

Business Strategies in a Dynamic Market

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JOURNEY INTO UNCHARTED TERRITORIES

PLENARY SESSION 2



REPOSITIONING THE PROJECTS BUSINESS IN A WORLD WITH CHANGING BOUNDARIES

Global Supplier of Choice®

MRC is the Largest Distributor of PVF Products Globally

MRC Locations



Australia	Kazakhstan
Belgium	Korea
Canada	Netherlands
China	New Zealand
Finland	Singapore
France	Thailand
Germany	United Arab Emirates
Indonesia	United Kingdom
Italy	United States

Includes MRC Midfield, MRC Transmark
and MRC SPF

- Provide Pipe, Valves, Fittings and related products and services to the energy and industrial markets
- Valve Actuation, Valve Modification, Specialty Products
- Global company based in Houston, TX
- Over 400 MRC Global Service Locations
- 2010 Sales = \$3.96 Billion (Global Sales)
- ~\$785 Million Inventory Value (On the Ground)
- 3,800 Employees

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A world map illustrating the economic growth status of various countries for the period 2010-2011. The map is color-coded according to the following legend:

- In Recession:** Red (e.g., Japan, Brazil, Turkey, South Africa)
- Moderating:** Orange (e.g., Greece, Ireland, Portugal, Spain, Italy, France, Germany, UK, Ireland, Portugal, Spain, Italy, France, Germany, UK)
- Recovering:** Blue (e.g., Canada, USA, Mexico, Argentina, Chile, Peru, Colombia, Venezuela, Ecuador, Bolivia, Paraguay, Uruguay, Cuba, Haiti, Dominican Republic, Puerto Rico, Guam, Northern Mariana Islands, American Samoa, U.S. Virgin Islands, Puerto Rico, Guam, Northern Mariana Islands, American Samoa, U.S. Virgin Islands)
- Expanding:** Green (e.g., Australia, New Zealand, South Korea, Taiwan, Hong Kong, Singapore, Malaysia, Indonesia, Philippines, Thailand, Vietnam, Laos, Cambodia, Myanmar, Bangladesh, Pakistan, India, China, Russia, Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Georgia, Armenia, Azerbaijan, Belarus, Ukraine, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Serbia, Montenegro, Albania, Macedonia, Bosnia and Herzegovina, Kosovo, Albania, Macedonia, Bosnia and Herzegovina, Kosovo)
- Data not available:** Grey (e.g., North Korea, Laos, Cambodia, Myanmar, Bangladesh, Pakistan, India, China, Russia, Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Georgia, Armenia, Azerbaijan, Belarus, Ukraine, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Serbia, Montenegro, Albania, Macedonia, Bosnia and Herzegovina, Kosovo)

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Source: Dismal Scientist / Moody's Analytics

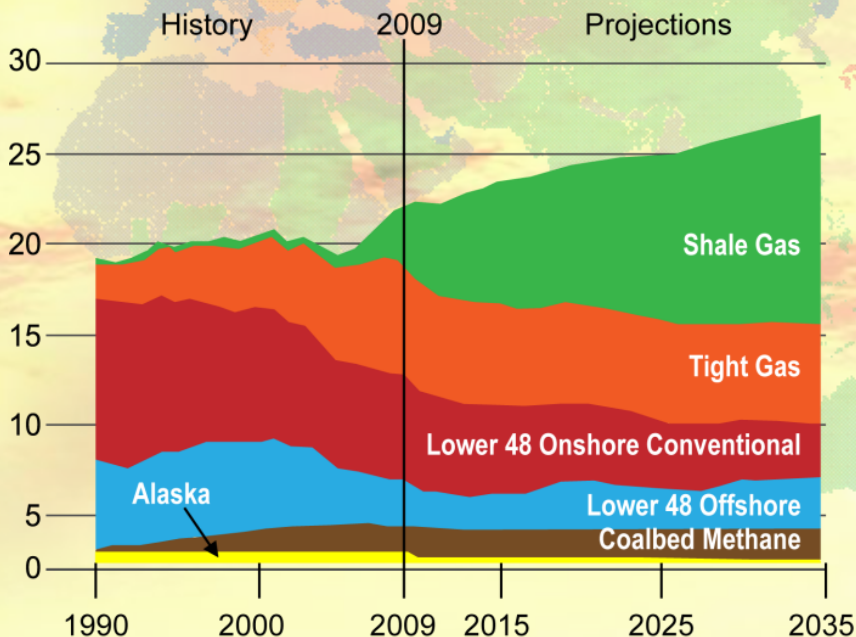
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The North America Shale Plays are expanding

