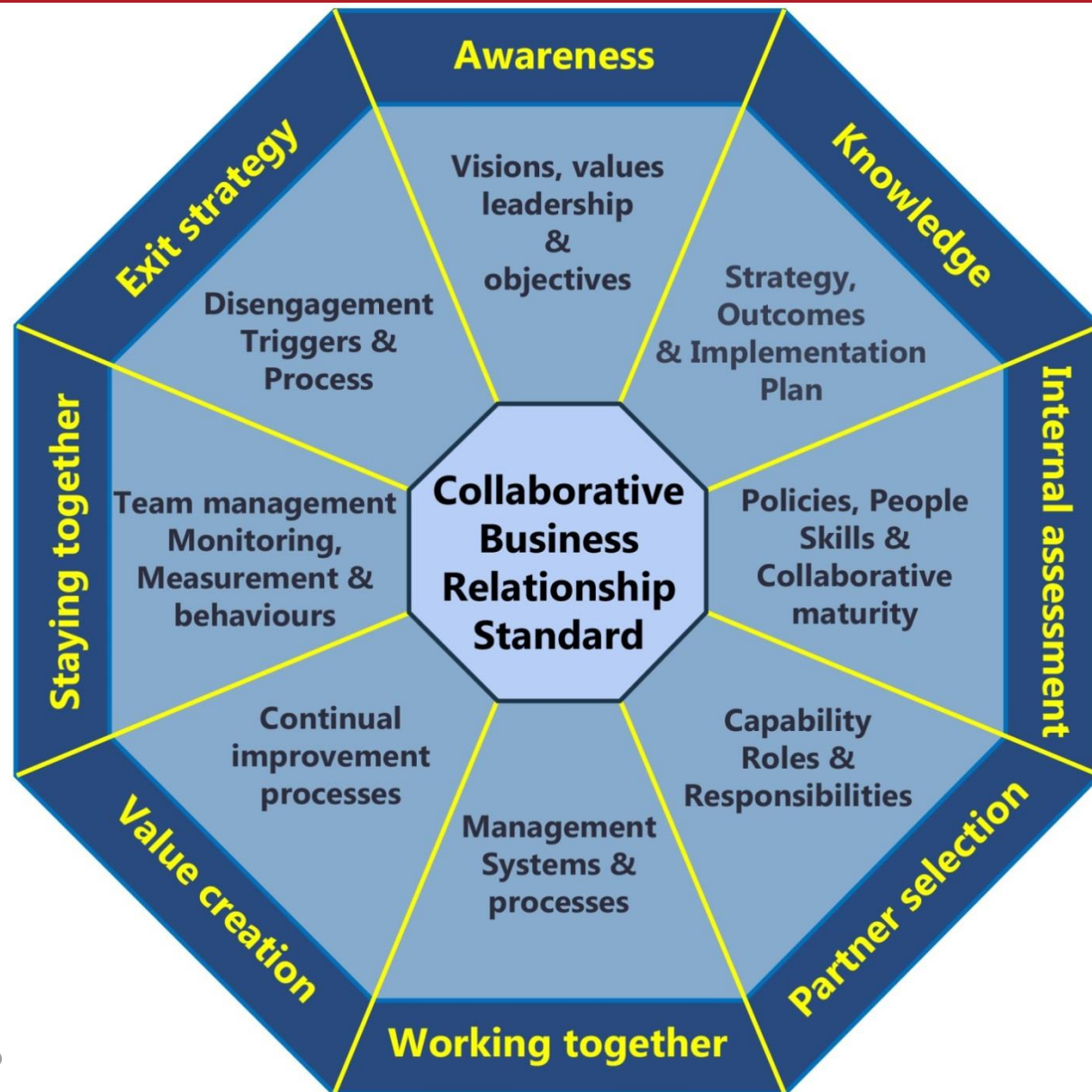
\$ X / BOE  
(0-3)

