SUNOCO INC
Form 10-K
March 04, 2005

2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from___________ to_____________

Commission file number 1-6841

SUNOCO, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-1743282**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
Ten Penn Center	**19103-1699**

1801 Market Street, Philadelphia, PA
(Address of principal executive offices) **(Zip Code)**

Registrant s telephone number, including area code (215) 977-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange Philadelphia Stock Exchange
Convertible Subordinated Debentures 6 3/4%, Due June 15, 2012	New York Stock Exchange
Sinking Fund Debentures 9 3/8%, Due June 1, 2016	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments of this Form 10-K. ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b2 of the Exchange Act). Yes x No ¨

At June 30, 2004, the aggregate market value of voting stock held by non-affiliates was $4,752 million.

At January 31, 2005, there were 69,364,440 shares of Common Stock, $1 par value, outstanding.

Selected portions of the Sunoco, Inc. Annual Report to Shareholders for the Fiscal Year Ended December 31, 2004 are incorporated by reference in Parts I, II and IV of this Form 10-K.

Selected portions of the Sunoco, Inc. definitive Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2004, are incorporated by reference in Part III of this Form 10-K.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

Those statements in the Business and Properties discussion that are not historical in nature should be deemed forward-looking statements that are inherently uncertain. See Forward-Looking Statements in Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s 2004 Annual Report to Shareholders for a discussion of the factors that could cause actual results to differ materially from those projected.*

General

Sunoco, Inc.** was incorporated in Pennsylvania in 1971. It or its predecessors have been active in the petroleum industry since 1886. Its principal executive offices are located at 1801 Market Street, Philadelphia, PA 19103-1699. Its telephone number is (215) 977-3000 and its Internet website address is www.SunocoInc.com. The Company makes available free of charge on its website all materials that it files electronically with the Securities and Exchange Commission, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

The Company, through its subsidiaries, is principally a petroleum refiner and marketer and chemicals manufacturer with interests in logistics and cokemaking. Sunoco s petroleum refining and marketing operations include the manufacturing and marketing of a full range of petroleum products, including fuels, lubricants and some petrochemicals. Sunoco s chemical operations comprise the manufacturing, distribution and marketing of commodity and intermediate petrochemicals. The petroleum refining and marketing, chemicals and logistics operations are conducted principally in the eastern half of the United States. Sunoco s cokemaking operations currently are conducted in Virginia and Indiana.

The Company s operations are organized into five business segments (Refining and Supply, Retail Marketing, Chemicals, Logistics and Coke) plus a holding company and a shared services organization. Sunoco, Inc., the holding company, is a non-operating parent company. It includes certain corporate officers and their staffs. The shared services organization consists of a number of staff functions, including: communications; engineering services; transaction processing; systems operations and information technology planning; legal; insurance; health, environment and safety; human resources; public affairs; and procurement and facilities management. Costs incurred by the shared services organization to provide these services are allocated to the five business segments and the holding company. This discussion of the Company s business and properties reflects this organizational structure. For additional information regarding these business units, see Management s Discussion and Analysis of Financial Condition and Results of Operations and the business segment information presented in Note 17 to the Consolidated Financial Statements, both in the Company s 2004 Annual Report to Shareholders.

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* References in this Annual Report on Form 10-K to material in the Company s 2004 Annual Report to Shareholders and in the Company s definitive Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2004, mean that such material is incorporated herein by reference; other material in those documents is not deemed to be filed as part of this Annual Report on Form 10-K.

** In this report, the terms Company and Sunoco are used interchangeably to mean Sunoco, Inc. or collectively, Sunoco, Inc. and its subsidiaries. The use of these terms is for convenience of discussion and is not intended to be a precise description of corporate relationships.

Sunoco currently owns and operates five refineries which are located in Marcus Hook, PA, Philadelphia, PA, Westville, NJ, Toledo, OH and Tulsa, OK. The refineries in Marcus Hook, Philadelphia, Westville and Toledo produce principally fuels and commodity petrochemicals while the refinery in Tulsa emphasizes lubricants production with related fuels production being sold in the wholesale market. The refinery in Westville (also known as the Eagle Point refinery) was acquired in January 2004 (see   Refining and Supply   below).

