

# The understanding of MOL Group on oil price volatility

NOC – IOC Forum, Kuwait  
30<sup>th</sup> March 2009



# All stakeholders agree that the way to tackle global challenges is to increase cooperation in order to gain efficiency improvements

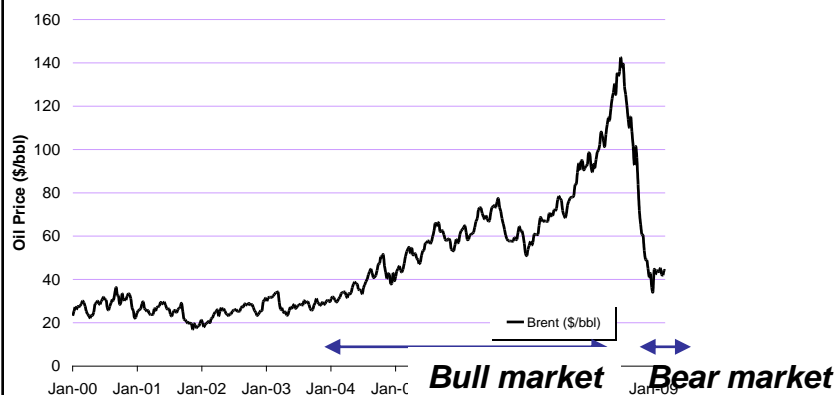
## Global thinking

|                           | 11th International Energy Forum (Rome)  | Jeddah Energy Meeting / Ministerial Gas Forum   | London Energy Meeting  |
|---------------------------|---|---|--|
| ► <b>Date</b>             | ▪ April 2008  | ▪ June / November 2008  | ▪ December 2008  |
| ► <b>Topics discussed</b> | <ul style="list-style-type: none"><li>▪ Global energy security</li><li>▪ Investment uncertainty</li><li>▪ Increasing costs, complexity</li><li>▪ Risks of large investment projects</li><li>▪ Growing concerns on environment</li></ul> | <ul style="list-style-type: none"><li>▪ Increased oil price volatility and necessity of action from all stakeholders</li><li>▪ Opportunities for efficiency improvements via technological advancements</li></ul> | <ul style="list-style-type: none"><li>▪ Impact of financial crisis and economic slowdown</li></ul>   |
| ► <b>Implications</b>     | <ul style="list-style-type: none"><li>▪ Increased cooperation need between NOCs and IOCs to tackle key challenges</li></ul>   | <ul style="list-style-type: none"><li>▪ Increased cooperation of IOCs, NOCs and Service companies along the full value chain in investments, technology development and human resources</li></ul>                 | <ul style="list-style-type: none"><li>▪ Aims to identify ways to promote optimal levels of investment and more transparent markets</li></ul> |

# Oil price has been highly volatile since 2000 responding to supply tightness and demand boom and to short term demand destruction

## Oil price and capital markets

### Oil price volatility (2000-2009)



### Stock market volatility (2000-2009)

#### S&P 500 & FTSE performance over past 5 years



### Bull market – Demand boom Drivers

- 1. Oil demand growth exceeding supply growth
- 2. Industry cost inflation
- 3. Dollar weakness resulting in flight to commodities

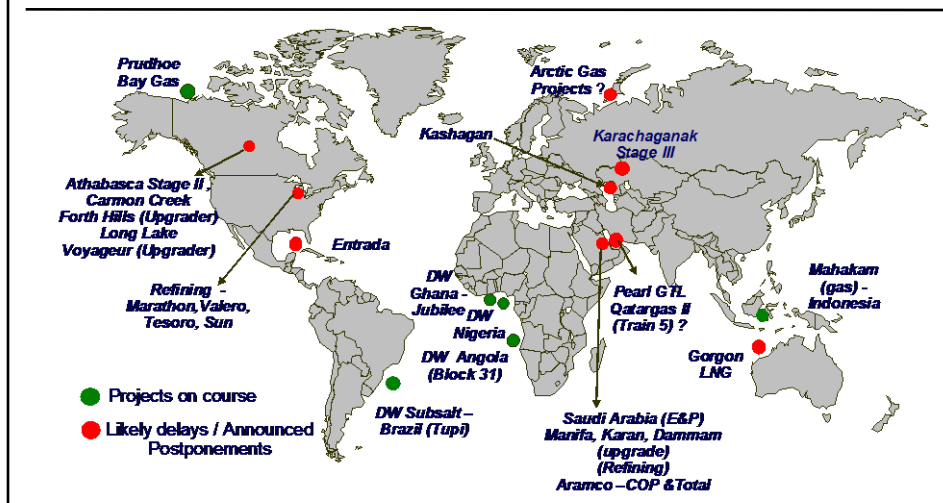
### Bear market – Demand destruction Drivers

