



New initiatives have been introduced at SPC's retail network of 38 service stations, delivering greater convenience and value to the motoring public.

## Marketing

### Market Review

The Marketing Group handles the sales and market development of the SPC Group's refined petroleum products both locally and overseas. Refined petroleum products include lubricants, motor gasoline, diesel, liquefied petroleum gas, asphalt and sulphur.

The extreme oil price volatilities, cost inflation coupled with the global financial crisis created a highly uncertain and competitive operating environment in 2008. As the marketing business expanded domestically and overseas, risk management and limiting the Group's credit exposures were key priorities.

### Market Development and Ventures

The Market Development and Ventures unit (MDV) seeks and evaluates marketing business opportunities in the Asia-Pacific region. MDV also monitors and reviews the performance of the

Marketing Group investments to align them with SPC's long-term strategic objectives.

In 2008, MDV enhanced the value of the Group's investment portfolio by strengthening the shareholder base in ItalSing Petroleum Company Pte. Ltd. (now known as ENEOS ItalSing Pte. Ltd.). SPC and Eni International B.V. each divested 27.5% of their 50.0% interest to Nippon Oil (Asia) Pte Ltd. Collectively, the shareholders would develop the joint venture into a premium toll blender in the region.

### Retail Sales and Development

SPC operates the third largest retail network of service stations in Singapore. All 38 "friendly neighbourhood stations" also incorporate a 24-hour convenience store under the brand name *Choices*. At selected stations, *Speedy Care* and *Manual Wash* outlets are also available for general automobile servicing, grooming and washing. During the year, SPC introduced the first "Drive-Thru"

## Operations Review Downstream

Automated Teller Machine (ATM) and "Drive-Thru" take-away food outlet at the Upper East Coast station.

The Singapore retail market was marked by product prices escalating sharply in the first half and falling rapidly in the second half of 2008. This resulted in frequent pump price adjustments to reflect oil prices as well as other operating conditions.

### Quality Fuels

Being the first-mover of many retail initiatives in Singapore, SPC has a strong track record of quality value offerings. Since 1991, SPC has been retailing unleaded motor gasoline in Singapore, while in 2006, the Company introduced ultra-low sulphur diesel across its entire retail network. In February 2008, SPC launched the first compressed natural gas refuelling kiosk in a service station in Singapore.

SPC has built a reputation as a reliable supplier of quality fuels that meet stringent specifications. For more than three decades, it has been supplying quality aviation and bunker fuel to international customers. Car owners are therefore assured of the quality of SPC's motor gasoline and diesel fuel. In May and June 2008, loyal customers

who participated in the "Get Quality. Use SPC." campaign held island-wide stood a chance to win petrol vouchers.

### Reinforcing Safety

In 2008, SPC initiated a campaign to reinforce the safety of passengers with special emphasis on safety for children. LED (light-emitting-diode) messages were displayed on the pylons located at the entrances of all its service stations. Specially-designed posters were placed above all pump dispensers to reinforce the safety message. These precautionary messages served to remind drivers and their passengers to belt up. SPC also held a joint marketing promotion with its credit card partner in September during which free seat belt covers were given away.

### Commercial Sales

The Commercial Sales unit markets a full range of petroleum products. The unit continued to maintain its strong position in the domestic commercial, industrial and wholesale markets. SPC also expanded into Indonesia through its new 60% joint-venture company, PT Solar Premium Central (PT Solar).

Despite the volatile and highly competitive markets, SPC was able to secure new contracts with a

number of key customers, thereby enhancing the Group's performance and profitability.

### PT Solar Premium Central

SPC established PT Solar to tap the large Indonesian industrial market which had been liberalised in recent years. After the recruitment of key personnel in Jakarta, PT Solar commenced the marketing of diesel fuel in Jakarta and West Java in July 2008. The combination of high quality diesel and the strong service back-up supported SPC's entry into the Indonesian market.

### Special Products

The Special Products unit markets and trades special products such as liquefied petroleum gas (LPG), asphalt and sulphur in the Asia-Pacific region. Despite the difficult environment, the unit grew its trading business and strengthened its portfolio significantly.

With a larger trading base of suppliers and customers, and leveraging the Group's logistic capabilities, the Special Products unit was able to provide more value to its regional customers. Trading of special products enhanced the Marketing Group's contribution to SPC.

### SPC Wearnes Pte Ltd

SPC Wearnes Pte Ltd (SPCW) bottles, distributes and retails LPG to the commercial, industrial and retail markets domestically. In order to meet the challenge of escalating product prices in a highly competitive marketplace in 2008, SPCW improved its cost efficiency through plant optimisation, enhanced logistic performance and streamlined distribution channels.

