

Procurement in MOL GROUP

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Procurement Director



Slovnaft



THE MOL GROUP

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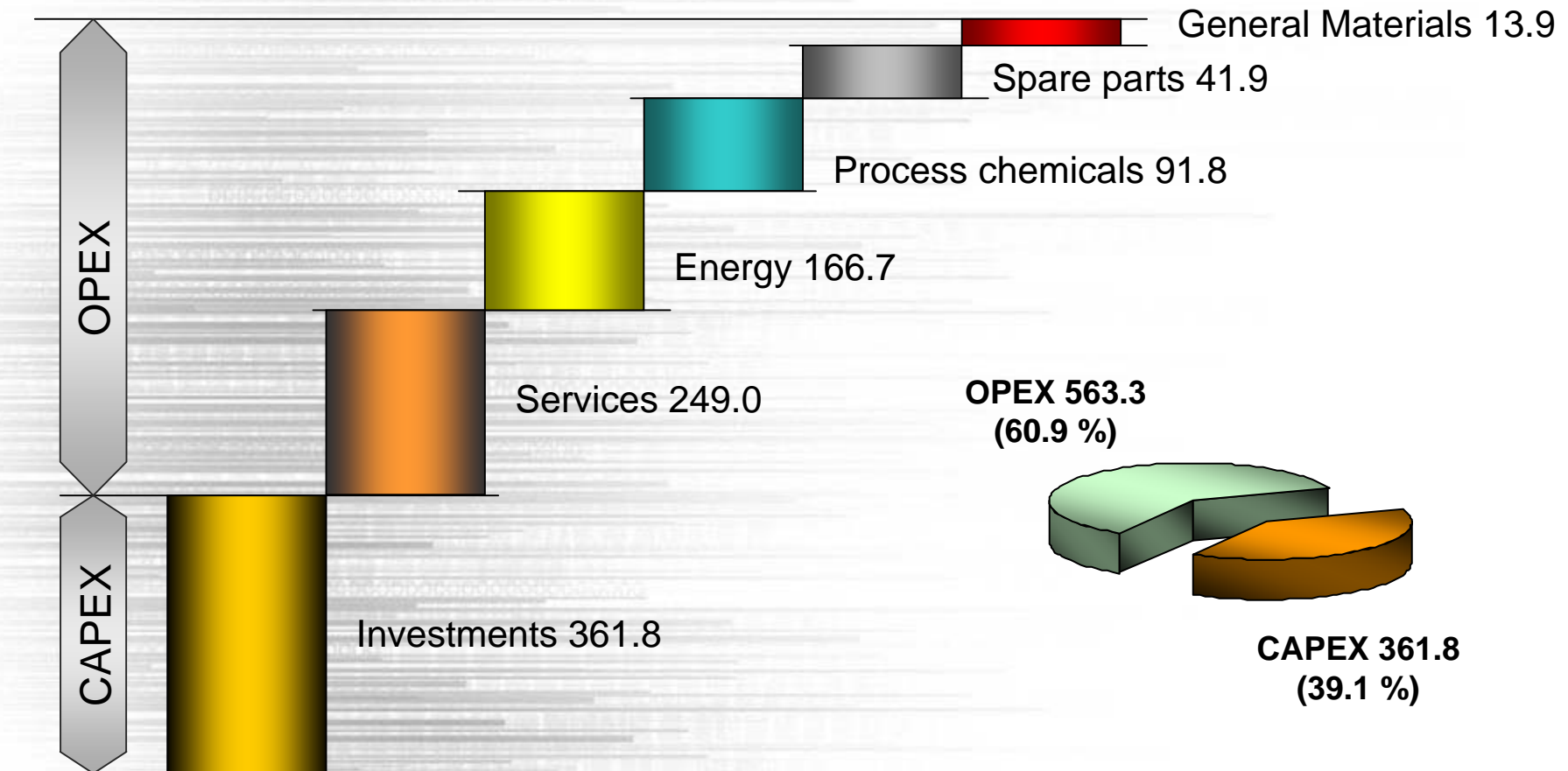
- ▶ Status of procurement
- ▶ Vision and goals for the future
- ▶ Supplier evaluation



Spend analysis* – 2003 (MOL-SN-TVK**)

(non-CH purchases)

