



" On behalf of the Board of Directors, I am pleased to present the Annual Report of PETRONAS Dagangan Berhad (PDB) for the financial year ended 31 March 2000. "



During the year under review, the Group recorded a higher turnover of RM5,057 million amidst intense competition, an increase of 26% from RM4,003 million recorded in the previous year due to higher sales volume and average selling price as a result of strong demand following the nation's economic recovery. However, strong crude oil prices which led to high acquisition cost of petroleum products resulted in lower margins impacted the Company's profitability, resulting in a 41% decline in group profit before tax to RM213 million, compared to RM362 million in the previous year.



**PDB LAUNCHED PRIMAX,
A NEW GENERATION
UNLEADED PETROL PROMISING
CUSTOMERS WITH MAXIMUM
PERFORMANCE AND
PROTECTION**

The Company continued with its expansion programme during the year to strengthen its position and ensure continuous growth, resulting in the addition of 16 new stations to its service station network nationwide. More stations were reimaged with brighter and more attractive colours in line with the station reimagining exercise. The network of Mesra convenience stores was also expanded with the opening of 18 more stores during the year. The range of items available at the stores are constantly upgraded and to ensure patrons continue to enjoy convenience, electronic banking transactions was made available at a number of our C-stores. The Company's own fleetcard, SmartPay and other major credit and charge cards are now accepted by PETRONAS stations nationwide.

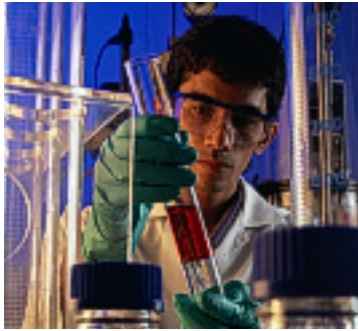
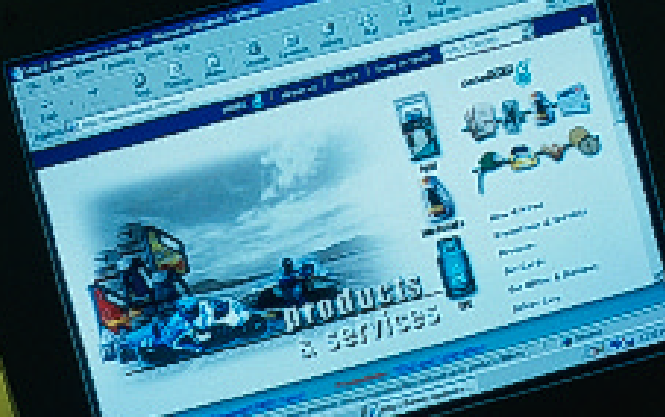
*The Company launched **PRIMAX**, a new generation unleaded petrol promising customers with maximum performance and protection on 20 January 2000 in its continuous effort to meet the customers' requirement for higher quality products. The superior product has been well received by consumers as evidenced by the increasing sales.*

In tandem with the success of the Retail Business, the LPG and Commercial Businesses also recorded improved sales performance and successfully defended their position as the market leader. The stronger-than-market sales growth has enabled the Company to capture a bigger market share in all sectors of the market.

*Towards the end of the year, the Company established a Lubricant Business Unit to provide greater focus to its lubricant business. Competition in this market sector is extremely keen as evident in the presence of a large number of sellers in the market. After the successful introduction of the fully-synthetic **SYNTIUM** motor oil which is well-received by the discerning motorists, the Company introduced **SPRINTA 5000**, a fully-synthetic motorcycle oil for both two-stroke and four-stroke engines. Consistent with the performance of other product lines, the Company's lubricant sales growth during the year under review also outpaced the market growth.*

The Company today has one of the most modern and extensive logistic network in the country as a result of prudent investment in supply and distribution facilities. With this competitive advantage, the Company is well poised to increase its sales and meet the high level of service demanded by the increasingly sophisticated consumers. The Multi-Product Pipeline (MPP) and the Klang Valley Distribution Terminal (KVDT) are operating smoothly to allow the Company to reap the benefits of lower cost from a highly efficient distribution system.





On other fronts, the aircraft refuelling facilities at Kuala Lumpur International Airport, is now operating at a high level of reliability ensuring an uninterrupted supply of high quality jet fuel for aircrafts calling at the airport. At Penang International Airport, new refuelling facilities have been installed at the just completed air cargo apron. To support the growing LPG business, the bottling capacity at the Prai plant is being expanded and a new bottling plant has been approved for construction at Bintulu.

I am also pleased to report that the Company's transition into the new millennium was smooth and incident free. In this respect, the Company has played a key role in the Government's Y2K task force to ensure an uninterrupted supply of fuel for the nation.

Keeping abreast with the rapidly changing business landscape arising from the introduction of electronic transactions, the Company launched its website (www.mymesra.com.my) to provide updated information to customers and other stakeholders. Efforts are underway to enhance the

capability of this website to handle electronic business transaction. The Company is also in the process of setting up a Customer Service Centre which will provide a one-stop access centre for customers to place orders, make trade inquiries and provide suggestions for the improvement of the Company's quality of service. To support these modern and future orientated initiatives for the customer of tomorrow, the Company has begun the migration of its computer system to SAP R/3. Simultaneously, staff capabilities are being developed to equip with the necessary skills and competencies. All these initiatives will help to lead the Company to realise its vision of becoming **The Company of 1st Choice**.

The notable rebound in demand for petroleum products in the second half of the year is a good indicator that the Malaysian economy is back on growth track. Barring unforeseen circumstances, the economy is poised to continue posting strong and sustainable growth, impacting favourably on demand for petroleum products. The Company is well placed to take advantage of these growth opportunities following its prudent investment in marketing and distribution facilities. The impact of mega mergers of oil companies that have taken place in the global arena will also be felt at the domestic scene. Two major players in the domestic market are expected to merge their operations as a result of the exercise, hence increasing their combined capabilities and driving their costs further down. Yet others who entered the market recently have had time to allow their operations to take root and may now be ready to make a bid for a larger market share. The Company is prepared to defend if not improve its position in the wake of these challenges.

Finally, on behalf of the Board of Directors, I would like to thank all our customers and dealers for their continued support to the Company. I would also like to record my appreciation to the Government for their support as well as the Management and employees of the Company, whose dedication and commitment have been instrumental in making the financial year another success.

TAN SRI DATO' MOHD HASSAN MARICAN
Chairman

31 July 2000