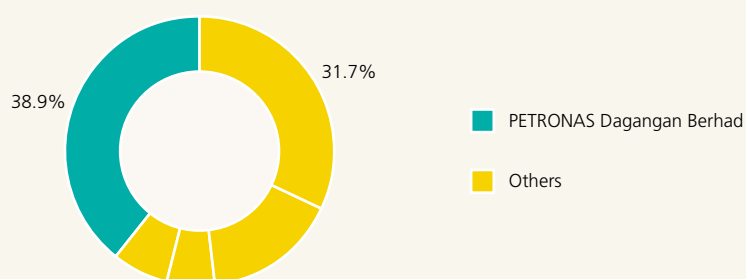


CEO's report

Market Share
Total All Products



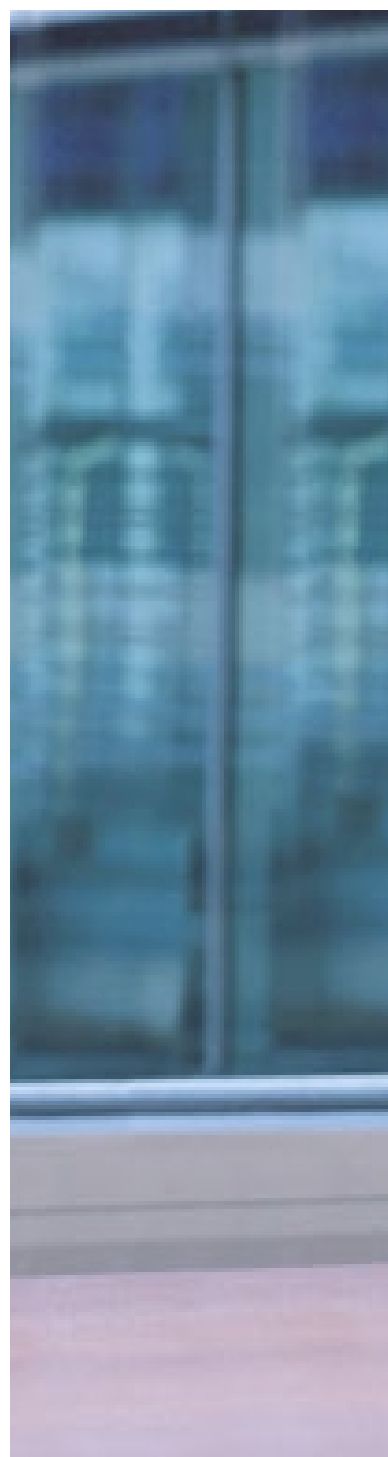
PETRONAS Dagangan Berhad delivered yet another outstanding performance for financial year ended 31 March 2004. The Company further increased its market share and strengthened its leadership position.

FINANCIAL PERFORMANCE

During the year under review, the Company's total revenue increased to RM9,830 million, exceeding the previous year's revenue of RM8,970 million by 10%. This was mainly attributable to the higher product prices in line with the international prices, and higher sales volume in all business sectors.

Group profit before tax recorded an increase of 141% from RM231 million in the previous year to RM555 million in the year under review. After providing for corporate tax, group net profit amounted to RM387 million, an increase of 158% compared to the previous year.

The Company's financial position remained healthy with a strong balance sheet. As at 31 March 2004, the Company's total assets stood at RM4.7 billion. The assets were mainly funded by the Company's shareholders fund except for a small long term debt amounting to RM24.9 million borrowed by our subsidiary Kuala Lumpur Aviation Fueling System (KAFS). To support business growth, a total of RM615 million was spent on capital expenditure, financed by internally generated funds.



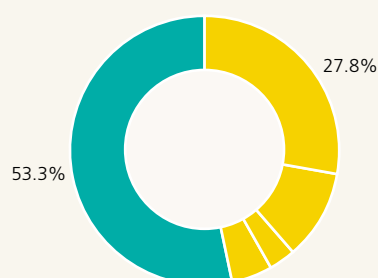
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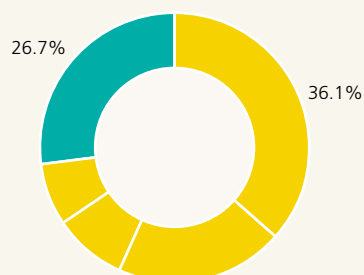
CEO's report



Market Share
Commercial



Market Share
Retail



■ PETRONAS Dagangan Berhad

■ Others

BUSINESS PERFORMANCE

The Company further enhanced its market leadership and widened the gap with its closest competitor. Total sales during the year grew by 3% over the previous year to 10.9 billion litres outpacing the market growth.

The **Commercial Business** remained as the biggest contributor to the Company's sales, accounting for 57% of total sales volume. We were fortunate that the SARs outbreak in the first quarter of the year which negatively impacted airline travel in this region was not prolonged. When the airline industry recovered the Company secured additional contracts to supply fuels to airlines calling at major Malaysian airports. Despite the challenging market environment, we continue to maintain leadership positions in jet fuel, diesel and fuel oil sales.

To counter the challenge of our fuel oil customers switching to natural gas, the Company is broadening its customer base in the asphalt and bunkering business.