Sunoco markets gasoline and middle distillates, and offers a broad range of convenience store merchandise through a network of 4,804 retail outlets in 24 states primarily on the East Coast and in the Midwest United States. During April 2004, Sunoco completed the purchase from ConocoPhillips of 340 Mobil® retail gasoline sites located primarily in Delaware, Maryland, Virginia and Washington D.C. and in the second quarter of 2003, completed the purchase from a subsidiary of Marathon Ashland Petroleum LLC of 193 Speedway® retail gasoline sites located primarily in Florida and South Carolina. In 2003, the Company also accelerated its Retail Portfolio Management program to selectively reduce its invested capital in Company-owned or leased sites, while retaining most of the gasoline sales volumes attributable to the divested sites (see   Retail Marketing   below).

Sunoco owns and operates facilities in Philadelphia, PA and Haverhill, OH, which produce phenol and acetone, and in LaPorte, TX, Neal, WV and Bayport, TX, which produce polypropylene. In addition, Sunoco is a joint-venture partner in a facility in Marcus Hook, PA, which produces propylene and polypropylene. The polypropylene facility in Bayport was acquired in the first quarter of 2003 as part of a transaction in which Sunoco secured a favorable long-term supply of propylene for its Gulf Coast polypropylene business. In September 2004, Sunoco sold its interest in the Mont Belvieu, TX, Belvieu Environmental Fuels (BEF) MTBE production facility to Enterprise Products Operating L.P. In addition, a facility in Pasadena, TX, which produces plasticizers, was sold to BASF in January 2004, while a facility in Neville Island, PA was retained and produces plasticizers exclusively for BASF under a three-year tolling agreement (see   Chemicals   below).

Sunoco owns, principally through Sunoco Logistics Partners L.P. (the   Partnership) (a master limited partnership that is 62.6 percent owned by Sunoco), a geographically diverse and complementary group of pipelines and terminal facilities which transport, terminal and store refined products and crude oil (see   Logistics   below).

Sunoco, through Sun Coke Company and its affiliates (individually and collectively,   Sun Coke), makes high-quality, blast-furnace coke at its Indiana Harbor facility in East Chicago, IN and its Jewell facility in Vansant, VA, and produces metallurgical coal from mines in Virginia primarily for use at the Jewell cokemaking facility. Additional cokemaking facilities, which will be operated by Sun Coke, are currently under construction in Haverhill, OH and Vitória, Brazil. Sunoco will wholly own the facility in Haverhill and have a joint-venture interest in the Vitória facility (see   Coke   below).

The following are separate discussions of Sunoco   s business segments.

Refining and Supply

The Refining and Supply business manufactures petroleum products, including gasoline, middle distillates (mainly jet fuel, heating oil and diesel fuel) and residual fuel oil as well as commodity petrochemicals, including olefins and their derivatives (ethylene, ethylene oxide polymers and refinery-grade propylene) and aromatics and their derivatives (benzene, cyclohexane, toluene and xylene) at the Marcus Hook, Philadelphia, Eagle Point and Toledo refineries, and sells these products to other Sunoco business units and to wholesale and industrial customers. This business also manufactures petroleum and lubricant products at the Tulsa refinery.

In January 2004, Sunoco completed the purchase of the 150 thousand barrels-per-day Eagle Point refinery and related assets from El Paso Corporation (El Paso) for $250 million, including inventory. In connection with this transaction, Sunoco also assumed certain environmental and other liabilities. Management believes the acquisition of the Eagle Point refinery complements and enhances the Company s refining operations in the Northeast and enables the capture of significant synergies in Northeast Refining. The related assets acquired include certain pipeline and other logistics assets associated with the refinery which Sunoco subsequently sold to Sunoco Logistics Partners L.P. in March 2004.