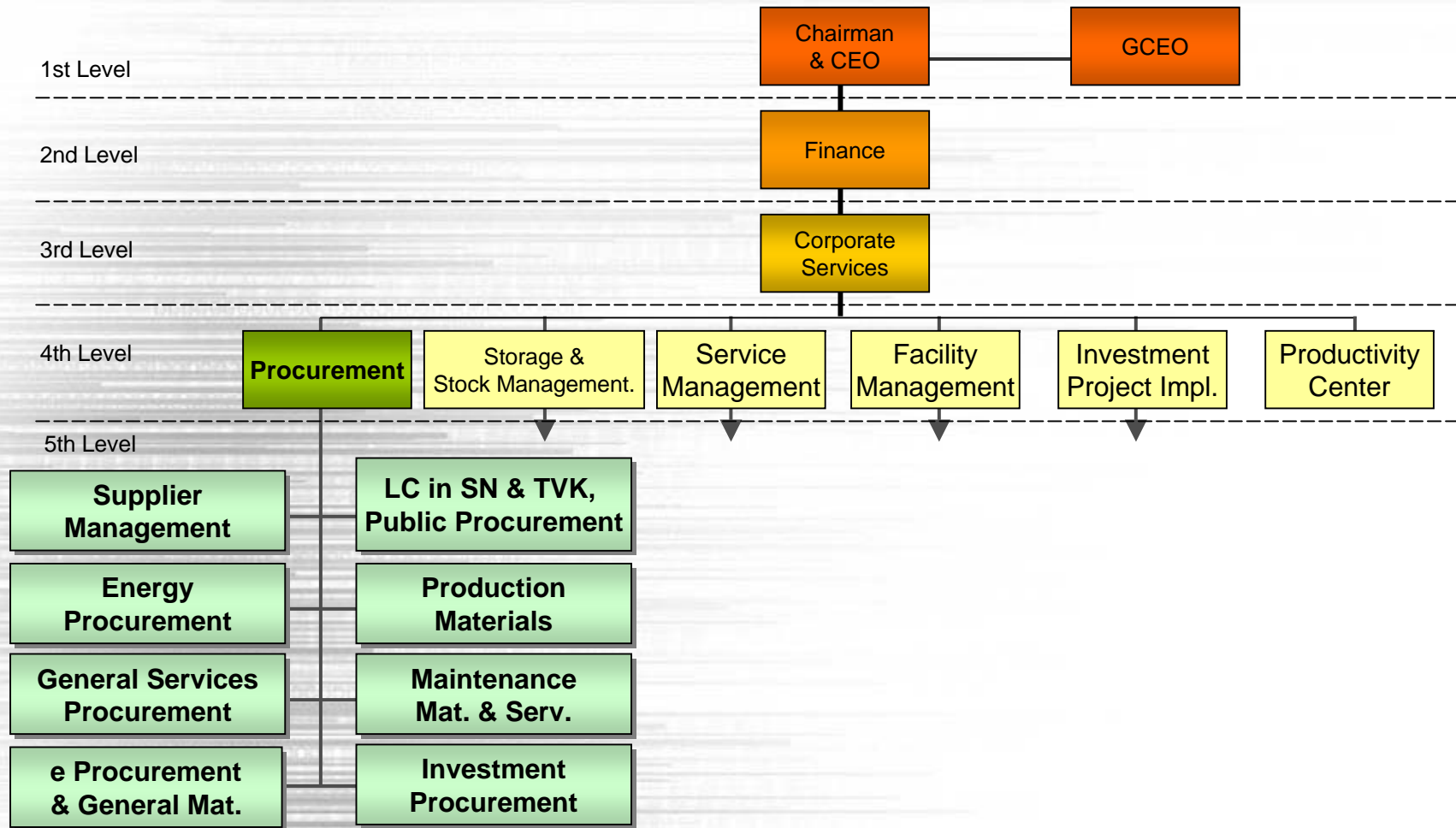
Total Spend: ~1 billion EURO



*Note: (in EURO million)

