

Being the first to offer CNG at a service station, SPC continues to offer a comprehensive range of products and services across its retail network.



MAJOR DEVELOPMENTS IN 2007

- Acquired a majority stake in an Indonesian fuels-marketing company
- Established a lubricant distribution network in China
- First to offer CNG filling in a service station on mainland Singapore
- First to launch a drive-through ATM in a Singapore service station
- First service station network to promote out-of-home digital advertising
- The engineering department successfully completed 45,000 safety man-hours without any "Loss Time Injury"

MARKETING REVIEW

The Marketing Business Unit (Marketing) adopted a prudent approach in 2007 in the face of volatile oil prices. Managing risks and limiting credit exposures remained priorities even as Marketing sought further commercial opportunities. Domestically, the market remained highly competitive. This was further exacerbated by increasing construction, transportation and other operating costs.

Against this challenging backdrop, Marketing continued to capitalise on commercial opportunities to build long-term commitment and market presence while enhancing shareholder returns.



MARKET DEVELOPMENT AND VENTURES

Market environment

In line with SPC's vision to build a premium regional brand name, the Market Development and Ventures unit seeks overseas marketing business opportunities. It focuses primarily on tapping Asian markets that are beginning to liberalise or are actively seeking foreign investments. The energy sector in most Asian markets is considered to be strategic to economic development. There may hence be regulatory, political or bureaucratic barriers that could impede SPC's participation.

New investment

In the third quarter of 2007, the unit successfully initiated the acquisition of a 60% shareholding in a local Indonesian fuels-marketing company, PT Solar Premium Central (PT Solar). This joint venture will build on and expand SPC's presence in Indonesia through the marketing of fuels. PT Solar also marked

SPC's physical presence for the first time as a business entity in the country. Prior to this venture, SPC's presence in Indonesia was represented by the marketing of lubricants through appointed distributors.

Preserving value

The unit consistently monitored and reviewed Marketing's investment portfolio to ensure an adequate return-on-investment. Investments that have become non-strategic or are under-performing would be divested if these could not be turned around. In 2007, SPC completed the divestment of its interest in Jiangmen City Sinjiang Gas Corporation, a liquefied petroleum gas (LPG) storage and marketing enterprise in China. SPC also divested its entire shareholding interest in Tiger Oil Corporation in Korea, a company with a network of service stations and petroleum distribution terminals.

RETAIL SALES AND DEVELOPMENT

Market environment

The retail market remained competitive and challenging, with fluctuating and high product prices throughout the year. Such high product prices were frequently not fully recovered at the pump. At the end of 2007, SPC had a network of 38 service stations. Two outlets, Market Street and Aljunied Road service stations, were closed when the leases expired. A new service station was opened in Punggol.

New service station at Punggol

The Punggol service station (PGSS) commenced business in September 2007. The station is fully outfitted with fuel dispensers, a convenience store, a snack kiosk, an ATM machine and manual car wash facilities to meet the

1. Making Choices convenience store your everyday choice.

needs of motorists and residents in the neighbourhood. This modern and fully-equipped station is currently the only service station in Punggol.

At the grand opening of the service station in November, SPC donated \$10,000 to the Punggol 21 Community Club Building Fund, and sponsored prizes for a constituency photography competition themed "Fabric of Punggol".

Retailing of compressed natural gas

In November, SPC announced the introduction of compressed natural gas (CNG) at its Jalan Buroh service station. This facility began operations in February 2008. The project is part of SPC's corporate social responsibility to support clean fuels. Besides being the first to retail CNG at a service station, SPC continues to offer a comprehensive range of products and services across its retail network.

COMMERCIAL SALES

Market environment

The Commercial Sales unit is responsible for the marketing of petroleum products (except lubricants) to the domestic commercial, industrial and wholesale markets. It also markets, trades and exports special products such as

LPG, asphalt and sulphur within the Asia-Pacific region.

In 2007, the inland, commercial and industrial markets continued to be highly competitive. Market growth was modest as ample supplies were available. Nonetheless with the focus on service and reliability, SPC was able to secure new contracts with a number of key customers.

Marketing, trading and export of special products in the Asia-Pacific region contributed significantly to the unit's portfolio. In spite of volatile product prices throughout the year, the steady increase in regional demand enabled the unit to perform profitably.