1. U.S. Shale Plays

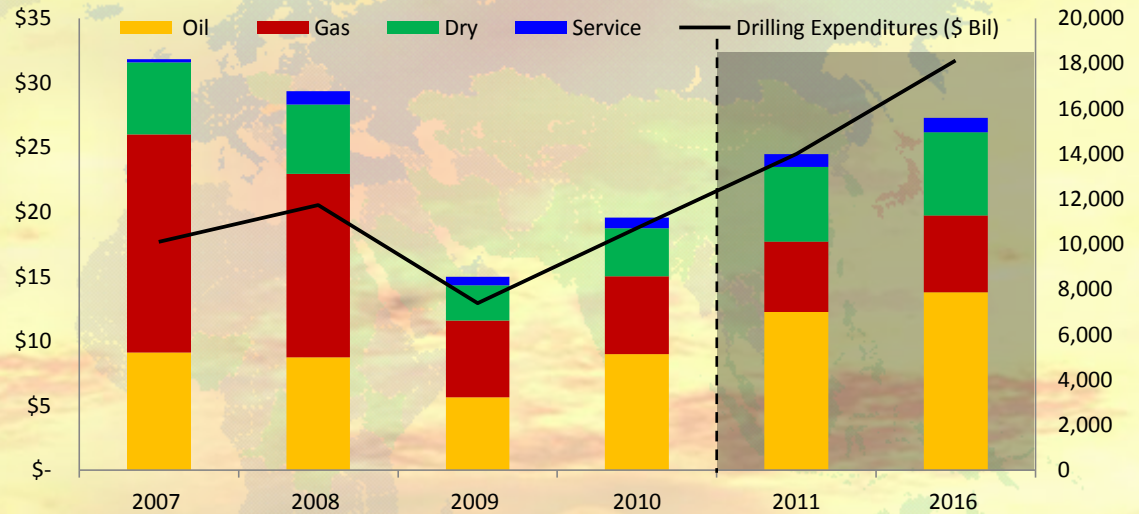
(trillion cubic feet per year)



Source: Dismal Scientist / Moody's Analytics

The Oil Sands Project activity is expanding in Canada

2. Canadian Oil Sands

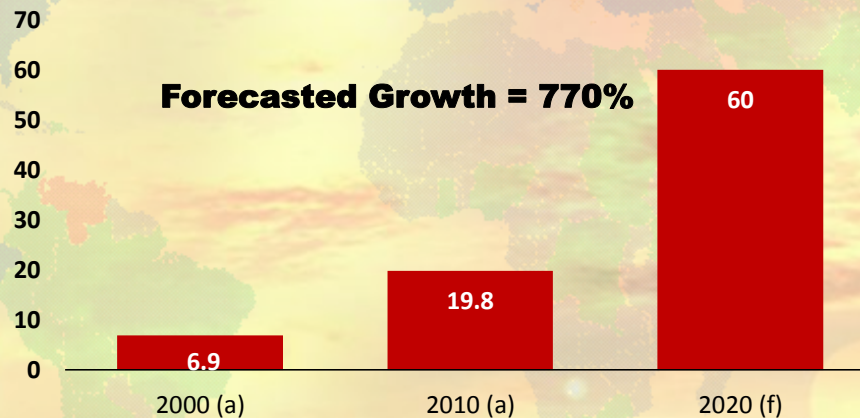


- In Recession
- Moderating
- Recovering
- Expanding
- Data not available

Australia LNG project activity is very active

3. Australia LNG

(Million tonnes per year)



Source: Australian Petroleum Production and Exploration Association

- In Recession
- Moderating
- Recovering
- Expanding
- Data not available

Positioning MRC for Shale Projects in N. America

Midfield Supply

Acquired Full Interest - July 2008

LaBarge

Acquisition
October 2008

South Texas Supply

Acquisition - May 2010

Eagle Ford Shale



Dresser Oil Tools

Acquisition - August 2010

Bakken Shale



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MRC's Focus on North American Shale Plays