**Note: Expected in year 2005

Group Procurement organisational chart



Major tasks of Procurement Departments

Supplier Management	Maintain and develop unified Supplier Evaluation system for the Group Monitor ongoing performance of Suppliers and communicate results Organize Supplier Forums
Production material (Non-CH Raw Materials & Chemicals)	Production material and catalysts procurement Relationship with local and international authorities (permits, reports) Tender invitations, evaluations, contract awarding, prepare and sign contracts
eProcurement & General Materials	Tender invitations, evaluations, contract awarding, prepare and sign contracts Manage, identify, select commodity suitable for e-procurement Calculate and monitor e-procurement savings, manage e-catalog
Maintenance Materials & Service	Manage tendering processes and contracts for field operation (US) materials Procurement of maintenance materials and services Control and audit of tendering for MSSC (Maintenance Single Service Co.)
General Services	Manage all non maintenance-related service tenders Contract award, preparation and signing of contracts Maintain close relationship with functional and business units (HR, legal, olefin, propylene, etc)
Energy Procurement	Tender electricity, natural gas, industrial water. Prepare energy supply contracts of large MOL Group consumers. Co-ordinate Energy Management Team and work on Energy strategy
Investment Procurement	Competitive bidding processes for investment projects Authority permissions, transportation, customs clearance insurances, settle guarantee claims Support operation model changes in Investment Department

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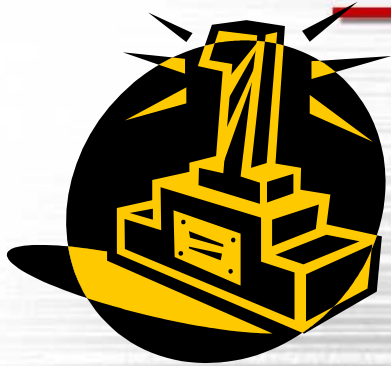
Regional integration in oil and chemical industry

Major milestones

- ▶ 1991 - **Established** from National Oil and Gas Trust and enterprises
- ▶ 1995 - MOL **privatized**
- ▶ 1999 - New Strategy: **regional expansion** (prominence, efficiency growth)
- ▶ 2000 - **Slovnaft became regional strategic partner**
- ▶ 2001 - Refinery and petrochemical industry cooperation: TVK
- ▶ 2002 - MOL became the major shareholders of Slovnaft
- ▶ 2003 - **MOL acquisition of 25% INA**
- ▶ 2004 - **Integrated operation with Slovnaft and TVK**
- ▶ MOL shares are listed on the Budapest and Luxemburg Stock Exchange and traded on London SEAQ International System



Vision for Procurement by 2007



To have the **Best Procurement** result,
system, process in **Central Eastern**
Europe