- 1. Financial crisis
- 2. Global recession resulting demand destruction
- 3. Deleveraging of markets resulting in funding crisis

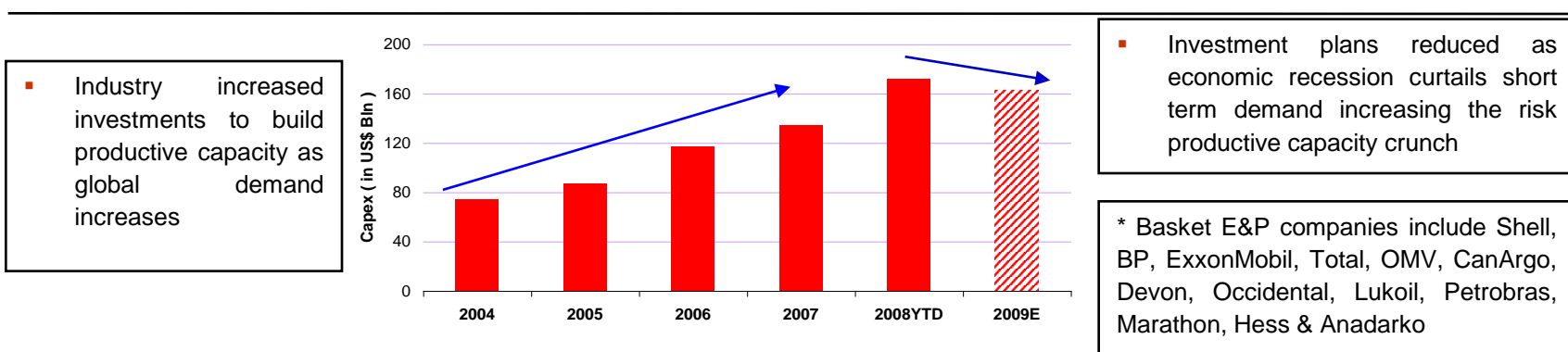
# With lower oil prices E&P companies have curtailed E&P investments

## Capital spending

### ► Status of Major Projects as result of lower oil price



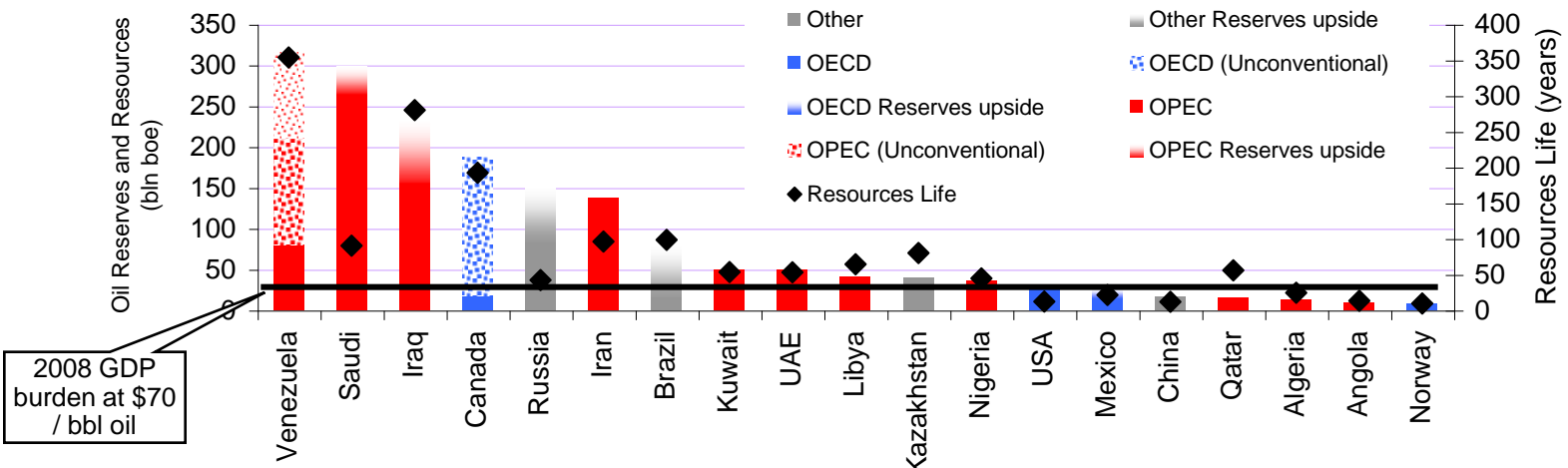
### ► Capex Investments of oil companies\* now being curtailed



