

Dok. 24

## Pippo Pandolfino

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**From:** Pippo Pandolfino - CFO  
**Sent:** 16 September 2004 14:38  
**To:** TTabone (E-mail)  
**Cc:** Chairman  
**Subject:** Fuel procurement

**Categories:** Print

I signed and gave the attached to Marianne.

Tell me if you want to change anything.

Pippo



Fuel  
procurement.doc

## Internal Memo

**To:** Board Secretary  
**Date:** 16<sup>th</sup> September 2004  
**Re:** Fuel Procurement

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As requested I am giving an overview of the activities of the Fuel Procurement Committee that met on the 2<sup>nd</sup> September 2004. The meeting was chaired by the Chairman and attended by R Attard, Dr. G Debono (PM's Office) and the undersigned. Mr. B Staines could not attend. Engineers from the various Divisions were also called in when and as required.

The tender was issued on the 23<sup>rd</sup> August and sent to a large number of reputable suppliers. In view of the substantial amount of response received one can conclude that the tender was suitably issued. Tenders were issued for products as follows:

Fuel Oil – 300,000MT up to end February 2005  
Unleaded Petrol – 39,600MT up to end February  
LPG and Propane – 7,700MT up to end February  
Light Cycle Oil – 5,000MT, one delivery during September

### 1. Fuel Oil

Ten (10) offers were received with margins ranging from -\$1.57 (AOT) to +\$5.95. Enemalta are buying at -\$0.50.

The AOT -\$1.57 offer was based on immediate payment and AOT asked for \$0.30 for 1 month's credit. Issues regarding security stocks also remained unresolved. The Committee subsequently contacted the second best offer (Traffigura, the current suppliers) and concluded at a margin of -\$1.50 plus 1-month credit plus security stocks.

### 2. Unleaded Petrol

Four (4) offers were received with margins ranging from +\$15.00 (Saras) to +\$19.00 (Lukoil). We currently buy at +\$15.00

Ing. Philip Borg informed the Committee that Saras was a Sardinia based refinery and that in certain cases there had been doubts as to the quality of their products.

The second best tender (Vitoil, the current supplier) was called and agreed to offer the same price as per current contract (i.e. +\$15.00) and improve from the high to the mean Platt's price. This gives savings of around \$0.50.

### 3. LPG and Propane

Three (3) offers were received ranging from +\$30.00 to +\$67.50. We currently buy at +\$45.00.

Negotiations were carried out with the lowest tender. Credit was agreed, lay time extended to avoid demurrage costs and the margin reduced to +\$29.50.

### 4. Light Cycle Oil

Four (4) offers were received with prices ranging from Gasoil x 66.8% to Gasoil x 90%. We currently buy at Gasoil x 95%.

The offer at Gasoil x 66.8% was initially considered but it resulted that the product had a very high density and viscosity. This made the product unusable unless the product is diluted with Gasoil. However diluting would be at a cost that made pricing uncompetitive. The second best offer was approached and this was improved from Gasoil - \$50.50 (x 87.4%) to Gasoil - \$55.00 (x 86.3%). Credit terms were also arranged.

### Conclusion

The Committee managed to secure significant savings on this tender as follows:

| <u>Product</u>  | <u>Margin Saved</u> | <u>Contract</u> | <u>Saved on contract</u> | <u>Saved annual Basis (*)</u> |
|-----------------|---------------------|-----------------|--------------------------|-------------------------------|
| Fuel Oil        | \$1.00 / MT         | 300,000 MT      | \$ 300,000               | \$ 580,000                    |
| Unleaded        | \$0.50 / MT         | 39,600 MT       | \$ 19,800                | \$ 33,500                     |
| LPG and Propane | \$ 15.50 / MT       | 7,700 MT        | \$ 119,350               | \$ 279,000                    |
| LCO             | \$ 34.90 / MT       | 5,000 MT        | \$ 174,500               | \$ 174,500                    |
| <b>Total</b>    |                     | <b>352,300</b>  | <b>\$ 613,650</b>        | <b>\$ 1,067,000</b>           |

(\*) Assuming margin savings are kept when fresh tenders are issued.

P Pandolfino  
CFO