Shale Support

MRC has a full range of capabilities to service shale development from rig to distribution

Bakken

Marcellus

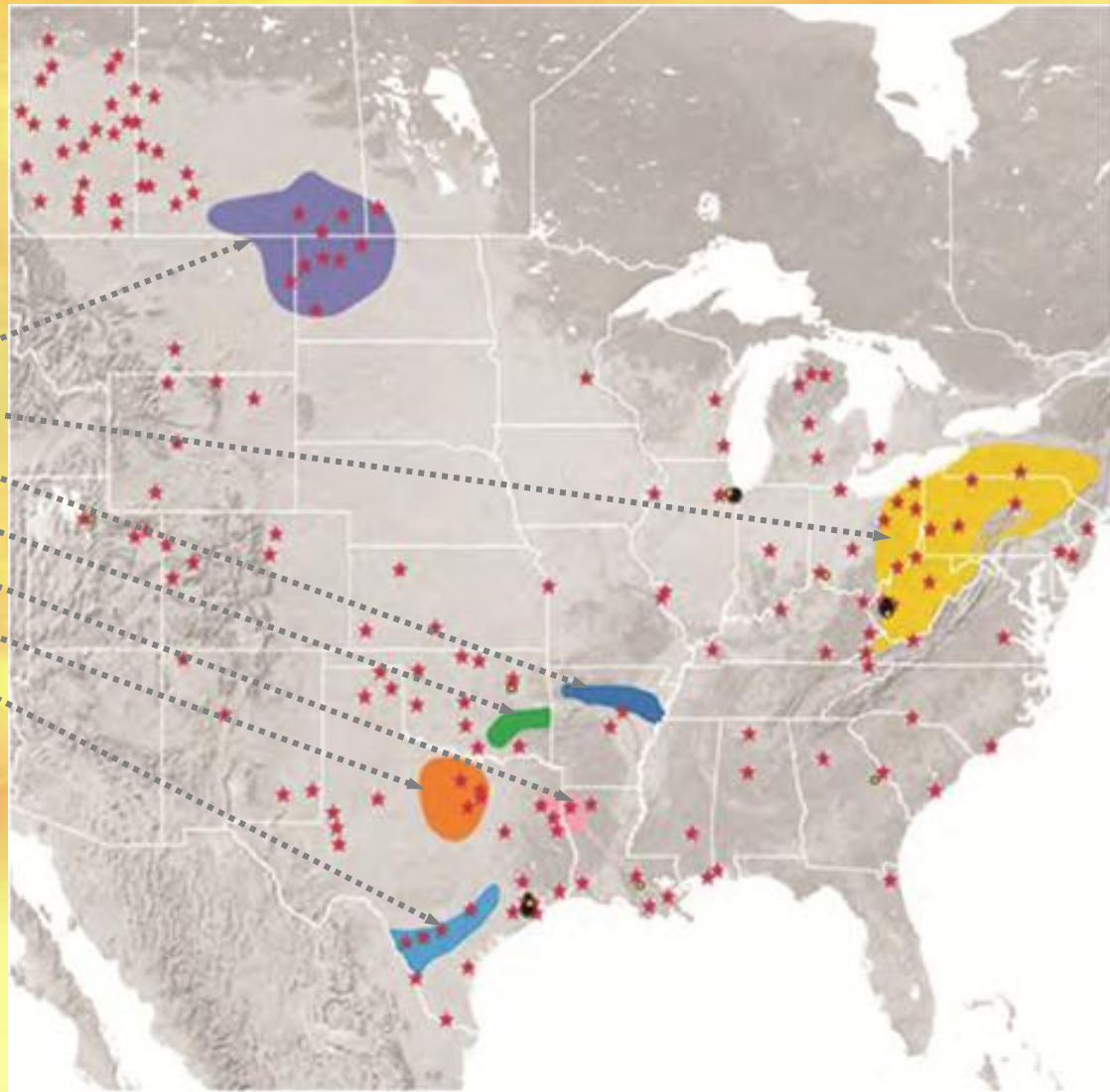
Fayetteville

Woodford

Haynesville

Barnett

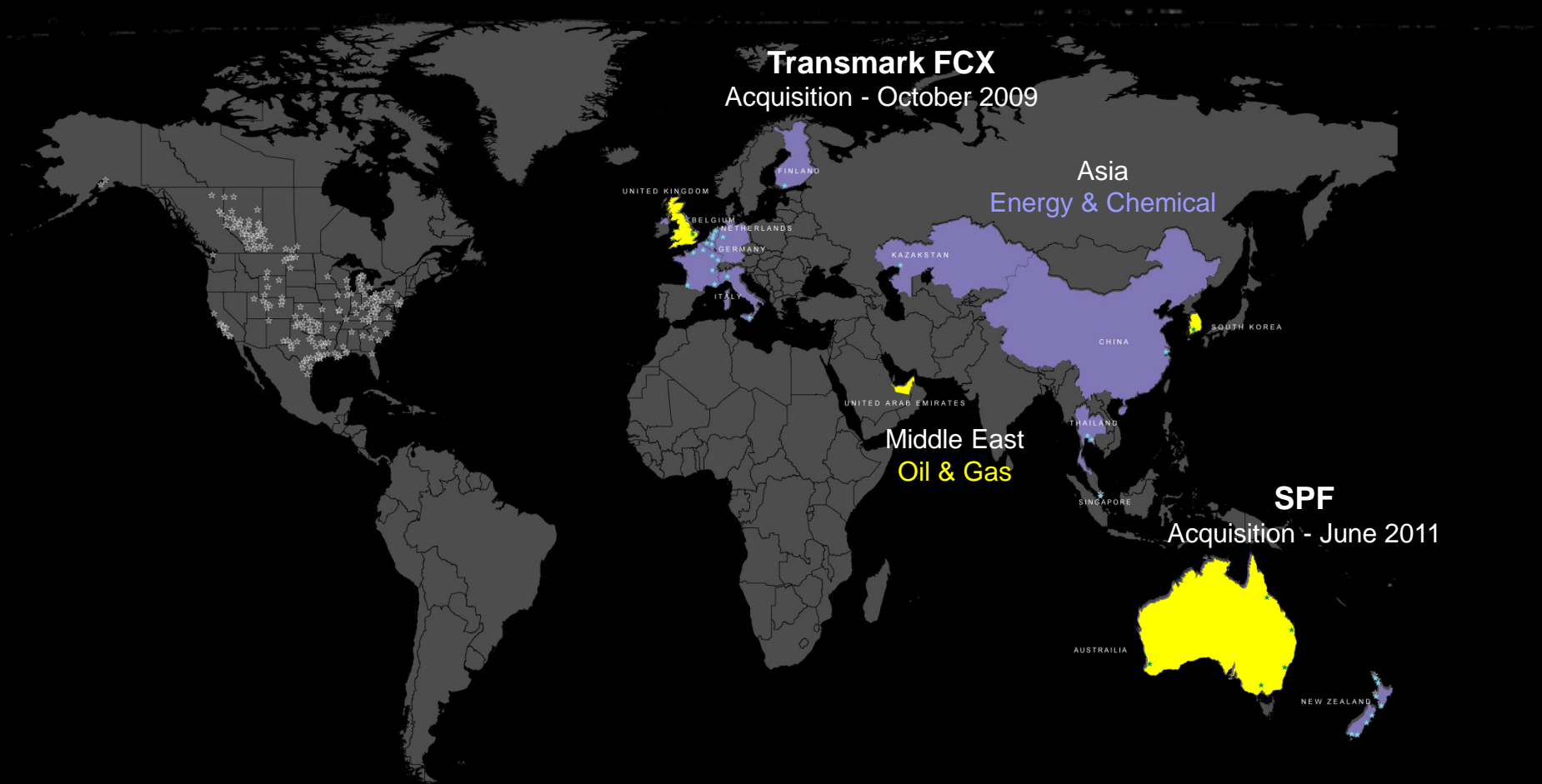
Eagle Ford



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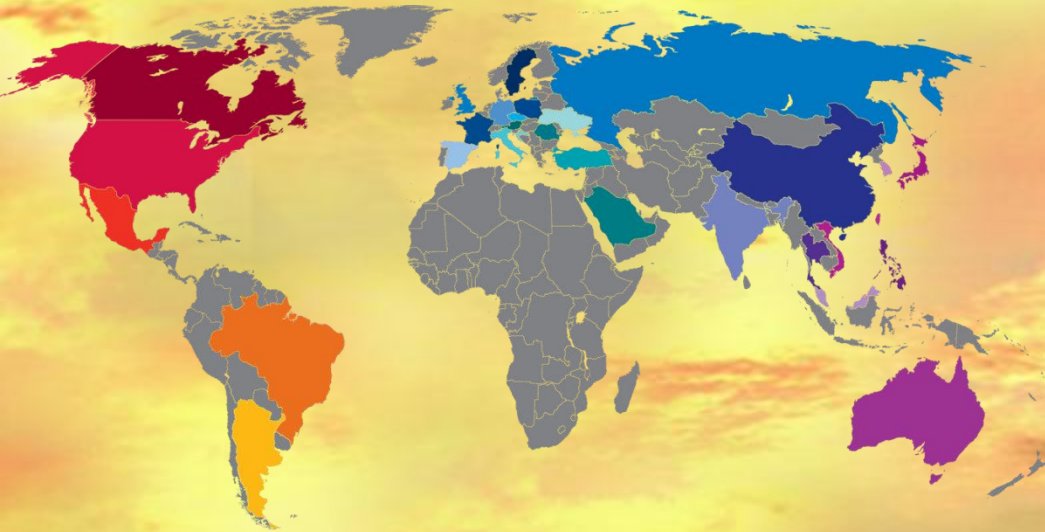
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Positioning MRC for Projects in Australasia & M.E.



Managing supply challenges in the marketplace

Global Sourcing



Sourcing Challenges

- On time delivery / supply interruptions
- Country of origin may be misleading due to outsourced components
- Government regulations can restrict materials from certain countries entering their market
- Price impact due to currency fluctuations through project lifecycle

Managing Materials Logistical Challenges

Fabrication - Construction – Site Erection

- Low Complexity– Local Logistics
 - Spool fabrication close to jobsite
 - Spools shipped to field for erection
 - Local/Regional supply partner strategy