# Economic recovery could cause a rapid sharp rise in oil price as supply may struggle to respond higher demand

## Top oil reserve holders

### ► Reserves and Resource lifespan ( bn boe, years)

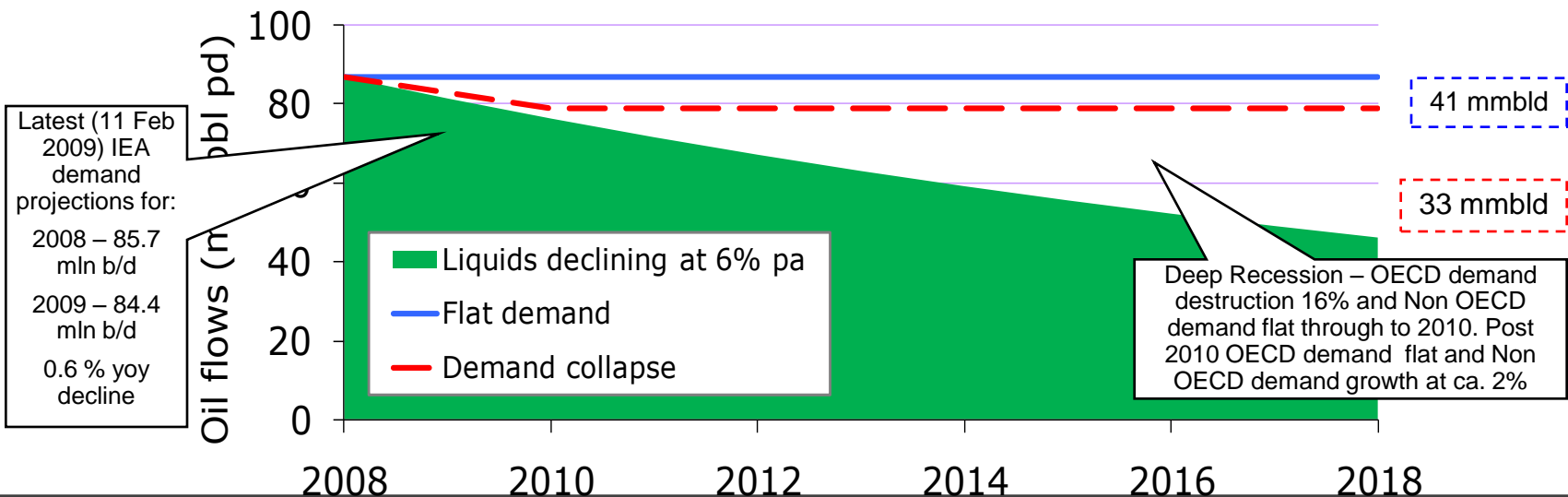


- Saudi Arabia : Sees no need to go beyond its 2009 capacity of 12.5 mmbpd at least until 2020
- Russia : Now in decline – flat production at best
- Venezuela : Plans for 5.8 mln bpd by 2012 up from current production of 2.3 mln bpd – requires enormous commitment in investments
- Mexico : Working hard to arrest decline
- Iraq : Window of opportunity for IOCs in medium-long term
- Iran : Investment needed but opportunities for IOCs remain limited for the time being
- Canada : Oil sands uneconomic at current oil prices
- Angola : 0.5 mln bpd in built growth over next 5 years but in deep water declines are rapid
- Brazil : Material subsalt contribution to production 10 years away