### Lubricants Sales

The Lubricants Sales unit markets SPC-branded lubricants in Singapore and the Asia-Pacific region. The difficult environment in 2008 resulted in the mass lubricant market shifting to lower-priced products. Customers extended oil change intervals for their vehicles to reduce running costs. Price increases of finished products in 2008 were also



SPC retails LPG in Singapore through its joint venture company, SPC Wearnes Pte Ltd.

lagging behind the sharp escalation of base oil, additives and other material costs. Despite these challenges, SPC's focus on premium products in key markets, regular price reviews and internal supply chain efficiencies helped enhance the performance of the Lubricant Sales unit. With further rationalisation of the distribution network of automotive independent workshops in Singapore in 2008, SPC concentrated on focused marketing to win new customers.

SPC lubricants are also marketed widely in the logistics, maritime, military, utilities and marine sectors. The services to these sectors are supported by a high level of distribution flexibility and customisation, lubricant quality and timely deliveries. In China, SPC's lubricant marketing company, Singapore Petroleum (Guangdong) Private Limited, continued to grow its distribution network across key provinces during the year.

SPC continued to keep pace with new lubricant technology to meet both market and environmental requirements, adding a new diesel engine oil to its product offerings. On top of Original Equipment Manufacturer (OEM) approvals from BMW, Mercedes Benz, Porsche and

Volvo, SPC has also obtained approval from Volkswagen for its fully synthetic gasoline engine oil, SYNACE, in 2008.

### **Operations and Logistics Engineering**

The Engineering department conducts feasibility studies, designs, implements and manages the engineering projects for the SPC Group.

As part of the Singapore Jurong Port's expansion programme to improve operational efficiency, SPC relocated its pipelines and discharge points within the port. Despite difficulties such as tidal constraints, working under wharf decks, and the need to accommodate Jurong Port's busy operations as well as to comply with stringent safety requirements, the Engineering Team and its contractor completed the project without any Loss Time Injury (LTI). The relocated pipelines and discharge points were commissioned in June 2008.

The department also redesigned the Upper East Coast service station in January 2008 to incorporate a "Drive-Thru" ATM and a "Drive-Thru" take-away food outlet. Other key service station projects undertaken by the department included further

enhancement of the CCTV (closed-circuit television) system to improve security, installation of canopy LED lightings at 27 stations and the rehabilitation of sewer lines at eight stations. In addition, the Engineering department supported the Commercial Sales unit to revamp SPC's Penjurong Ramp site used for the marketing of diesel to small vessels.

In 2008, the Engineering department managed to chalk up 61,000 man-hours without any LTI.

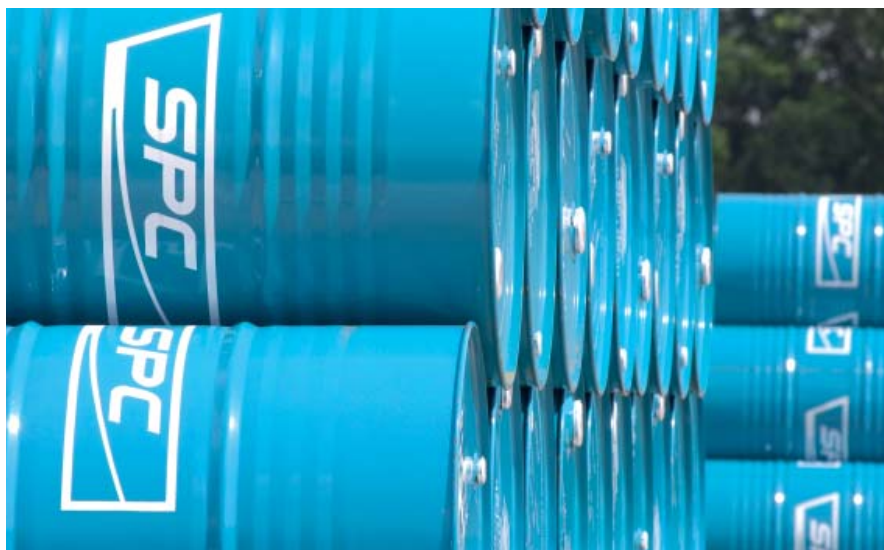
### **Jurong Bulk Plant**

The SPC Jurong Bulk Plant (JBP) serves as a depot to distribute fuel products to SPC service stations, commercial and industrial customers.

The completion of pipeline relocation at Jurong Port and JBP allowed greater flexibility in fuel replenishment operations. This was further facilitated by the addition of new berthing points at the jetty.

JBP held an emergency response exercise and a joint fire drill with the Singapore Civil Defence Force (SCDF) in the middle of the year. Such exercises served to enhance rapport between both parties. The visit to the SPC terminal by SCDF familiarised them with SPC's facilities and improved their planning and deployment of resources during emergencies. The JBP operations team also participated in SPC's Crisis Management exercise in April 2008.

For five consecutive years, JBP managed to maintain its zero LTI record. There was also no fire or major spill incident in 2008. For the year, JBP achieved a commendable 125,000 man-hours without any LTI.



SPC's Jurong Bulk Plant serves as a depot to distribute fuel products to SPC retail, commercial and industrial customers.