**Process
control**

**Spend
control
(TCO)**

Tools

Segmentation

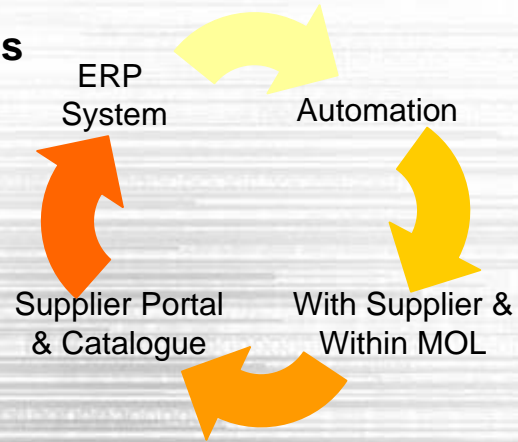
Organization

**Contracting
methods**



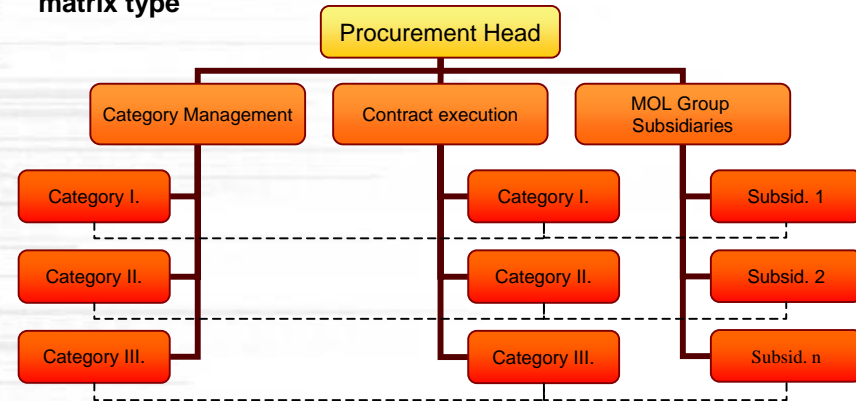
To be: World Class Procurement

Process



Organization

matrix type



Tools



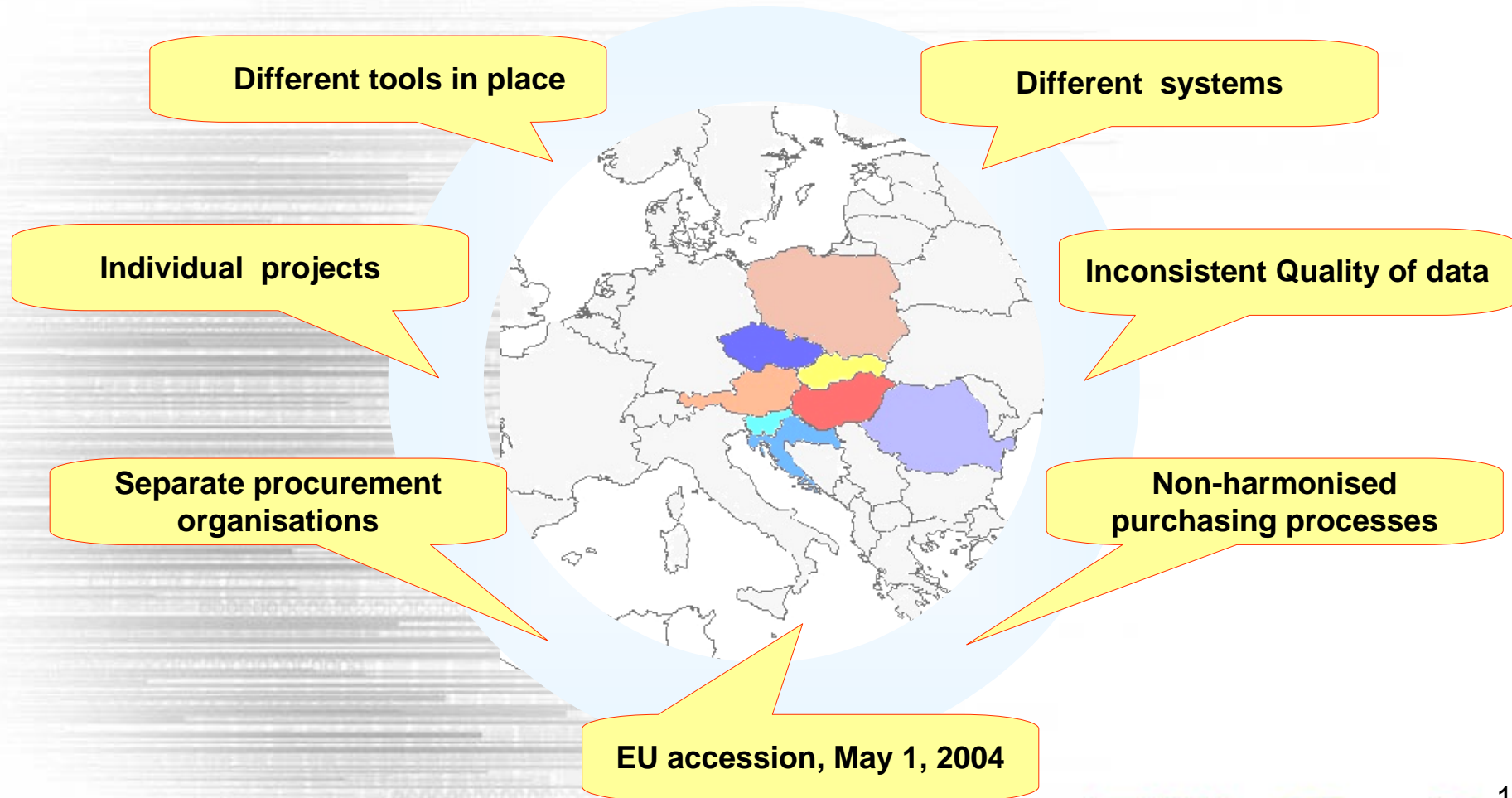
Transparent tendering on line negotiation, (eRFQ, e-Auction, etc.) up to 15%