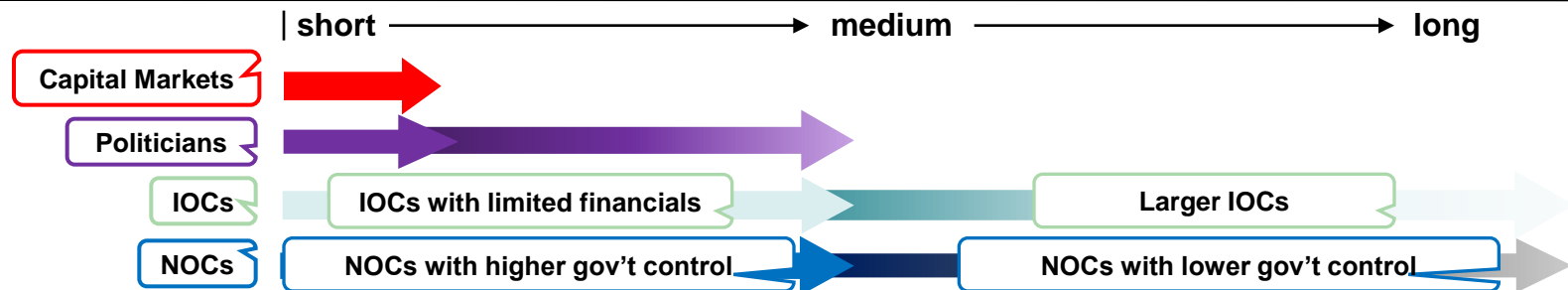
**Only significant investment can tackle the accelerating natural decline that removes 5 mln bpd capacity every year creating supply shortage within 5 years**

