




**ORACLE®**

**JD Edwards EnterpriseOne Bulk Stock Industry & Overview**



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# Downstream Companies Must Respond To Key Industry Trends

## Key Trends

- **Fluctuating supply/demand**
  - Seasonal effects
  - World market and political conditions
  - Fluctuating price
- **Changing Environmental Conditions**
  - Respond to environmental legislation
  - Changing product mix based on environmental conditions
- **Escalating cost pressure**
  - Cost reduction is key due to lack of control over raw material prices
  - Feedstock Prices at historic highs resulting in cost increases downstream
  - Energy Price Escalation impacting product cost

## Implications

- Expand into new business areas and new business processes
- Assimilate acquisitions quickly and efficiently, evaluate asset value in the context of its fit to the corporate portfolio
- Accelerate cost reduction efforts and embrace efficient, collaborative supply chain and projects, strive for more efficient operation of key assets
- Create strategic customer relationships through value added services

# Industry Drivers

## Demand Variability

- What proactive measures can Downstream companies take to counter the widespread effects of industry cycles?

## Thin Margins

- How can Downstream companies achieve efficient operational and process alignment to remain a cost effective distributor?
- Improve refinery operations and return on capital
- How can you effectively monitor the profitability of their customers and business lines?

Supply Base

Deliver

Customers

## Supply Management

- How can suppliers be more effectively integrated with your supply chain to ensure timely delivery?
- How can Downstream companies achieve an efficient inventory management system?

## Customer Relationship Management

- How can you develop extended customer relationships through value added services?

# Unique characteristics of downstream supply chain

- **Product is a commodity**
  - Unique partner relationships for supply
  - Impacted by commodity markets
- **Bulk product**
  - Thermal expansion
  - Bulk tank requirements
  - Measurement techniques for load/receiving
  - Product may be blended on route
- **Refinery production is relatively inflexible**
  - Limited ability to change capacity within short time frames
  - Somewhat dependent upon supply products and chemistry

# Oil & Gas - Downstream

- Downstream
  - Responsible for converting crude oil to refined products such as gasoline and diesel, and selling the products wholesale and in retail stations
  - Operations are located near end markets
    - Refineries are often close to ports
    - Terminals are located close to pipelines and metropolitan cities
    - Retail C-stores are on every corner
  - Low margin, steady business with low returns on capital
  - Downstream companies are evaluated on:
    - Gross margin
    - Working capital
    - Return on assets

*Refinery*



*Terminal*



*C-Store*

# Downstream: Supply and Refining

- Refining runs the refineries, which convert crude oil into refined products through a process that includes boiling the oil in distillation columns and recycling certain outputs to maximize yields
  - Crude oil is a collection of hydrocarbon molecular chains of varying length and structure
  - These chains cool at different temperatures, allowing a sorting by chain in a distillation column. These chains are defined as various refined products
- Major refined products include:
  - Gasoline
  - Diesel
  - Fuel Oil
  - Lubricants (Lubes)
  - Kerosene/Jet Fuel
  - Petrochemical feedstocks
  - Asphalt

*Distillation Columns at a refinery*



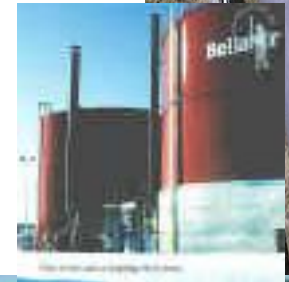
# Downstream: Wholesale marketing

- Consists of trading, sales, and transportation
- Wholesale marketing assets include:
  - Pipelines
  - Trucks
  - Marine Vessels
  - Terminals (tank storage locations)
- Oil companies often divide wholesale marketing by product:
  - Fuels – products such as gasoline or jet fuel sold in large quantities, often by contract, to wholesalers and jobbers
  - Lubes – products sold as feedstocks to lube plants, and sold out of lube plants into a large variety of industrial, commercial, and consumer distributors and end users

