



DJ134

CME



JET A-1

A MAXIMUM OF TWO (2) PEOPLE
ALLOWED ON THIS PLATFORM
SAFE WORKING LOAD 200 KG



" PETRONAS Dagangan Berhad (PDB) recorded a commendable performance for the financial year ended 31 March 2000, despite the challenging operating environment. "



The Company's sales expanded to outpace market growth, resulting in an increase in its market share. High product costs due to rising crude oil prices, however, squeezed gross margins to offset the gains generated by a higher sales volume and lower operating expenditure, resulting in a decline in net profit before tax.



THE COMPANY'S FLEET CARD
"SMARTPAY" AND OTHER
POPULAR CREDIT AND CHARGE
CARDS CAN BE USED AT ALMOST
ALL PETRONAS SERVICE
STATIONS THROUGHOUT
PENINSULAR MALAYSIA

Financial Performance

A record turnover of RM5,057 million was achieved by the Group during the year in review, which was 26% higher than the previous year, on the back of a larger sales volume and better product prices. While the national demand for petroleum products grew at a rate of about 3% per annum, the Company recorded a sales growth of 6%. As a result, the Company increased its market share, hence narrowing the gap between PDB and the market leader.

However, high and increasing crude oil prices in the strong international market during most of the year led to higher product costs in the domestic market causing gross margins to be reduced. There was also a change in the basis of determining product cost for liquefied petroleum gas (LPG) in the Automatic Pricing Mechanism (APM) which adversely impacted the profitability of LPG sales. Consequently, the Group's net profit before tax declined by 41% to RM213 million.

Business Performance

PDB's business restructuring exercise implemented towards the end of the previous year had yielded significant benefits and positive results for the Company in the review period. With the organisation more focused and responsive to the changing needs of the market, the Company achieved commendable expansion in all market sectors.

The Retail Business continued to expand its service station network by completing another 16 stations during the year. The expansion of the services station network will be pursued more aggressively in the current financial year. The exercise to reimage and to rebuild the Company's older service stations progressed as scheduled and more stations are now sporting the new look. The Company's Mesra C-store network has also been expanded to 66 with 18 new outlets opened



during the year. In response to the needs of the increasingly demanding and discerning customers, the Company introduced more offerings at its C-stores, like freshly-baked bread and pastry. In addition, customers and members of the public are now able to conduct banking transactions at selected PETRONAS stations beyond the normal banking hours. In an effort to promote Mesra brand as a household name, the Company introduced Mesra natural mineral and distilled water. More items under the Mesra brand will be included in the future.

Keeping pace with the developments in electronic payment technology and progressing towards a cashless society, the Company's electronic payment system (EPS) was extended beyond the self-service zones around the Klang Valley and Johor Bahru to cover most parts of Peninsular Malaysia. The Company's fleet card "SmartPay" and other popular credit and charge cards can be used at almost all PETRONAS service stations throughout Peninsular Malaysia. The Mesra Cash-in-Rebate

card which was launched in the previous year proved to be a success judging by the more than a million Mesra cards currently in circulation. The Mesra X-tras Club continued to organise activities and promotions for the Mesra family during the year including educational programmes for children.

Encouraged by the strong preference shown by the motoring public for PETRONAS' gasoline, the Company introduced a new generation unleaded premium gasoline called **PRIMAX** in January 2000. The consumers have immediately taken to this new high quality gasoline and sales have been very encouraging.

The Commercial Business continued to perform at a high level despite the keen competition, taking full advantage of the increased demand for energy stemming from the economic recovery. The Company recorded increases in market share for all products especially fuel oil, kerosene and jet fuel. It continued to be the leading supplier of jet fuel and fuel oil to the market.

The bunkering business continued to provide the Company with challenges as efforts to turn around West Port Bunkering Services Sdn Bhd (WEBS), the subsidiary responsible for bunkering business at Port Klang did not meet the anticipated level of success. Nevertheless, the Company will continue to explore opportunities to supply bunker fuels to more shipping lines.

The Company also added a new product to its portfolio by entering the profitable asphalt business in Peninsular Malaysia. Sales commenced in February 2000 and the initial response from customers is indeed encouraging. Studies are being conducted to evaluate the potential of this business in Sabah and Sarawak.



KEEPING ABREAST WITH
DEVELOPMENTS IN ITS
OPERATING ENVIRONMENT,
PDB LAUNCHED ITS OWN
WEBSITE.... MYMESRA.COM.MY

*In the Lubricant Business, the Company's marketing efforts began to bear fruit as evident by a strong increase in sales volume and market share. Encouraged by the success in producing and marketing a fully synthetic motor oil, **SYNTIUM**, and responding to the needs of increasingly sophisticated motorcyclists, the Company introduced a fully synthetic motorcycle oil, called **SPRINTA 5000**. The response of the consumers to this high performance product has been most encouraging. The Company will continue to provide superior quality products and reliable after sales service in this extremely competitive market.*

In the LPG Business, despite very keen competition, persistent efforts by our sales force and dealers to meet the needs of the consumers were rewarded with sales increase in both the retail and bulk markets which led to a bigger market share for PDB. The Company continues to be the leading supplier of LPG in the market. The 14 kg LPG cylinders, which was well received by consumers, is now available nationwide.

