

PERFORMANCE OF THE PETROLEUM COMPANY OF JAMAICA FOR FINANCIAL YEAR 2004/2005 AND FOCUS FOR FINANCIAL YEAR 2005/2006

1.0 Purpose of Report

This report is intended to inform Parliament and the public in general on the performance of the Petroleum Company of Jamaica (PETCOM) during the 2004/2005 Financial Year and its plans for the 2005/2006 Financial Year.

2.0 Background

2.1 Mission

The mission of PETCOM is to build a company that is responsive to customers' needs, profitable in its operations, and socially responsible while endeavouring to implement positive changes in the petroleum trade in Jamaica.

2.2 Objectives

The objectives of the company are:

- (a) to stabilize prices in the critical petroleum products market;
- (b) to maximize sales and profit by pursuing strategies that seeks to give the customers the best possible service and satisfaction;
- (c) to gain market share by providing superior all round service to the customer; and,
- (d) to conduct operations in a safe manner, with due regard to employees, the environment, contractors, customers and the general public.

2.3 Vision Statement

The vision of the company is to be Jamaica's premier provider in the petroleum industry, through its hallmark of quality products and services and affordable prices at convenient locations.

3.0 Priority Targets for 2004/2005 Financial Year

The following are the main targets that were set for the 2004/05 Financial Year:

- To achieve product sales volume of about 1.124 M barrels.
- Growth of seven percent (7%) in retail volume sales over 2003/2004 to achieve approximately five hundred and seventy four thousand five hundred and fifty (574,550) bbls in Financial Year 2004/2005.
- Stable performance in Land Fuel sales volume to achieve a total of around 397,170 barrels.
- Growth of ten percent (10%) in Liquid Petroleum Gas (LPG) sales volume relative to sales in 2003/04, to attain a sixteen percent (16%) share of the LPG market.
- Growth of eight percent (8%) in lubricant sales
- Growth in overall sales income from \$4.5 B in 2003/04 to \$4.650 B in Financial Year 2004/2005
- Growth in actual gross profit from \$368.8M in 2003/2004, to \$404.2M in Financial Year 2004/2005.
- Growth in net operating income from \$41.594M in 2003/04 to around \$75.280M in Financial Year 2004/05
- Growth in net profit before tax from \$40.297M in 2003/04 to \$76.168M in Financial Year 2004/05.
- Growth in new profit after tax from \$25.690M in 2003/04 to \$53.075M in Financial Year 2004/05
- Continued expansion of the service station network with the proposed addition of three (3) new stations.
- Improvement in the company's overall profitability and financial viability.
- Development of the company's brand and corporate image, with special emphasis on service quality and safety.
- Continued development of human resource capability

4.0 Performance/Achievement – Financial Year 2004/05

- PETCOM's market share at the end of 2004/05 stood at approximately twelve percent (12%)
- Total product sales were approximately \$1.06 M barrels.
- Retail sales were approximately 543,000 bbls owing to a reduction in the number of service stations. Land fuel sales were approximately 385,000 bbls.
- LPG registered sales of approximately 131,000 bbls, representing a fifteen percent (15%) share of the LPG market.
- Lubricants sales were approximately 3,500 bbl.
- Sales income was estimated at \$5.4 billion
- Net Operating income was estimated at \$63.65 M.
- Net profit before tax is estimated at \$64.577 M.
- Net profit after tax is estimated at \$43.054 M.
- Three (3) new service stations were added.
- There was an improvement of approximately sixty eight percent (68%) in the company's overall profitability from \$25.690M in 2003/04 to an estimated \$43.054M in 2004/05.

- PETCOM is pursuing its re-launch programme and is enjoying greater brand exposure and visibility
- Human resource training and development are ongoing.

5.0 Programmes and Targets for Financial Year 2005/06

- Growth in overall sales volume to 1.096 barrels representing 3% above prior year and increase in market share of 12.4%.
- Growth of 5.66% in retail volume to achieve approximately 573,700 barrels in sales reflecting a market share of 11%.
- Growth of 7.86% in LPG volume sales to 141,117 barrels, increasing the market share to 16%.
- Land fuel volume sales of 375,255 barrels
- Growth of 69% in Lubricants volume sales to 5,922 barrels, increasing the market share from 3% to 5%.
- Growth in overall sales income to \$5.564 B
- Growth in gross profit to \$514.919 M.
- Growth in net operating income to \$92.943 M.
- Growth in net profit before tax to \$92.633 M.
- Growth in net profit after tax to \$61.759 M.
- Add a minimum of five (5) service stations and two LPG filling plants
- Review and modify the re-launch campaign to improve brand image, performance and the company's financial viability.
- Restructuring and strengthening of the LPG and Lubricants Department with the goal of increasing efficiency in product and service delivery.
- Reduction in the Company's overall operational break-even levels with a view to reducing expenses in all areas.
- Continued development of human resource capability.

6.0 Future Direction

The company's operation in 2004/05 was adversely affected by the anticipated divestment. In order to improve the attractiveness of the Petrojam Refinery to investors under the PetroCaribe Initiative, consideration is being given to a linking of PETCOM to Petrojam. In light of this new development and the need to stabilize prices in the critical petroleum product market, PETCOM is not up for divestment. Also, estimates suggest that the Government would not realize much from the divestment of the company as the company's net worth is low.

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