*Pipeline*



*Terminal*



*Truck*



# Value Proposition for Downstream Companies

- **Strong Asset Intensive application footprint**
  - Equipment Maintenance, Process Mfg., Distribution, Supply Chain, Projects, etc.
- **Deep solution capability specifically designed for downstream fuels.**
  - Transportation Management, Tank Management, Temperature correction, LIFO/FIFO costing, Exchange, Purchase and Throughput Agreements, Container Management
- **Oracle provides the lowest Total Cost of Ownership...**
  - Software, Hardware, Implementation costs
  - Ongoing support costs
- **Fastest speed to implementation...**
  - Solution minimizes risk, decreases implementation time
- **And provides the shortest time to benefit realization**

# Value Proposition for Downstream

- **Improve customer service**
  - Understand and respond to customers
- **Reduce SG&A costs**
  - with self service and automation
- **Product Innovation**
  - ancillary products, RFID technology, Automated gauging
- **Investment in new assets**
  - shorten cycle time
- **MRO of existing assets**
  - optimization of process and performance
- **Transportation and other supply chain costs**
  - cent/gallon has big affect on margins
  - optimize supply/distribution network to maximize profit
- **Improve controls on storage and transportation loss/gains**
- **Process consolidation / shared services**
  - improved decision making, security & reliability at lower costs
- **Growth through acquisition**
  - decrease time to onboard acquisitions, leverage insight