- Medium Complexity– Regional Logistics
 - One or more pipe spool fabricators
 - Spools shipped to one or more regional module fabricators
 - Modules shipped to field for erection
 - Regional supply partner strategy with materials management capabilities
- High Complexity – Global Logistics
 - Spool fabrication at multiple locations/countries
 - Module fabrication at multiple locations/countries
 - Modules shipped to field for erection
 - Global supply partner strategy with materials management in multiple regions

Maintaining product integrity

Risk Mitigation Strategies

- Counterfeit materials – typically found in higher value products
 - Don't over rely on product certifications
 - Deal with reputable Supply Partners
- Know your Supply Partners channels
 - Avoid suppliers who buy/resell surplus or reconditioned materials
 - Choose supply partners who purchase directly from manufacturers
- Support Supply Partners who have:
 - A robust Supplier Qualification/Audit Process
 - Regional Surveillance Teams
 - Formal Response Program

Cast Valve Mold

**Good
Quality**

Investment casting
molds are designed
to be filled
completely



Cast Valve Mold

**Poor
Quality**

Short pouring molds
can increase yield
by 5-10% at the
expense of quality



Cast Valve Machining

**Good
Quality**



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Cast Valve Machining

**Poor
Quality**



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Valve Seat Polishing

**Good
Quality**



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Valve Seat Polishing

**Poor
Quality**



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Forging Operation

**Good
Quality**



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Forging Operation

**Poor
Quality**



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Managing Product Quality - Critical in a Global Environment

1. Supplier Qualification Process / Approved Supplier List

- Regular Assessments
- On-Site Audits
- Monitor Quality Issues

2. Product Quality Process

- Material randomly selected for inspection and testing to industry standards and specifications