The **Retail Business** continued to be the focus of the Company's business expansion. Some 80% of the Company's capital expenditure was channelled into this sector which saw a total of 66 new stations built during the year. Of these, 48 stations were opened for business and 18 were awaiting regulatory approval prior to commencement of business. One of the stations opened for business was a service station and truck-stop at Karak Highway, Pahang, the first of its kind in the country. Another hyperstation complete with supermarket and quick-serve restaurant was opened at Bukit Antarabangsa, Kuala Lumpur. This brings the total number of stations in operation nationwide to 683 as at March 2004.

The retail business accounted for a third of the Company's total sales volume and about half of the Company's gross margin. Its contribution in the future years is expected to grow in tandem with planned network expansion.

CEO's report



The Company has been able to attract new customers and maintain the loyalty of existing customers through various initiatives undertaken during the year. Our Mesra Stores continue to expand its offerings and the latest additions include e-ticketing for Transnasional bus at selected outlets. A new Kad Mesra programme in alliance with RealRewards Malaysia was introduced to provide better and more convenient services to loyal customers. Recognising the role played by its dealers in ensuring excellent customer service, the dealers are continuously trained, coached and provided with motivational support.

The **LPG Business** had also performed well and was able to enhance its market leadership position. Sales volume increased by 9% over the previous period, outpacing the market growth by two times. To further strengthen its position and to ensure GAS PETRONAS remains as the No. 1 cooking gas in Malaysia, the Company will continue to support and motivate the stockists and the dealers. Their capabilities will be continuously upgraded to ensure improved customer service.

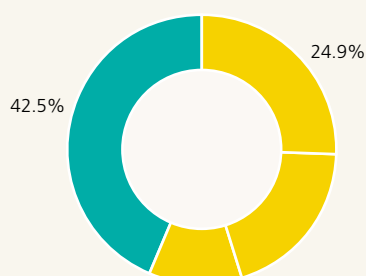
In the **Lubricant Business** sector, the Company also registered a commendable performance. With sales volume growth of 32% over the previous period, its market share increased to a respectable 12.3%. This is achieved through superior quality products, aggressive sales promotion, and reliable after-sales service. Our lubricants, particularly the SYNTIUM range, have been accepted as being world class. In March 2004 ahead of our competitors, we launched PETRONAS SYNTIUM 5000 which exceeded performance standards of API SM and ILSAC GF-4.

Through our sponsorship of major sporting events such as the PETRONAS Malaysian Formula 1 Grand Prix, PETRONAS Sprinta AAM Malaysian Cup Prix Championship jointly with our parent company, we did not only establish stronger brand associations but also the opportunity to test our lubricant technologies.

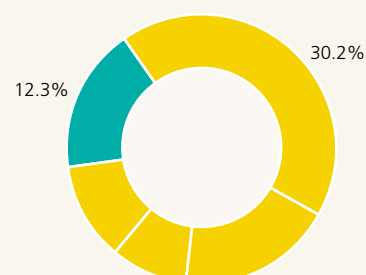
CEO's report



Market Share
LPG



Market Share
Lubricants



■ PETRONAS Dagangan Berhad

■ Others

SUPPLY AND LOGISTICS

The Company is well aware of the importance of an effective and efficient supply and logistics to support its growing business. Our competitiveness and capabilities in East Malaysia were enhanced with the start-up of the new bulk depots at Labuan and Sandakan, the aviation depot in Bintulu and the acquisition of a bulk depot owned by BP at Sapangar Bay. At the same time, our efforts to improve operational efficiency through technology enabled processes such as the automation of LPG bottling plants, construction of Electronic Filling Machines and palletisation of cylinders are progressing as scheduled. The Automated Road Tanker Scheduling System (ARTSS) is also being implemented to improve land transportation efficiency and reduce costs and improving the required customer service level.

ORGANISATIONAL IMPROVEMENT

In our journey towards realising our vision of becoming the Company of 1st Choice, we will continue to pursue organisational improvement initiatives.

The SAP R3 installed has facilitated the business, information and internal control processes. But to achieve operational excellence the employees' competencies and leadership capabilities must be upgraded. This the Company will relentlessly pursue to enable us to remain ahead of competition.

Realising the importance of branding and recognising it is a strategic business initiative and not merely communications, our Brand Department will continue to spearhead efforts in improving business process alignments to ensure effective branding of our products.

REACHING OUT TO THE COMMUNITY

The Company continues to conduct various social programs involving its dealers for the benefit of the local community. The effort is to create lasting relationship and loyalty of the customers which will benefit the Company in the long run.

CEO's report



The Company's Tabung Mesra project launched in November 2001 is now ready to be channelled to disadvantaged schools identified jointly with the Ministry of Education. The fund will be distributed to 100 schools to set up a 'Street Smart Corner'. These corners will be equipped with more than 500 English - Language books related to Living Skills. The primary aim is to improve the students' mastery of the English Language.

LOOKING AHEAD

The demand for petroleum products is expected to grow in the coming years underpinned by the forecasted economic growth. The Company is ready and capable of seizing the opportunities available and to expand its market share and subsequently strengthen its market leadership position. Towards this end, we will continue to place top priority to the development of our staff's and dealers' competencies to enhance the Company's productivity and efficiency.

APPRECIATION

On behalf of the Management, I would like to thank all staff of PDB for contributing to the success and achievements of the Company which I am sure would not have been possible without their dedication and resilience. I would also like to extend our heartfelt appreciation to the Government, its agencies and the local authorities for their kind assistance and cooperation as well as to our Board of Directors for their wise counsel and guidance. Our deepest gratitude also goes to all our valued customers, dealers and business partners for their confidence and continuing support.

Ibrahim bin Marsidi

Chief Executive Officer