Supply & Logistics

PDB's strengths today lies, among others, in its superior logistics infrastructure, providing the Company with a competitive advantage to capture a larger market share. The focus during the year in review and for the immediate future is therefore to increase the utilisation of these assets with a view to drive costs down. The backbone of this infrastructure is the Multi-Product Pipeline (MPP) and the Klang Valley Distribution Terminal (KVDT) developed jointly with Shell Malaysia Trading on an equal basis. An agreement in principle was recently reached with Esso Malaysia Berhad for it to acquire a 20% interest in the facilities. The Kuala Lumpur Aviation Fuelling System Sdn Bhd or KAFS, developed jointly with Malaysia Airlines System Berhad and Malaysia Airports (Properties), and managed by PDB, successfully completed another year of operation and this state-of-the-art facility ensures a reliable and efficient supply of jet fuel for aircraft calling at the Kuala Lumpur International Airport. At the Penang International Airport, the construction of a hydrant facility to supply jet fuel at the new cargo apron was completed successfully and it will soon begin operations.

To improve efficiency and effectiveness, the Company continued with the effort to rationalise its LPG assets. Towards this end, the LPG bottling plant at Pasir Gudang was shut down and supply for the area previously covered by this facility now comes from Melaka. Efforts are also underway to increase the capacity of the LPG



bottling plant at Prai. Work to build an LPG bottling plant at Bintulu has commenced, and upon its completion, the Company will be in a much better position to increase its LPG sales and enhance its presence in the growing market of Sarawak.

Cooperation with the other industry players in the area of asset sharing and product exchange progressed well during the year, providing mutual benefits to the Company and its partners. During the year, the Company successfully concluded the asset sharing and joint operation of Bintulu Depot with Shell.

Organisation Transformation

The review of the business processes undertaken in conjunction with the migration of the financial system from SAP R/2 to SAP R/3 initiated in the previous year gained momentum during the year.

Dedicated teams had been assembled to undertake this effort to ensure that it will be completed on schedule and without any disruption to operations. The transformed organisation will not only be more customer-focused and responsive to the market needs, but it will also be cost effective. With this the Company will be able to achieve its vision of being **The Company of 1st Choice**.

Keeping abreast with developments in its operating environment, the Company launched its own website with the address **mymesra.com.my** on 10 February 2000. This website provides latest information about the Company including new products and promotions to customers and other stakeholders. There are also opportunities for members of the public to seek clarification on the Company's product applications and other activities. The capability of this website is being upgraded to make it more interactive. In keeping with current market trend, this website will also provide the platform for the Company to enter the realm of e-commerce in the not too distant future. Also to be integrated with the website is a Customer Service Centre (CSC) which will act as a one-stop interface between the Company and all its customers and dealers. With the CSC the Company will be able to provide a consistently high level of service to all its customers.

Health, Safety and Environment (HSE)

The Company places great importance on every aspect of health, safety and the environment (HSE) and does not compromise on the HSE standards in all its operations. PDB's philosophy is to be prepared for any eventuality that



THE COMPANY IS IN A STRONG POSITION TO TAKE ADVANTAGE OF THE GROWTH PROSPECTS, HAVING CONTINUED WITH THE EXPANSION PROGRAMME

may occur. In line with the high standards demanded from all the operating entities within the PETRONAS Group, PDB embarked on a comprehensive HSE Management System whereby all hazards with the potential to cause a major accident have been identified, assessed and controlled. At the same time, remedial action plans are being put in place to minimise the adverse impact of such incidents.

The Company also conducted several exercises and drills including with Shell Malaysia Trading to evaluate its readiness and capability in responding to emergencies.

Social and Community Contribution

In continuing the Company's tradition of being a caring and responsible corporate citizen that shares its success with the community, PDB has identified support for academic excellence as one of its central objectives of its community activities. In this regard, the Company made a significant cash contribution to the education foundation of Persatuan Nelayan Kebangsaan (NEKMAT), to support the education of the children of fishermen.

PDB, together with its parent company, PETRONAS continued with the sponsorship of the Malaysian Rally Championship and other motorsport activities.

This year, the Company again sponsored the fuel requirements of the first aid mobile units of the St John's Ambulance which patrol the nation's highways during the festive seasons. The Company will continue to discharge its role as a responsible and caring corporate citizen by assisting to improve the quality of life of the average Malaysian.



Looking Ahead

With the national economy back on expansionary path, the demand for petroleum products is expected to strengthen in the coming financial year. The Company is in a strong position to take advantage of the growth prospects, having continued with the expansion programme especially in the retail sector even during the economic downturn and with its strategically located logistics facilities nationwide.

The oil market also witnessed radical changes. In addition to mega mergers, all the oil companies without exception have reorganised on regional basis. Another international oil company has entered the retail market and is aggressively building more service stations. All these changes are making the market more competitive. The Company is, however, confident that it will be able to overcome the competition, given its experience and capabilities.

As operational efficiency and effectiveness are critical to PDB's competitiveness and value creation for the stakeholders, the Company will continue to pursue its efforts to further reduce costs and improve business processes. Believing that people are its greatest asset, the Company will also continue to develop its human resources by upgrading and enhancing their competencies and capabilities. With all these efforts, the Company is confident that it will be able to serve the customers and shareholders better.

Appreciation

On behalf of the Company's management, I would like to express my appreciation and gratitude to the staff for their hard work, commitment and contribution to the success and achievements of the year. I am most grateful to the Government and its agencies for their assistance and cooperation, and the Board of Directors for their counsel, guidance and encouragement. To our customers and dealers, we would like to extend our most heartfelt appreciation for your continuing support and loyalty.

ANUAR BIN AHMAD
Chief Executive Officer

31 July 2000