## Oil supply and demand

### Oil supply and demand trends ( mln boepd)

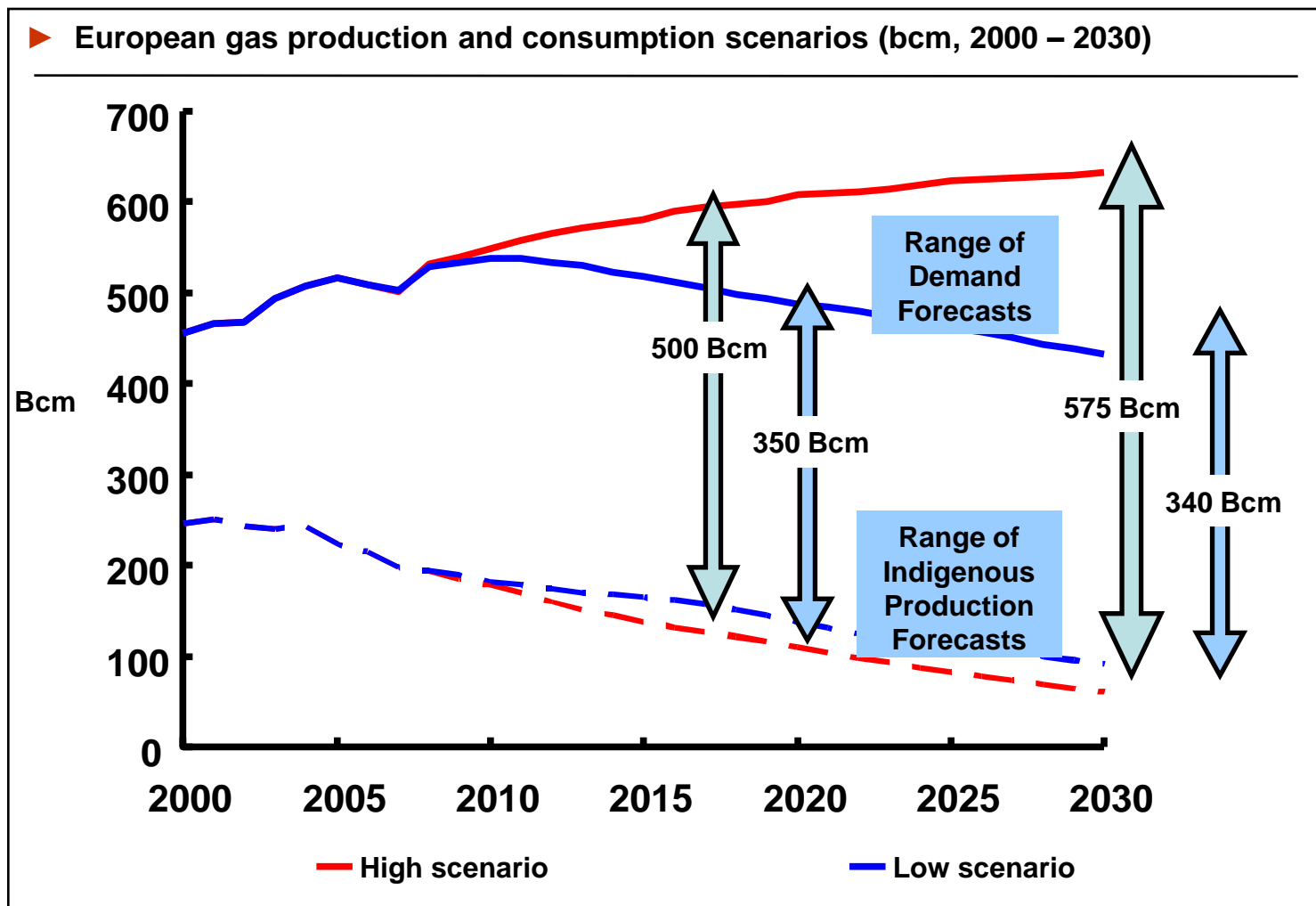


### Investment time horizons of key stakeholders



# On the European gas market not even significant investment can provide the necessary supply based on indigenous production forecast

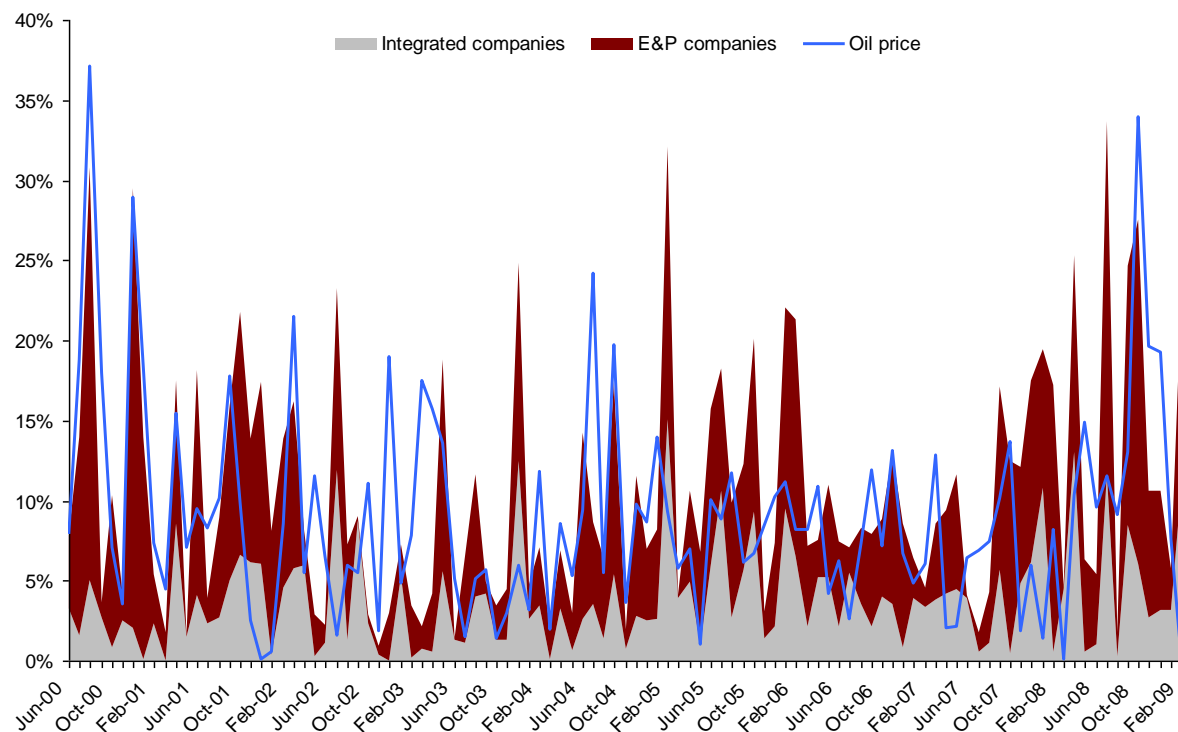
## Gas supply and demand in Europe



# Integrated companies are less volatile than pure exploration and production players due to their diversified operations along the value chain