Process Control

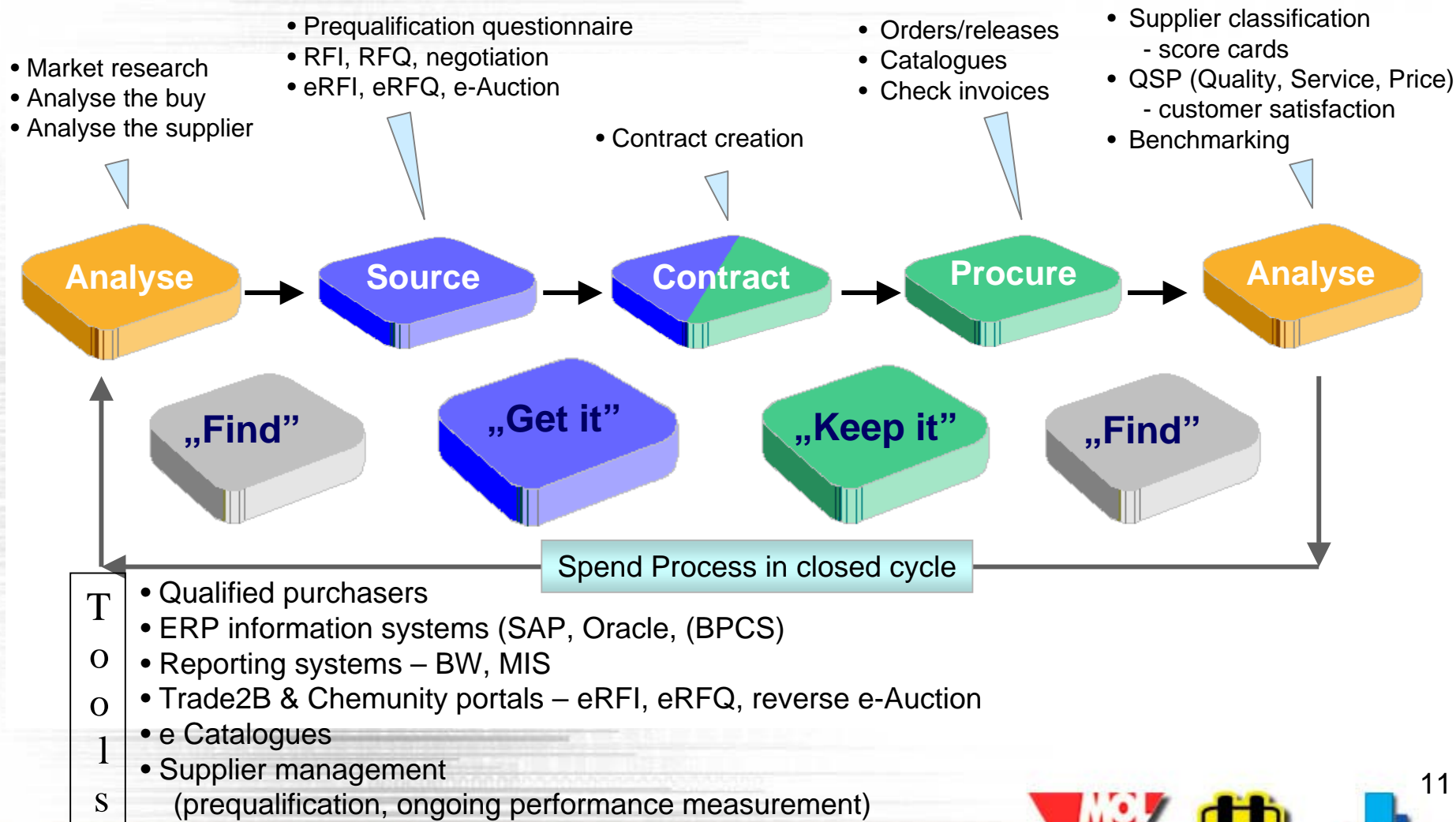
Target: at least 90% of non-CH spent



Where are we coming from...



Procurement cycle



An approach to „Total Cost Ownership”(TCO)

