

Performance review



Chairman's statement 20 • CEO's report 24 • Corporate calendar 30
• Share performance 34 • Crude oil & petroleum product price trend 35



Chairman's statement

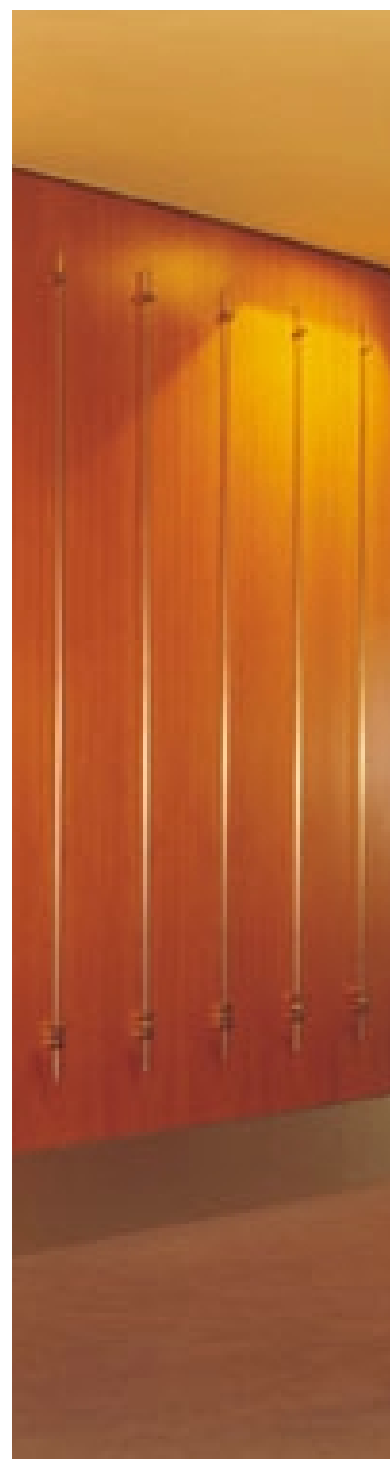
On behalf of the Board of Directors, it is my pleasure to present the Annual Report of PETRONAS Dagangan Berhad for the Financial Year ended 31 March 2004.

The Company achieved yet another commendable performance during the period under review amidst a challenging business environment of intense competition on the back of a better than expected performance of the Malaysian economy. The Company's revenue increased by 10% to RM9,830 million compared to the previous year's RM8,970 million due to higher sales volume and stronger average selling price. Profit before tax grew significantly by 141% from RM231 million to RM555 million mainly due to improvements in products gross margins. This has resulted in the increase in the Company's earnings per share (EPS) from last year's 30 sen to 76.7 sen and Net Tangible Assets (NTA) from 452 sen to 505 sen per share.

The Board of Directors is recommending a final dividend of 20 sen (net of tax) per share, which together with the interim dividend of 20 sen (net of tax) per share paid on 22 December 2003 brings the total dividend for the Financial Year to 40 sen (net of tax) per share.

Despite the prevailing keen competition during the year under review, the Company successfully maintained its leading position as the largest marketer of petroleum products in the country with a 38.9% market share. We remain committed to strive towards further strengthening this position in the increasingly competitive and challenging business environment.

With an expanded nation-wide network of service stations, the Company managed to increase its retail market share to 26.7% from 24.9% in the last financial year. A total of 48 new stations were brought into operation during the year, increasing the total number of stations to 683. Meanwhile, the Company's commercial business, with a market share of 53.3% continued to maintain its dominant position as the market leader in almost all product categories. Our Liquefied Petroleum Gas (LPG) business, already a market leader with 42.5% market share also charted an impressive performance with a sales growth of 9%, making the Company's 'GAS PETRONAS' the No. 1 selling cooking gas in the country.



The Company successfully maintained its leading position as the largest marketer of petroleum products in the country with a 38.9% market share.



Chairman's statement

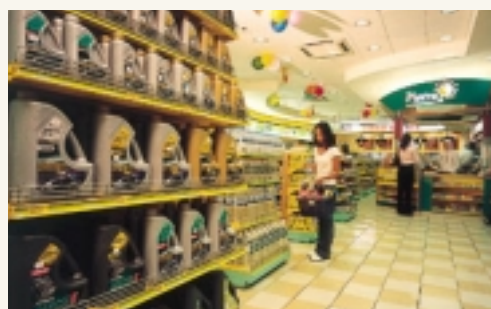
In the Lubricant sector, the Company's presence was further strengthened through effective marketing strategies resulting in an increase in market share from 9.5% in the last financial year to 12.3%. During the year, the Company launched a new fully synthetic 'PETRONAS Syntium 5000' product range that exceeds the stringent performance standards of two renowned international governing bodies, namely API SM and ILSAC GF-4.

To support the Company's growing business, we also expanded our supply and logistics facilities with the completion of new bulk depots in Labuan and Sandakan as well as our acquisition of BP's depot in Sapangar Bay, Kota Kinabalu, further enhancing the Company's competitiveness in East Malaysia.

As a responsible corporate citizen, we remain committed to ensure the highest possible standard of business conduct and Health, Safety and Environment (HSE) practices. We conducted various HSE exercises, drills, seminars and educational programmes during the year and tested our emergency response procedures. We will continue to implement and enhance our HSE Management system to ensure that our activities are carried out in accordance to international HSE standards.

In our quest for excellence, we will continue to pursue initiatives to create distinctiveness in the market place to attract and retain customers through our on-going branding initiatives, emphasizing on our key brands: PRIMAX, MESRA and SYNTIUM. This is in line with our strategic efforts to position the Company as the leading and trusted retailer in the country.

Continuous efforts are made towards building a stronger, robust and resilient organisation. The Company has put in place various measures to enhance both the business network and supply infrastructure and to improve operational excellence and key processes towards effective cost management. On managing human skills, our priority is to continue upgrading employees' competencies and leadership capabilities. Performance management based on Key Performance Indicators will be enhanced further throughout the Company.




In our quest for excellence, we will continue to create distinctiveness in the market place to attract and retain customers through our on-going branding initiatives.

We believe that our long-term success is significantly influenced by the good relationships we build with the communities and our dealers. Our participation in various community programmes with the dealers at their respective locations throughout the year has helped to strengthen the good rapport with the community and our customers, consistent with the Company's philosophy of sharing its success with the community.

Looking ahead, the growth of the Malaysian economy will present many opportunities for the Company to expand its business and to reinforce its market leadership position in the increasingly challenging and competitive environment. However, the increase in petroleum product prices may result in a negative impact on our margins.

Finally, on behalf of the Board of Directors, I would like to thank all customers and dealers for their continued patronage and loyalty to the Company. I would also like to record my appreciation to the Government of Malaysia and its relevant agencies for their continuous support and guidance.

The Company's performance would not have been possible without the contribution of the staff and management and I would like to thank each and everyone of them for their dedication and commitment.



Tan Sri Dato Sri Mohd Hassan bin Marican

Chairman