## Risk profiles

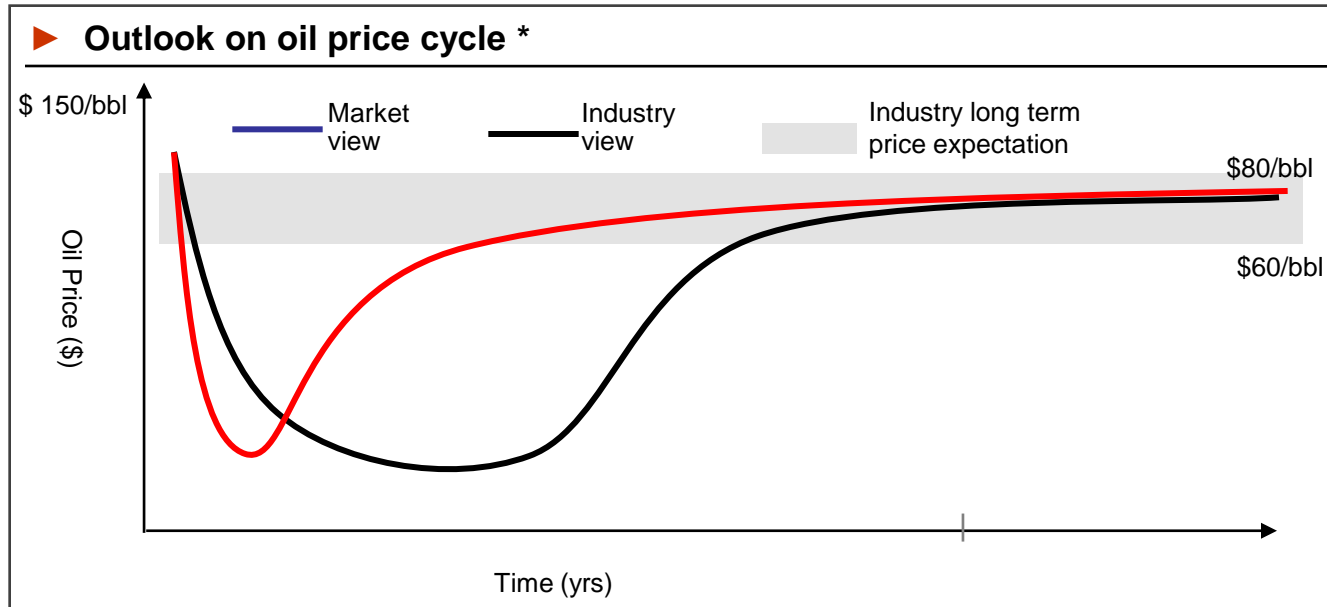
### ► Volatility of integrated and upstream companies\* (market capitalization change in %, 2000-2009)



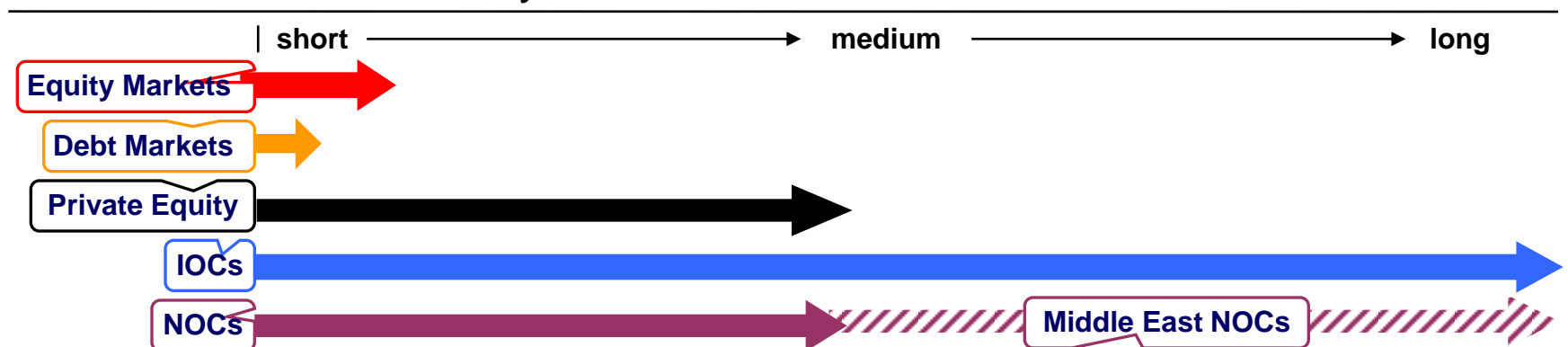


# An NOC-IOC cooperation can be mutually beneficial in the current oil price cycle due to similar investment horizons and complementary skills