Levels of opportunity

Reduce external costs

Reduce internal business costs

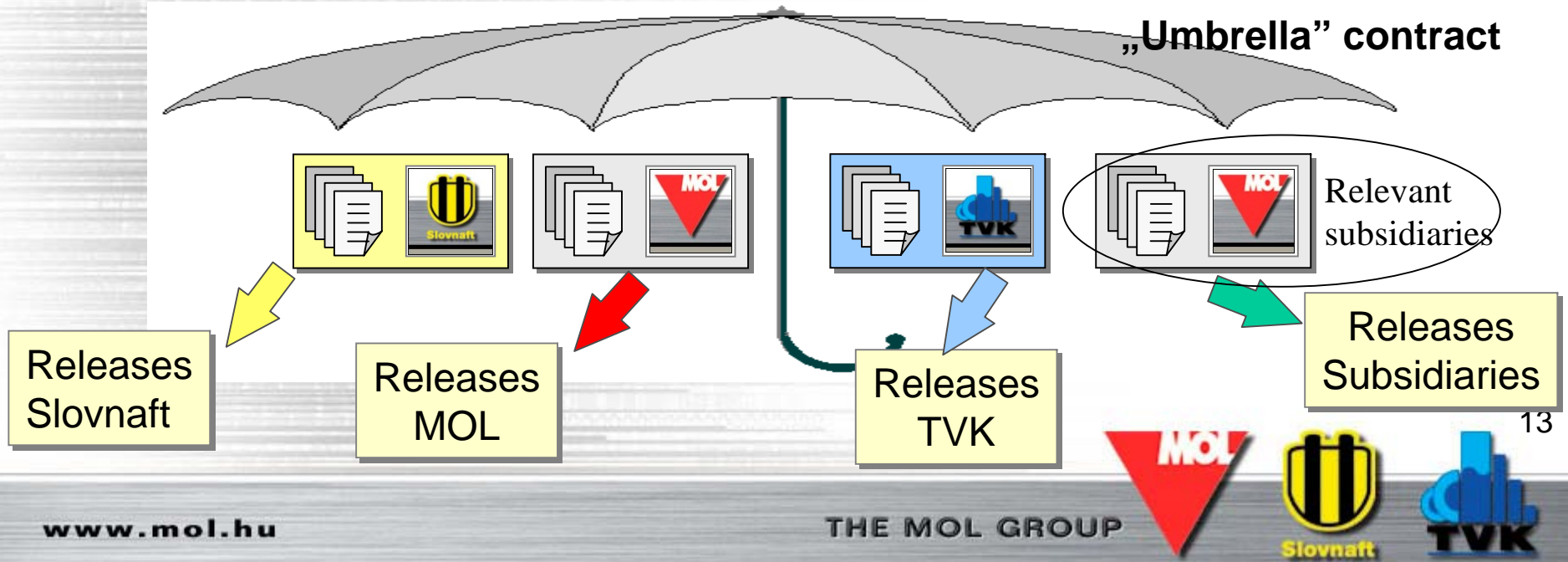
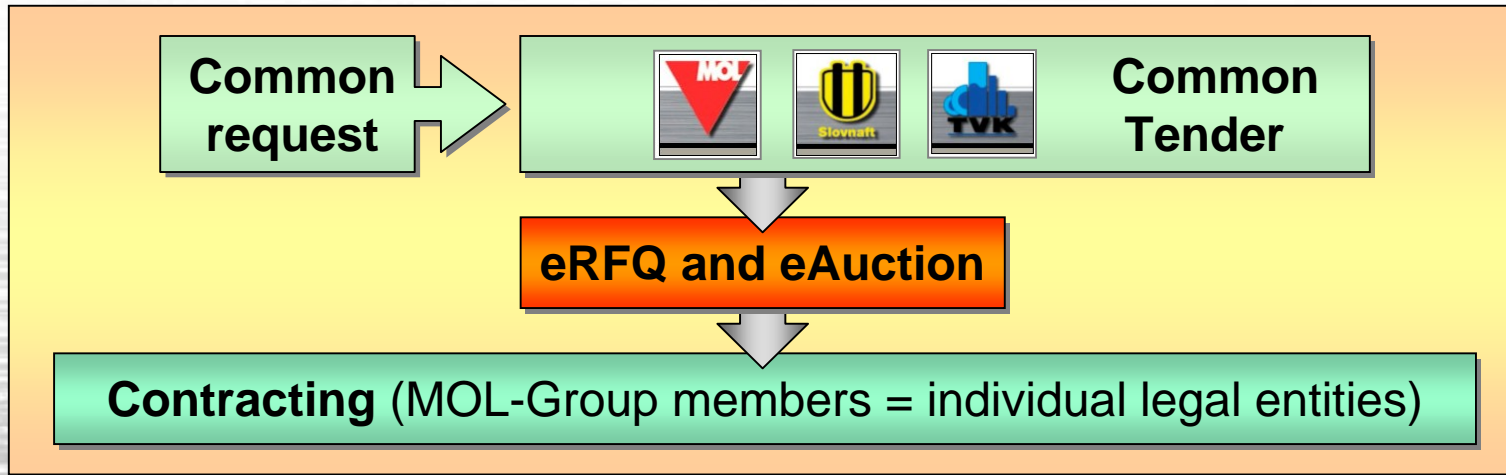
Joint cost factors