The Company s refinery operations are comprised of Northeast Refining (the Marcus Hook, Philadelphia and Eagle Point refineries) and MidContinent Refining (the Toledo and Tulsa refineries). The following tables set forth information concerning the Company s refinery operations over the last three years (in thousands of barrels daily and percentages):

2004	**Northeast Refining***	**Mid-Continent Refining****	**Total**
Crude Unit Capacity	655.0	235.0	890.0
Crude Inputs as Percent of Crude Unit Rated Capacity	97%	95%	97%
Conversion Capacity	265.0	96.7	361.7
Conversion Unit Capacity Utilized	97%	101%	98%
Throughputs:			
Crude Oil	633.3	222.4	855.7
Other Feedstocks	52.9	5.9	58.8
Total Throughputs	686.2	228.3	914.5
Products Manufactured:			
Gasoline	327.8	114.2	442.0
Middle Distillates	231.5	68.8	300.3
Residual Fuel	69.2	3.8	73.0
Petrochemicals	31.0	7.1	38.1
Lubricants		13.6	13.6
Other	51.7	30.3	82.0
Total Production	711.2	237.8	949.0
Less Production Used as Fuel in Refinery Operations	35.6	10.6	46.2
Total Production Available for Sale	675.6	227.2	902.8

* In January 2004, crude unit capacity increased from 505 to 655 thousands of barrels daily and conversion capacity increased from 210 to 265 thousands of barrels daily as a result of the acquisition of the Eagle Point refinery. In January 2005, conversion unit capacity increased again to 270 thousands of barrels daily in Northeast Refining. Throughput and products manufactured data pertaining to the Eagle Point refinery are based on the amounts attributable to the 354-day ownership period (January 13, 2004 December 31, 2004) divided by 366 days.

** In January 2004, crude unit capacity increased from 225 to 235 thousands of barrels daily as a result of a 10 thousand-barrels-per-day adjustment in MidContinent Refining. In January 2005, crude unit capacity increased again to 245 thousands of barrels daily and conversion capacity increased to 102 thousands of barrels daily as a result of additional adjustments in MidContinent Refining.

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2003	Northeast Refining	Mid-Continent Refining	Total
Crude Unit Capacity	505.0	225.0	730.0
Crude Inputs as Percent of Crude Unit Rated Capacity	95%	101%	97%
Conversion Capacity	210.0	96.7	306.7
Conversion Unit Capacity Utilized	97%	100%	98%
Throughputs:			
Crude Oil	481.7	226.4	708.1
Other Feedstocks	46.8	6.4	53.2
Total Throughputs	528.5	232.8	761.3
Products Manufactured:			
Gasoline	261.2	114.4	375.6
Middle Distillates	169.1	67.6	236.7
Residual Fuel	55.7	4.1	59.8
Petrochemicals	20.8	7.1	27.9
Lubricants		13.6	13.6
Other	42.1	35.5	77.6
Total Production	548.9	242.3	791.2
Less Production Used as Fuel in Refinery Operations	26.3	10.8	37.1
Total Production Available for Sale	522.6	231.5	754.1

2002	Northeast Refining	Mid-Continent Refining	Total
Crude Unit Capacity	505.0	225.0	730.0
Crude Inputs as Percent of Crude Unit Rated Capacity	94%	95%	95%
Conversion Capacity	210.0	96.7	306.7
Conversion Unit Capacity Utilized	96%	93%	95%
Throughputs:			
Crude Oil	476.2	213.7	689.9
Other Feedstocks	51.2	7.2	58.4
Total Throughputs	527.4	220.9	748.3
Products Manufactured:			

Gasoline	266.9	108.3	375.2
Middle Distillates	167.4	63.8	231.2
Residual Fuel	51.9	4.0	55.9
Petrochemicals	22.8	7.7	30.5
Lubricants		13.1	13.1
Other	40.5	32.9	73.4
Total Production	549.5	229.8	779.3
Less Production Used as Fuel in Refinery Operations	26.3	10.7	37.0
Total Production Available for Sale	523.2	219.1	742.3

Sunoco meets all of its crude oil requirements through purchases from third parties. There has been an ample supply of crude oil available to meet worldwide refining needs, and Sunoco has been able to supply its refineries with the proper mix and quality of crude oils without disruption. Most of the crude oil processed at Sunoco s refineries is light sweet crude oil. The Company believes that ample supplies of light sweet crude oil will continue to be available. In the second half of 2004, the Company also began processing limited amounts of higher acid sweet crude oils in some of its Northeast refineries. At times, utilization reached levels of up to 10 percent of the Northeast crude slate.

