Hungary: MOL success related to market presence in central Europe

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What is the secret success factor of Hungarian MOL with its four refineries compared with similar company like OMV Petrom refinery. Unlike Hungary, Romania has its own oil reserves but still Petrom reported severe losses. MOL success could be found in its diversified market presence in countries of South and Central Europe.

The biggest Romanian company, Petrom reported a few days ago a negative cash balance for 2015 losses reaching almost 700 million lei. After more than 11 years of OMV management of Petrom the company reported losses.

The main justification is given against the negative result of decreasing international prices of crude oil. Consequently, OMV Petrom has proposed reducing investments for 2016 by 10-20% in the segment of exploration, it announced the sale of oil blocks and even cutbacks .

By comparison MOL of Hungary announces spectacular financial results for 2015 its target operating profit from $ 2.3 billion to $ 2.5 billion. And MOL oil crisis made its effects felt, but in a completely different way than group OMV Petrom. MOL, the Hungarian state controlled by a significant package (not majority) share beat by far value of Petrom business. Mol operates four refineries.

Without making too many comments on the business of the two companies in the oil and gas industry, it would be noted that while Hungary lacks reserves of oil and gas available to Romania, MOL managed to grow financial results primarily from the countries and their businesses in Central and Eastern Europe, where it is present. OMV Petrom, Romania bordered exclusively to bear the consequences.

MOL Group has achieved solid operating earnings of $ 2.5 billion, 13% more than in 2014. Segment Downstream (refining and distribution) achieved the best result in history, with solid contributions from internal program to optimize total production of hydrocarbons increased by 7% YoY to 104 thousand boe / MOL recorded an adjustment impairment of assets worth $ 1.7 billion, mainly due to lower oil quotations

MOL Group announced financial results for 2015. Downstream segment last year marked the best financial result in its history, with a contribution of more than twice as high as the result of the Group in 2014. Production segment Upstream (exploration and production hydrocarbons) increased by an annual rate of 7%, up from an average of 104 thousand barrels of oil equivalent per day, supported by the success of efforts to boost production in the region of Central and Eastern Europe (CEE).

MOL Group has significantly exceeded operating profit target for 2015 of 2.2 billion, recording an EBITDA CCS result (profit trainde interest, depreciation and amortization, excluding exceptional items and price fluctuations) for $ 2.5 billion despite halving in oil prices. Also, MOL has generated substantial free cash flows available (2.1 billion dollars), significantly higher than capital expenditures related to organic activity ($ 1.3 billion), which resulted in a robust balance sheet, grade reduced indebtedness.

Segment Downstream (refining and distribution) recorded in 2015 the best financial performance in its history, with an operational result (EBITDA Clean CCS) of HUF 463 billion (USD 1.65 billion), more than two times higher than the year previous. Downstream activity has harnessed the opportunities generated by the external environment and the result EBITDA was generated in 50% of internal efficiency programs started in 2011.

In the downstream segment, retail sales of MOL Group in Romania (including fuel, LPG and lubricants) increased in 2015 by 17% to 586 kt from 501 kt in 2014, mainly due to expansion inorganic network of gas stations. Over the year before, sales of diesel rose by 15% to 419 kt, while gasoline sales rose 18% to 152 kt. In the fourth quarter of 2015, MOL Group's retail sales in Romania increased by 20% in volume compared with the same period of 2014, 153 kt. Diesel generated sales of 110 kt in Q4, up by 20% and petrol sales of 39 kt, 18% more than the same interval in 2014.

MOL Group as a whole, retail sales growth rate last year was 11%, at 3916 kt.

Regarding segment Upstream (exploration and production) in the context halving of oil prices, EBITDA result excluding exceptional items stood at HUF 201 billion (USD 719 million) in 2015, down 26%.

Total hydrocarbon production rose by 7% to 104 thousand boe / d in 2015. Production Level in Croatia rose by 7%, while in Hungary the level remained almost constant, a very good result, considering that estimates initial aimed a decrease of 5%. Oil extraction segment, production rose 20% in Croatia and 5% in Hungary. Gas Midstream segment (gas transportation) had an annual contribution to EBITDA of HUF 60 billion (USD 213 million) in 2015, similar to 2014, transmits Serbia-energy.eu