# Bulk Stock Management

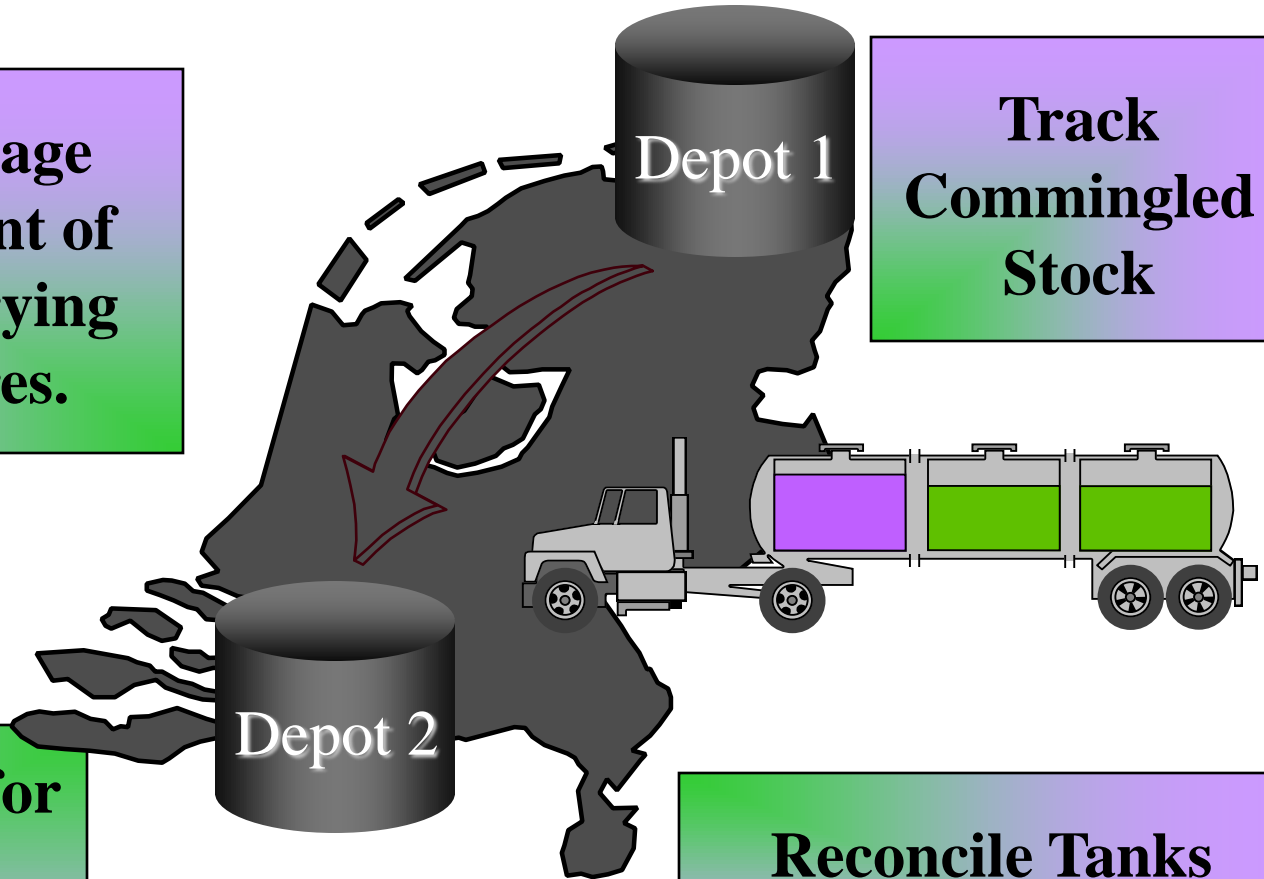
## Overview



# Bulk Stock Allows you to:

**Control storage and movement of liquids at varying temperatures.**

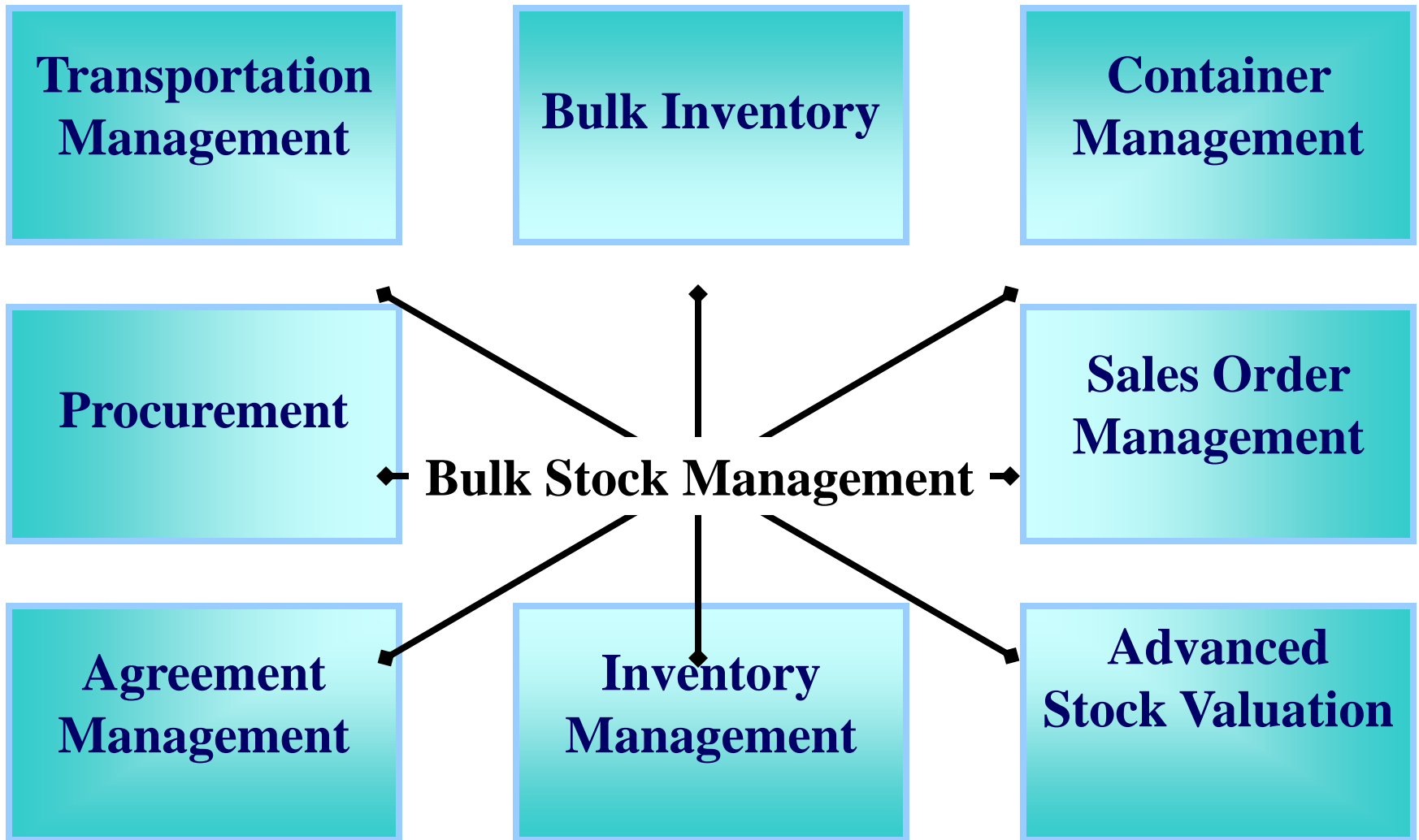
