

SUMMARY OPERATIONS REVIEW





Global oil demand continued to grow strongly in 2004. This followed the positive sentiments in the oil markets in the second half of 2003. As global demand expanded, supply constraints became more apparent. Geopolitical tensions and the threat of supply disruptions were further contributory factors that pushed oil prices to historic highs in 2004. The WTI price reached an all time high of US\$55.67 per barrel in October. However this level was not sustainable and by year end WTI was trading at a lower US\$43.45 per barrel. In tandem with rising crude prices, product prices continued to strengthen, from 2003's level, resulting in positive refining margins throughout the year.

SPC recorded an average gross refining margin of more than US\$5.00 per barrel for 2004, with the highest average gross refining margin of more than US\$7.00 per barrel recorded in the fourth quarter.

The Group's activities are segmented into Downstream and Upstream and Others. The Group's revenue based activities are mainly concentrated in the Downstream and Upstream segments while the third segment captures investment and investment holding activities.

The Group handled a total refined products and crude volume of 73.9 million barrels in 2004. This was an increase of 23.7 per cent over the volume of 59.7 million barrels handled in 2003. This reflected the strong demand growth for refined products as well as the additional volume resulting from the Group's timely acquisition of BP's refining, retail and LPG assets. The acquisition of the BP's assets was accomplished in stages from the third quarter onwards.

In the Downstream segment, the Group's activities are further segregated between the Refinery, Supply and Trading (RST) Business Unit (BU), and the Marketing BU.

Downstream activities include petroleum refining, marketing of products to airlines, commercial accounts, utilities, shipping accounts, trading activities and the storage and terminalling of finished petroleum products. Upstream activities cover exploration, development, production and the sale of oil and gas to third parties.

In 2004, the Downstream segment handled a total volume of 73.2 million barrels or 200,700 bpd compared to the 58.9 million barrels or 161,500 bpd in 2003. Of this volume, the RST BU handled 66.6 million barrels in 2004 compared to 53.2 million barrels in 2003. The Marketing BU handled 6.6 million barrels in 2004 compared to 5.7 million barrels in 2003.