The Philadelphia, Marcus Hook and Eagle Point refineries process crude oils supplied from foreign sources, while the Toledo refinery processes crude oils supplied primarily from Canada and the United States and the Tulsa refinery processes crude oils supplied primarily from the United States. The foreign crude oil is delivered to the Company s Northeast refineries utilizing ocean-going tankers and coastal distribution tankers and barges that are independently owned and operated. Approximately 40 percent of the Company s marine transportation requirements pertaining to its Northeast Refining crude supply are met through time charters that generally contain terms of up to seven years with renewal and sub-lease options. The lease payments consist of a fixed-price minimum and a variable component based on spot-market rates. The cost of the remaining marine transportation requirements reflect spot-market rates.

Approximately 40 percent of Sunoco s crude oil supply during 2004 came from Nigeria. Some of the crude oil producing areas of this West African country experienced political and ethnic violence during the 2003-2004 period, which resulted in the shutdown of a small portion of total Nigerian crude oil supply. The lost crude oil production in Nigeria did not have a material impact on Sunoco s operations, and the Company believes other sources of light sweet crude oil are available in the event it is unable to obtain crude oil from Nigeria in the future.

The following table sets forth information concerning the Company s crude oil purchases (in thousands of barrels daily):

	2004	**2003**	**2002**
Crude Type:			
West African	605.9	447.0	435.8
Domestic	138.2	152.9	125.6
Canadian	75.0	52.3	56.2
North Sea	41.9	34.3	42.6
South and Central American	1.8	4.6	10.2
Lubes-Extracted Gasoil/Naphtha Intermediate Feedstock	6.5	16.6	8.3
	869.3	707.7	678.7

Refining and Supply sells fuels through wholesale and industrial channels principally in the Northeast and upper Midwest and sells petrochemicals and lubricants on a worldwide basis. The following table sets forth Refining and Supply s refined product sales (in thousands of barrels daily):

	2004	2003	2002
To Unaffiliated Customers:			
Gasoline	211.1	153.3	152.5
Middle Distillates	275.2	216.8	209.9
Residual Fuel	80.5	69.5	62.6
Petrochemicals	16.3	11.3	13.2
Lubricants	13.5	13.8	13.4
Other	47.5	44.3	53.8
	644.1	509.0	505.4
To Affiliates*	360.6	333.9	316.2
	1,004.7	842.9	821.6

* Includes gasoline and middle distillate sales to Retail Marketing and benzene and refinery-grade propylene sales to Chemicals.

Feedstocks can be moved between refineries in Northeast Refining by barge, truck and rail. In addition, an interrefinery pipeline leased from Sunoco Logistics Partners L.P. enables the transfer of unfinished stocks, including butanes, naphtha, distillate blendstocks and gasoline blendstocks between the Philadelphia and Marcus Hook refineries. Finished products are delivered to customers via the pipeline and terminal network owned and operated by Sunoco Logistics Partners L.P. (see Logistics below) as well as by third-party pipelines and barges and by truck and rail.

The Clean Air Act phases in limitations on the sulfur content of gasoline beginning in 2004 and the sulfur content of on-road diesel fuel beginning in 2006 (Tier II). The rules include banking and trading credit systems, which could provide refiners flexibility until 2006 for the low-sulfur gasoline and until 2010 for the on-road low-sulfur diesel. These rules are expected to have a significant impact on refinery operations, primarily with respect to capital and operating expenditures. Most of the capital spending is likely to occur in the 2004-2006 period, while the higher operating costs will be incurred when the low-sulfur fuels are produced. The Company estimates that the total capital outlays to comply with the new Tier II gasoline and on-road diesel requirements will be approximately $550 million. Through year-end 2004, the Company s Tier II capital spending totaled $233 million. The Company will meet the new gasoline specifications with new gasoline hydrotreaters at the Marcus Hook, Philadelphia, Eagle Point and Toledo refineries. In an effort to limit engineering and construction costs, the Company is building identical gasoline hydrotreaters at each of these four facilities. Spending in 2004 included engineering and construction work associated with these efforts. Another rule was adopted in May 2004 phasing in limitations on the allowable sulfur content in off-road diesel beginning in mid-2007. This rule is not expected to have a significant impact on Sunoco s capital expenditures.