**Track Commingled Stock**



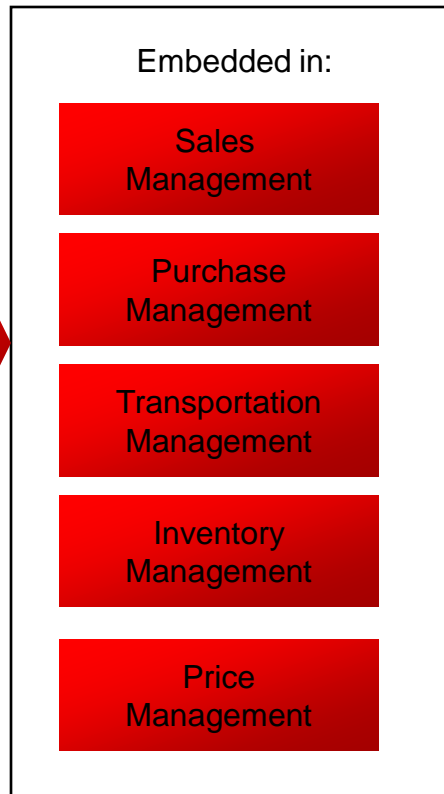
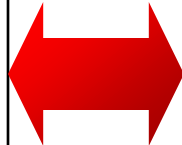
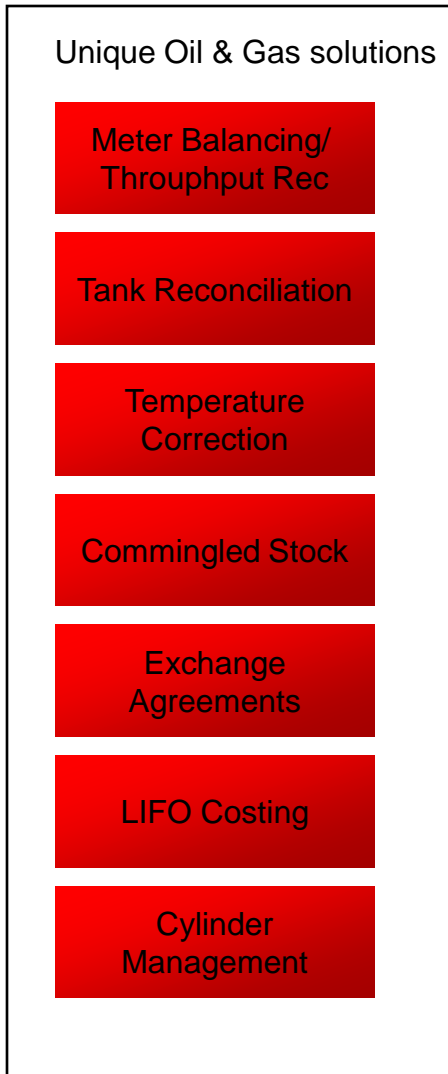
**Calculate volume for each transaction, product and container.**