## Investment horizon



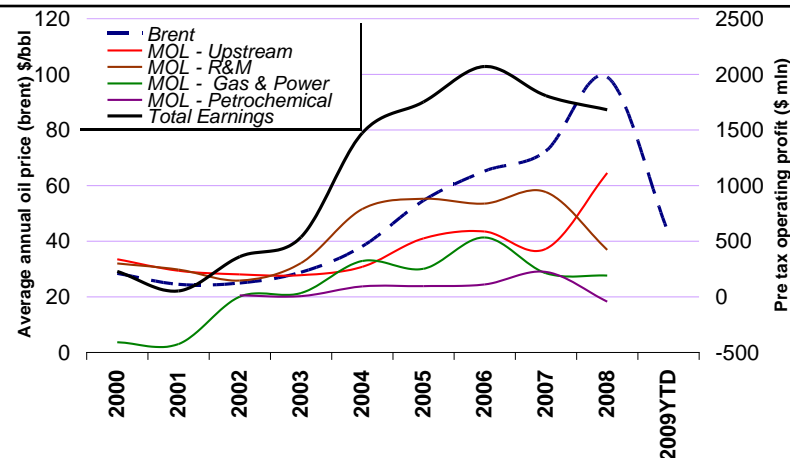
## ► Investment time horizons of key stakeholders



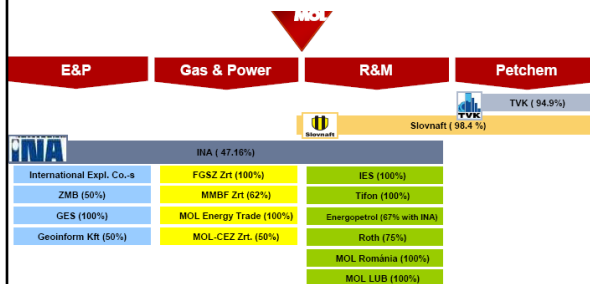
# MOL with its vertically integrated oil business is better positioned to manage its overall business through the current oil cycle

## Vertical integration of MOL

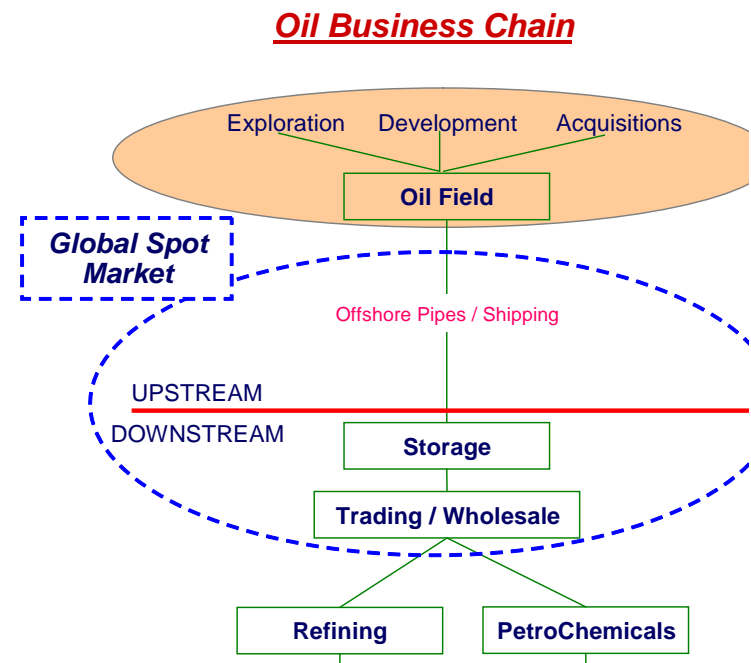
### Oil price vs. MOL Earning



### MOL 2008 EBITDA distribution



### Oil Business Chain



Thank you for your kind attention!

*„The real man smiles in trouble,  
gathers strength from distress,  
and grows brave by reflection.”*

*- Thomas Paine*