During 2004, Sunoco commenced construction of a sulfur plant at the Eagle Point refinery. The new unit, which will provide the Company with additional sulfur processing capacity at Eagle Point and redundant processing capability to meet new permit compliance requirements, is expected to be completed in the second quarter of 2005 at a cost of $33 million. In September 2003, Sunoco also completed construction of a sulfur plant at the Marcus Hook refinery at a cost of $50 million. The processing of sulfur gas commenced at Marcus Hook upon completion of construction at this facility.

In January 2005, Refining and Supply exercised its option under a lease agreement with El Paso to purchase a 200-megawatt cogeneration power plant adjacent to the Eagle Point refinery. Refining and Supply intends to operate the plant when favorable market conditions exist.

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In September 2004, Refining and Supply entered into a 15-year product supply agreement with BOC Americas (PGS), Inc. (BOC), an affiliate of The BOC Group plc. Under this agreement, Refining and Supply will provide BOC with feedstock and utilities for use by BOC at a hydrogen plant to be constructed by BOC on land leased from Refining and Supply at the Toledo refinery. BOC will utilize the feedstock and utilities to generate hydrogen and steam at the new facility for sale to Refining and Supply and another third party. It is anticipated that this facility will become operational in 2006 at which time the sale and delivery of hydrogen and steam to Refining and Supply for use at its Toledo refinery will commence.

During 1999, Refining and Supply entered into an Agreement with a subsidiary of FPL Energy (FPL) to purchase steam from a 750-megawatt, natural gas fired cogeneration power plant or four auxiliary boilers (the Auxiliary Boilers) to be constructed, owned and operated by FPL at Sunoco s Marcus Hook refinery. Construction of the cogeneration plant and Auxiliary Boilers was completed in 2004. In December 2004, Sunoco and FPL agreed to a restructuring of the Agreement. Under the restructured terms, FPL surrendered its easement interest in land on which the Auxiliary Boilers were constructed, thereby transferring ownership of the Auxiliary Boilers to Sunoco. FPL will operate the Auxiliary Boilers on Sunoco s behalf. When the cogeneration plant is in operation, Sunoco will have the option to purchase steam from that facility at a rate equivalent to that set forth in the original agreement. As part of the restructuring, Sunoco has agreed to a long-term lease of property to FPL and to modify certain terms in the existing agreement for an aggregate cash payment of $48 million, most of which is prepaid rent. Sunoco received this $48 million payment in January 2005. No gain or loss was recognized in connection with the restructuring.

Retail Marketing

The Retail Marketing business consists of the retail sale of gasoline and middle distillates and the operation of convenience stores in 24 states, primarily on the East Coast and in the Midwest region of the United States. The highest concentrations of outlets are located in Connecticut, Florida, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Virginia.

The following table sets forth Sunoco s retail gasoline outlets at December 31, 2004, 2003 and 2002:

	2004	2003	2002
Direct Outlets:			
Company Owned or Leased:			
Company-Operated:			
Traditional	134	154	208
Convenience Stores	515	578	406
	649	732	614
Dealer-Operated:			
Traditional	340	287	330
Convenience Stores	223	221	221
Ultra Service Centers^{SM}	184	202	219
	747	710	770
Total Company Owned or Leased*	1,396	1,442	1,384
Dealer Owned**	546	594	682
Total Direct Outlets	1,942	2,036	2,066
Distributor Outlets	2,862	2,492	2,315

	4,804	4,528	4,381

* Gasoline and diesel throughput per Company-owned or leased outlet averaged 132.6, 124.4 and 121.7 thousands of gallons monthly during 2004, 2003 and 2002, respectively.