**Reconcile Tanks and Meters**

# Bulk Stock System Integration



# Complete Downstream Solution



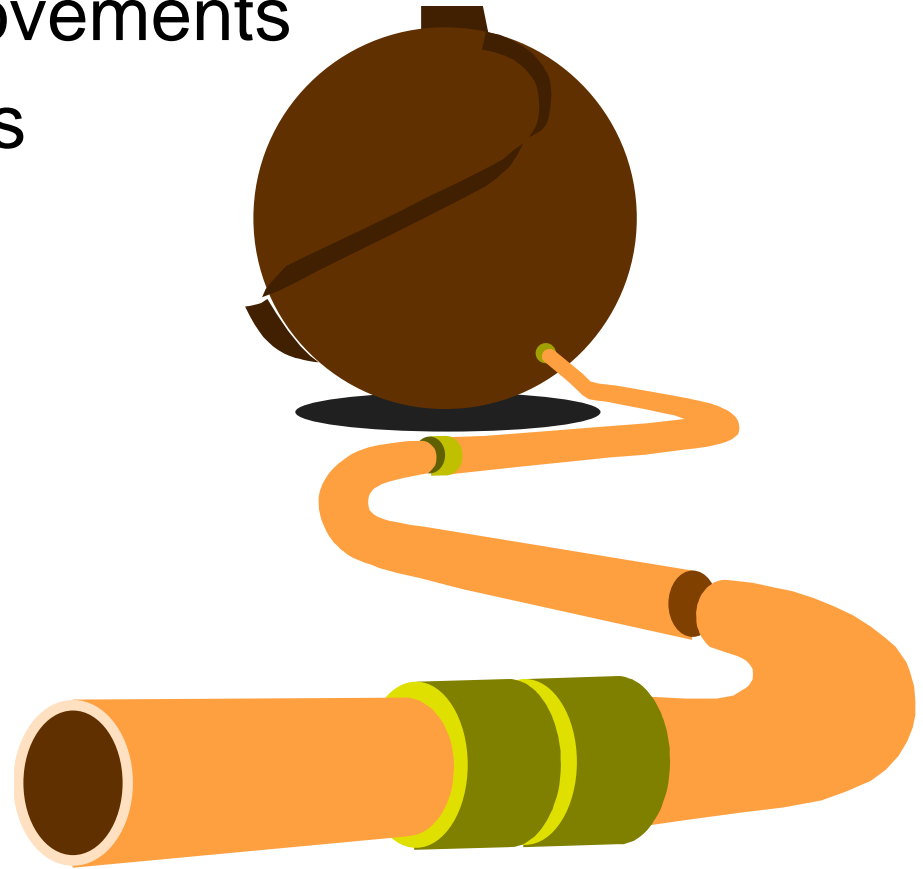
- Industry specific solution
- Designed with input from major oil and gas companies
- Benefits:
  - Track and control stock loss/gains
  - Meet environmental legislation on stock audit
  - Manage customer and supplier agreements

# Bulk Stock Control allows you to . . .

- Perform volume and density conversions to any base temperature using standard algorithms.
- Calculate product gain or loss accurately for each stock movement.
- Track inventory balances for each product in various units of measure.
- Track commingled/custody stock in a tank and manage the transactions associated with each product by owner.

# How?

- Intra-depot stock movements
- Bulk product receipts
- Reconciliations





# Bulk Stock Movements Include:

- Tank to tank transfers
- Repacking
- Rebrands
- Regrades
- Decanting
- Filling
- Simple blend
- Consumed in operations
- General stock adjustments

# Special Attributes of Bulk Inventory

- Expansion of Bulk Liquid Products
- Tank Characteristics
- Measurement of Bulk Quantities
- Weight to Volume Conversion
- Load and Delivery Confirm Trips
- Stock Movements within the Depot
- Reconciling Bulk Inventory



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