Example action areas - Items

- ▶ Volume consolidation on BU's/functions levels to negotiate better contracts
 - ▶ Identify new suppliers (local and global)
-
- ▶ Reduce the number of items purchased
 - ▶ Involve suppliers in design/reviews
 - ▶ Enforce purchasing with preferred suppliers under negotiated contracts (control)
-
- ▶ Use forecasting to reduce rush orders and expedited shipping charges
 - ▶ Load schedules into supplier scheduling system via Supplier self service extranet
 - ▶ Analyze supplier's TCO to identify cost-reduction opportunities

The Joint Purchasing Contracting



Initiatives in progress now

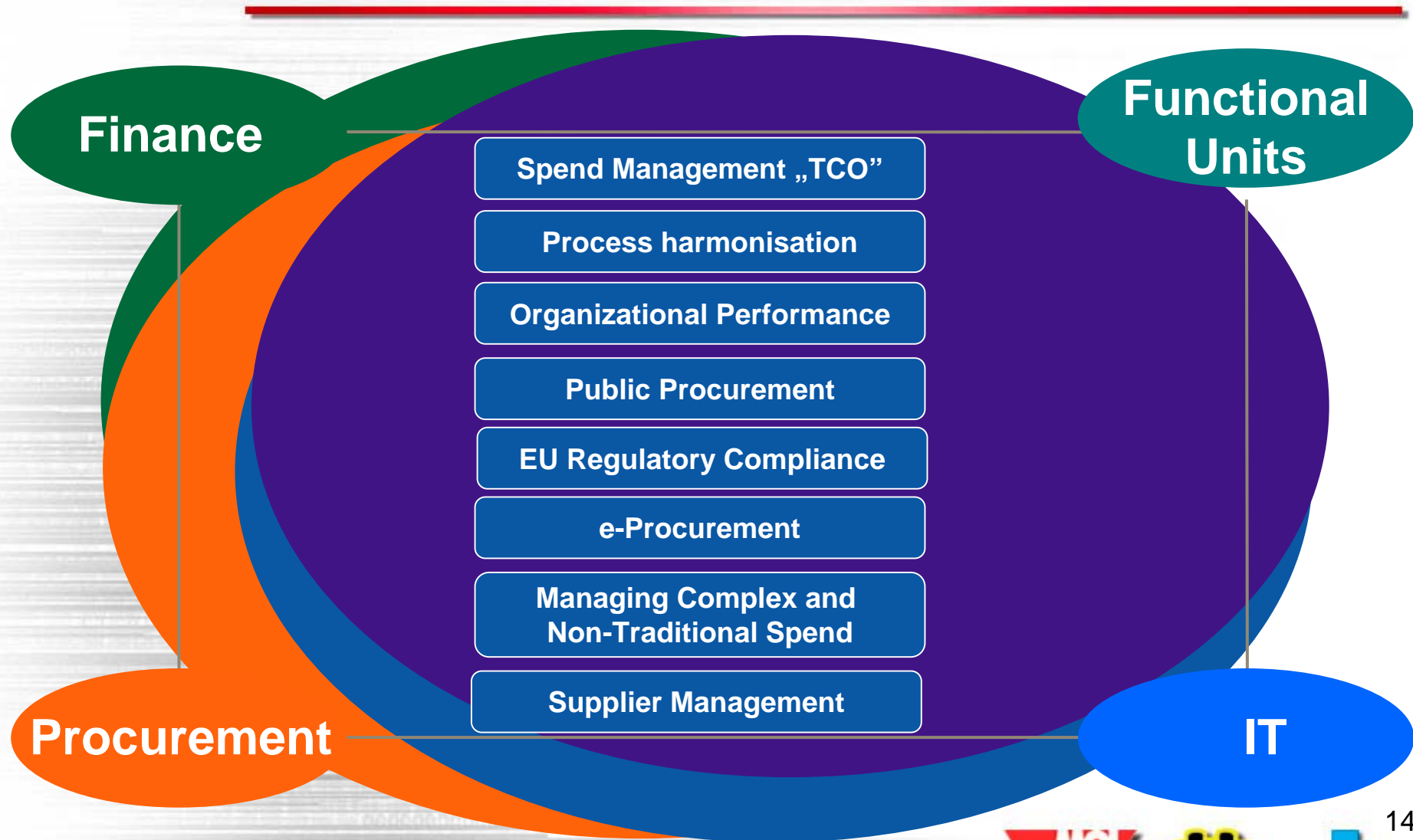
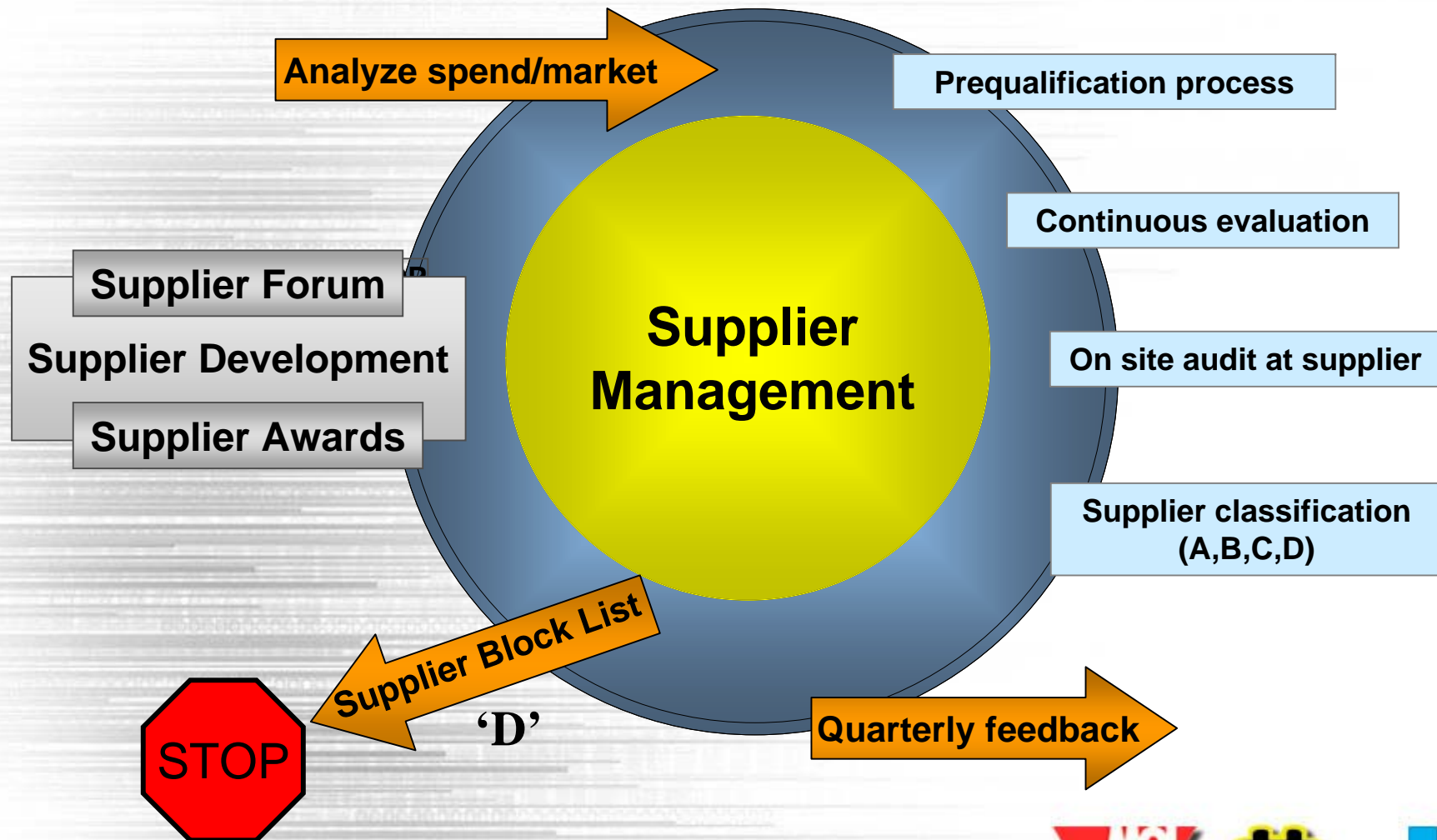


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Control & develop supplier relations



Evaluation criteria (continuous evaluation)

Price

- ▶ Price
- ▶ Terms of payments
- ▶ Contractual terms

Quality

- ▶ Number of defects
- ▶ Quality system (audit result)
- ▶ HSE performance

Supplier ability

- ▶ Meeting deadlines
- ▶ Accuracy of delivered quantity
- ▶ Packaging

Customer satisfaction

- ▶ Proactive cooperation
- ▶ Flexibility of reaction
- ▶ e-procurement (willingness/capability)

Status of suppliers evaluation

Number of evaluated suppliers

(week 44):

< 2500 SUPPLIERS

THANK YOU FOR YOUR ATTENTION!

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