** Primarily traditional outlets.

Retail Marketing has a portfolio of outlets that differ in various ways including: product distribution to the outlets; site ownership and operation; and types of products and services provided.

Direct outlets may be operated by Sunoco or by an independent dealer, and are sites at which fuel products are delivered directly to the site by Sunoco s 132 trucks or by its contract carriers. The Company or an independent dealer owns or leases the property. These sites may be traditional locations that sell almost exclusively fuel products under the Sunoco® and Coastal® brands or may include APlus® or Coastal Mart® convenience stores or Ultra Service Centers℠ that provide automotive diagnosis and repair. Included among Retail Marketing s outlets at December 31, 2004 were 70 outlets on turnpikes and expressways in Pennsylvania, New Jersey, New York, Ohio and Maryland. Of these outlets, 53 were Company-operated sites providing gasoline, diesel fuel and convenience store merchandise.

Distributor outlets are sites in which the distributor takes delivery at a terminal where branded products are available. Sunoco does not own, lease or operate these locations.

In April 2004, Sunoco completed the purchase of 340 retail outlets operated under the Mobil® brand from ConocoPhillips for $181 million, including inventory. Of the total sites acquired, 112 were owned outright or subject to long-term leases, with average throughput of approximately 175 thousand gallons per month. The remaining network consisted of contracts to supply 34 dealer-owned and operated locations and 194 branded distributor-owned locations. These outlets, which included 31 sites that are Company-operated and have convenience stores, are located primarily in Delaware, Maryland, Virginia and Washington, D.C. These sites are being re-branded to Sunoco® gasoline and APlus® convenience stores over time. In the second quarter of 2003, Sunoco completed the purchase of 193 Speedway® retail gasoline outlets from a subsidiary of Marathon Ashland Petroleum LLC for $162 million, including inventory. The sites, which are located primarily in Florida and South Carolina, were all Company-operated locations with convenience stores. Of the 193 outlets, Sunoco became lessee for 54 of the sites under long-term lease agreements. The Speedway® sites were re-branded as Sunoco® locations during the 2003-2004 period. The Company believes these acquisitions fit its long-term strategy of building a retail and convenience store network designed to provide attractive long-term returns. At December 31, 2004, there were 309 outlets still selling gasoline under the Mobil® brand.

A Retail Portfolio Management (RPM) program is ongoing, which is selectively reducing the Company s invested capital in Company-owned or leased sites. During the 2003-2005 period, selected sites, including some of the recently acquired Speedway® and Mobil® outlets, are being divested with most of the sites being converted to contract dealers and distributors. The Company expects to generate divestment proceeds of approximately $170 million, of which $120 million has been received in 2003 and 2004 related to the sale of 241 sites. Most of the gasoline sales volume attributable to the divested sites has been retained within the Sunoco branded business. During 2004 and 2003, net after-tax gains totaling $7 and $8 million, respectively, were recognized in connection with the RPM program. The Company expects the RPM program will generate additional gains in 2005.

In April 2003, Sunoco announced its intention to sell its interest in 190 retail sites in Michigan and the southern Ohio markets of Columbus, Dayton and Cincinnati (Midwest Marketing Divestment Program). During 2003, 75 Company-owned or leased properties and contracts to supply 23 dealer-owned sites were divested under this program. The cash generated from these divestments totaled $46 million, which represented substantially all of the proceeds from the program. The remaining 92 sites, which were virtually all dealer-owned locations, were converted to distributor outlets in 2004. During 2003, a $9 million after-tax gain was recognized in connection with the Midwest Marketing Divestment Program. Sunoco continues to supply branded gasoline to substantially all of the divested outlets.

During 2004, Sunoco sold its private label consumer and commercial credit card business and related accounts receivable to Citibank. In connection with this divestment, Sunoco received $100 million in cash proceeds, recognized a $2 million after-tax gain on the divestment and established a $2 million after-tax accrual for employee terminations and other exit costs. In addition, the two companies signed a seven-year agreement for the operation and servicing of the Sunoco private label credit card program.