3. Response Program

Resolve & Correct

Problem Recognition

Core Value
Operational
Excellence

Identify Cause

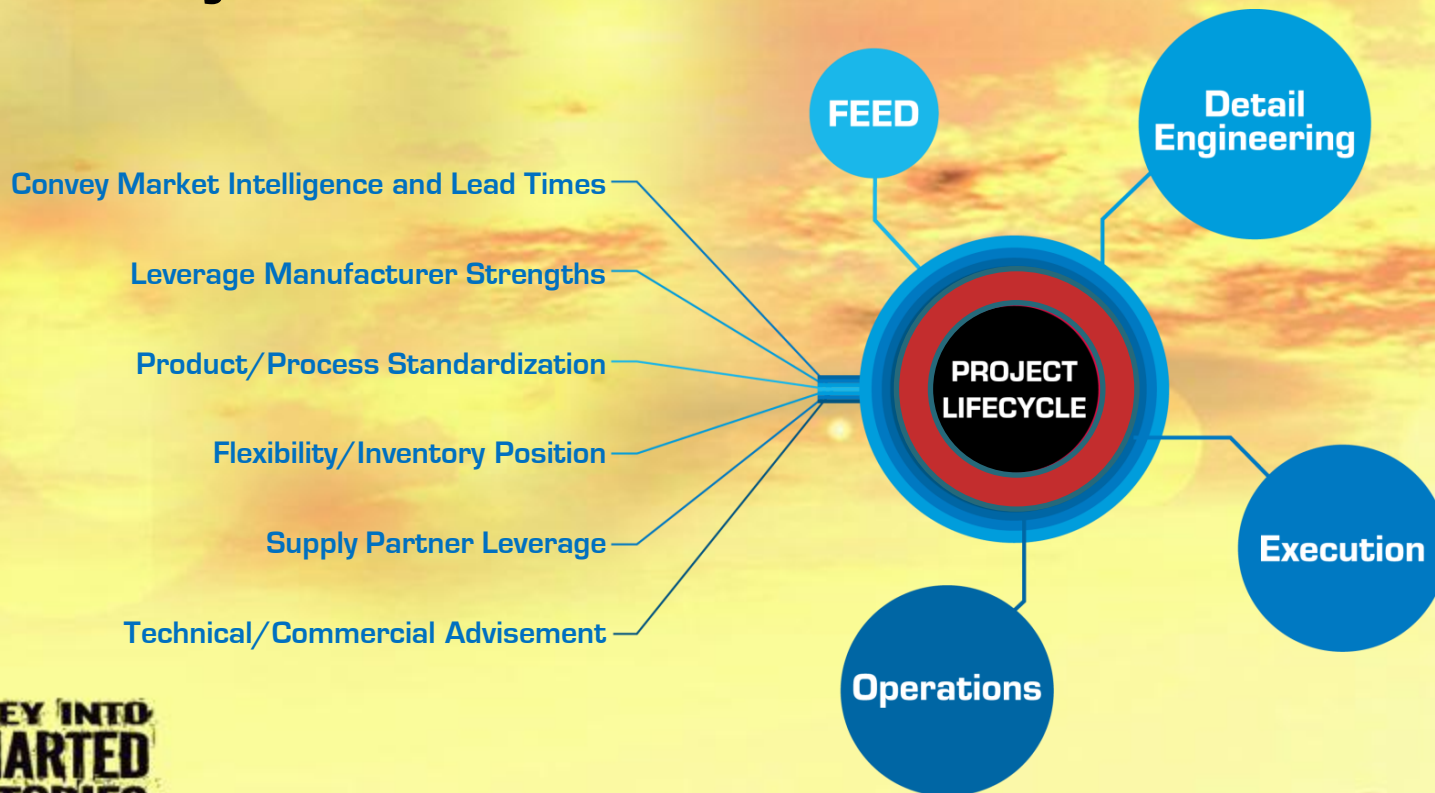
Limit Impact

Global Supply Partner can support project objectives

**Owner/EPC Manage
Total Cost of Ownership
Through Project
Lifecycle**



- Cost Management
- Quality Products & Processes
- Delivery Assurance



What should a Global Supply Partner look like?

- Ability to provide **Local Content**
- Supply **Reliable Products** at a low cost
- **Technical Expertise** to support Engineering
- Dedicated **Execution** Resources
- **Leverage** with major approved manufacturers
- Available **Inventory** to support “Top Offs”
- **Supplier Qualification Process** to qualify new/existing suppliers/sub-suppliers
- Regional **Surveillance** Teams
- **Strong** Balance Sheet
- **Experience**

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engineering and construction contracting association



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September 7-10, 2011

JW Marriott Desert Ridge, Phoenix, AZ

How are owners, contractors and suppliers adapting to successfully execute projects and reposition their businesses in the ever evolving project environment?



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