SPC Wearnes Pte Ltd

SPC retails bottled LPG to the domestic market through its joint venture company, SPC Wearnes Pte Ltd. The joint venture faced a challenging year of escalating product costs in a highly competitive marketplace in 2007, and this is expected to continue in 2008.

LUBRICANT SALES

Market environment

The Lubricant Sales unit markets SPC-branded lubricants in Singapore and Asia-Pacific. In 2007, the market continued to experience high base oil

prices. The finished products market meanwhile lagged behind such base oil cost increases. SPC initiated timely marketing programmes to mitigate the impact of high costs and low margins to remain profitable.

Achievements

To maintain its strategy of building market presence and strengthening earnings, SPC focused on the marketing of premium automotive and industrial lubricants. Improvements were made to SPC's product mix with an increased proportion of premium lubricants marketed to maximise returns. To generate greater cost savings and efficiencies, the unit also undertook initiatives with strategic distribution partners alongside improvements in internal processes.

2007 was an outstanding year for the Lubricant Sales unit. The Singapore distribution network was rationalised resulting in more focused marketing and new customers. SPC also entered into an Original Equipment Manufacturer lubricant supply partnership with a major European engine manufacturer. Continuing its growth in the region, SPC successfully entered the Vietnam and Bangladesh lubricant markets while improving its presence in existing overseas markets.



Singapore Petroleum (Guangdong) Private Limited (SP Guangdong)

SPC's newly-incorporated lubricant marketing company in China, SP Guangdong, successfully established a distribution network in more than 15 provinces. SP Guangdong set up an SPC "Image Lube Service Centre" in Shenzhen to boost brand awareness and market share. The Centre provided one-stop service for comprehensive automotive vehicle maintenance and repairs. It also acted as a model outlet and benchmark for SPC's distributors in China.

Technology

SPC continued to keep pace with new technology to meet both market and environmental requirements. Its lubricant products were upgraded and new additive technology was used in both SPC automotives and industrial lubricants sold in the region.

The acceptance and effectiveness of the technology employed in SPC lubricants was demonstrated through the 25 cars from Hong Kong and China that used SPC's SynAce Racing Pro to participate in a "drifting" competition in the third quarter of 2007.

OPERATIONS AND LOGISTICS

Organisation

The Operations and Logistics unit covers two portfolios. The Engineering department designs, implements and conducts feasibility studies, and manages engineering projects for all Marketing units. The Logistics department provides the product distribution link between the Company's refinery and its local and regional customers. Its activity hub is the Jurong Bulk Plant (JBP).

Engineering

The Engineering department carried out several improvement projects for the service station network. This is part of the Company's effort to achieve a consistent corporate image and to ensure that high EHSS standards are maintained throughout the network.



Several of the projects involved testing and upgrading of the underground storage and piping system at the service stations. All fuel dispensing pumps were tested and calibrated regularly for accuracy at all times.

CCTV systems were upgraded to improve security and safety. The CCTV resolutions were increased to facilitate face recognition and remote access monitoring capability.

The other key projects undertaken at service stations include the construction and commissioning of a new outlet at Punggol, major upgrading and improvement programme at Upper East Coast, and retrofitting and construction of the CNG filling facility at Jalan Buroh.

In addition, Engineering provided technical support to the Commercial Sales unit. It assisted in office planning projects for SPC's offices in China, Indonesia as well as Singapore.

In 2007, the Engineering department successfully completed 45,000 safety man-hours and performed the year's activities without any Loss Time Injury (LTI).

Jurong Bulk Plant Operations

SPC's distribution hub, Jurong Bulk Plant (JBP) handled higher throughput volumes for most of the products in 2007. Among the products distributed or shipped, diesel, LPG and lubricant volumes were significantly higher, with increases of up to 40%.

JBP continued to operate productively without compromising on safety. Having performed 125,000 man-hour operations this year, it maintained its zero LTI record for four consecutive years. There was also no fire or major oil spill incident in 2007.

1. Providing a one-stop service to motorists.
2. SPC has the largest chain of car wash outlets.
3. Working harder and smarter to deliver products and satisfaction.