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**\$8-24 / BOE**

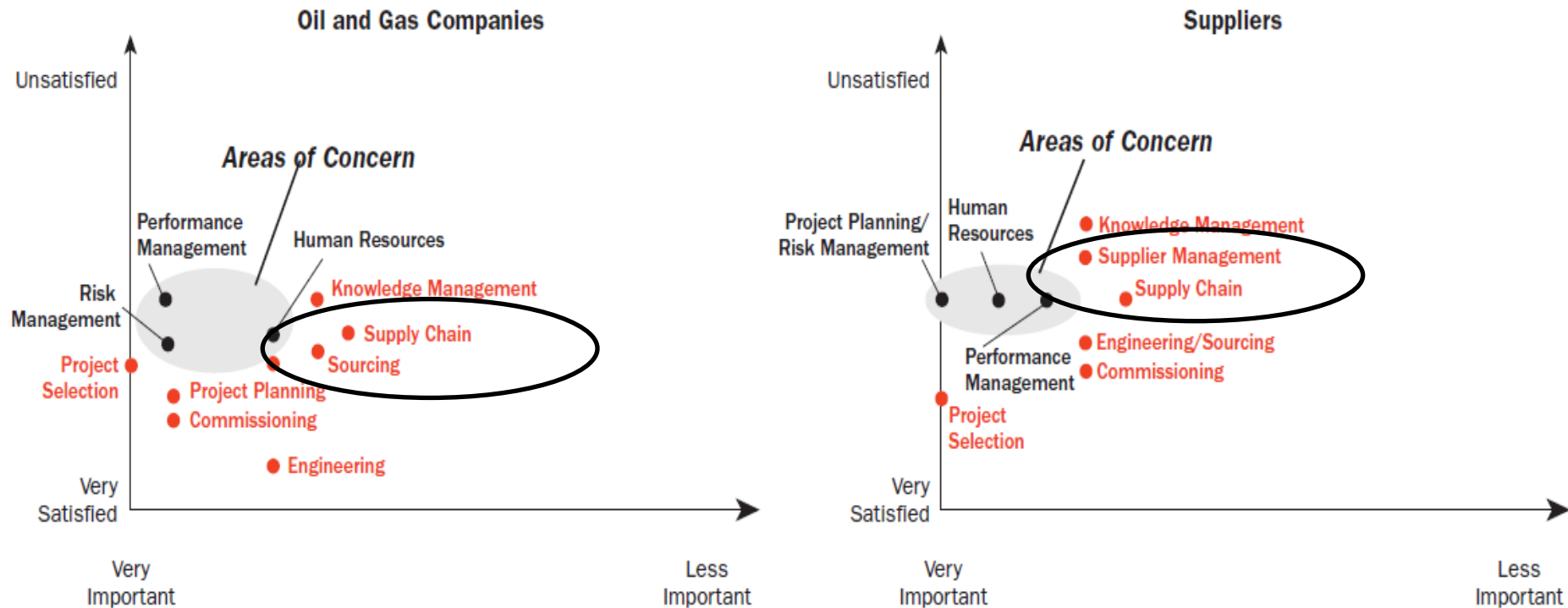


# Successful Collaborative Relationships



# Is supply chain a blind spot or essential to success?

## Oil and Gas Companies' Views of Project Performance Versus Suppliers' Views of Project Performance



Source: Booz Allen Hamilton

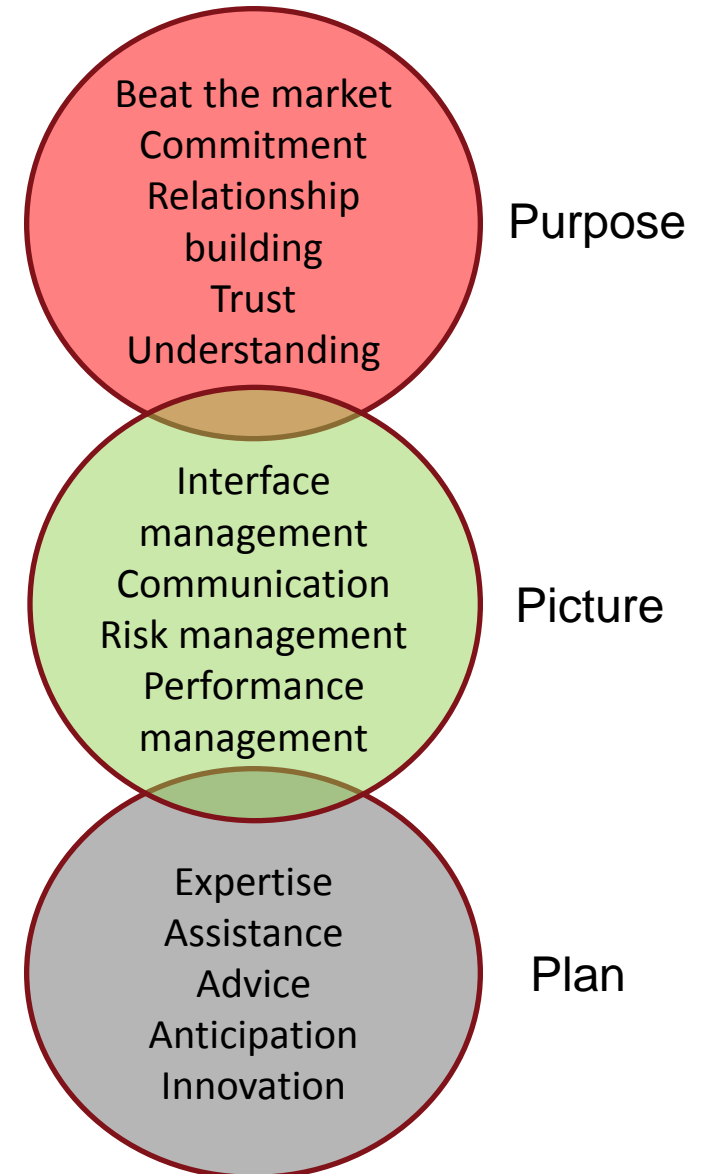
# The right partnerships

## ➤ Strategic Partnerships:

- Suppliers are part of the economic solution
- Early engagement with clear understanding of value drivers
- MOL + Suppliers construct the value model
- Target to beat the market
- Long term business partner

## ➤ Set supply chain strategy around:

- Top 10 critical contractors / suppliers
- Top 30 main / important contractors / suppliers
- Understand how to align & mitigate interface risks/issues
- Create a partnership approach
- Performance management
- Management reviews including benchmarking



# Conclusions

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- Reducing unit cost quickly and boldly is key to extend the life of existing infrastructure and attract new investment.
- Project delivery against expectations is essential.
- Success is based on our ability to engage and align the supply chain.
- We must access the 'A' team through an innovative approach.
- Integration across the key / critical suppliers is a must.
- Communication plan is essential for success.
- All starts with good planning and engagement at early stage

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# Thank you