

SUMMARY OPERATIONS REVIEW



The global economy was distressed by the Iraqi war and the SARS outbreak in the first half of 2003. Crude and product prices rose in the first quarter due to tensions in the oil markets over the Iraqi situation. However, prices peaked in March when it became clear that the Iraqi hostilities would not disrupt oil supplies as much as expected. SARS served to further dampen oil prices and demand in the second quarter. Refining margins were negative throughout most of the second quarter. The cutback of flights to and from Singapore caused a decline in jet fuel sales volume.

However, the global economy staged a recovery in the second half of 2003. The return of consumer confidence resulted in a boost in demand for air travel in the region to the pre-SARS level. Budget carriers joined in the fray to meet this growing demand. Middle-East tension and the volatile situation in Iraq further boosted demand for both crude and petroleum products. Crude prices ended 2003 well above the OPEC basket of crudes benchmark price range of US\$22-28 per barrel. With the high product prices, refining margins in the fourth quarter were above US\$2.50 per barrel on average.

SPC's businesses are categorised into Downstream, Upstream and others. The Downstream activities include petroleum refining, marketing and distribution, trading activities and the storage and terminalling of finished products. The Upstream and Midstream activities involve the exploration, development, production, sale of oil and gas and investment in pipelines.

Downstream activities are carried out by the Marketing Business Unit ("BU") and the Refining, Supply and Trading BU. Despite tremendous competition in both domestic and international markets, SPC's downstream activities recorded a total volume of 58.9 million barrels against 50.5 million barrels for the previous year, an increase of 16.6 per cent. Downstream activities contributed of \$3.2 billion to the Group's total revenue and \$58.2 million to the Group's operating profit in 2003.

As for Upstream activities, total oil and gas production averaged 2,600 boepd (barrels of oil equivalent per day) for 2003. Realisations for the year averaged US\$27.65/boe. Upstream contributed \$36.0 million in revenue and an operating profit of \$15.4 million in 2003.