

Operations Review

The SPC Group capitalised on the strong global demand for refined products to turn in an impressive set of results for 2005.

During the year, the oil markets continued to be driven by fears of supply interruptions as well as the constrained global refining capacity. The supply situation was worsened by the hurricanes that battered oil production facilities and refineries in the US Gulf Coast in the second half of 2005. Geopolitical tensions in the Middle East and terrorist's activities contributed to fears of interruptions to the supply of crude and refined products.

Against this backdrop, oil prices and refining margins spiked sharply in the third quarter of 2005. The benchmark WTI (West Texas Intermediate) crude surged to a record US\$70.85 per barrel in August. Oil prices however ended the year lower with WTI at US\$61.04 per barrel at year end.

SPC's acquisition of the additional refining capacity proved crucial in enabling it to capitalise on the market opportunities in 2005. The additional capacity enabled the Group to process 50 million barrels of crude and feedstocks in 2005.

With the additional processing volumes, the Group was able to increase its sales volumes to 81.2 million barrels, an increase of 9.9 percent over the volume of 73.9 million barrels in 2004.

With the higher oil prices, the Group was also able to achieve a higher average realisation of US\$55.68 per barrel for 2005. This was 40 percent higher than the average realisation for 2004.



For 2005, total oil and gas production from the Group's E&P activities averaged 2,300 boepd (barrels of oil equivalent per day).

The downstream activities which include petroleum refining, marketing of products to airlines, commercial accounts, end users, trading activities and storage and terminalling chalked up a total volume of 80.8 million barrels for 2005. Of this volume, 73.4 million barrels were sales handled by the Refining, Supply and Trading (RST) Business Unit (BU). The Marketing BU handled the remaining barrels.

The SPC Group has continued to invest in assets in the E&P sector in 2005. During the year, the Group has invested a further US\$70 million in existing and new E&P assets.

In August, SPC through a wholly-owned subsidiary, SPC Cambodia Ltd, entered into an agreement for a 30 percent interest in the Block B Petroleum Agreement. This exploration acreage covering about 6,500 square kilometres is located southeast of the Khmer Basin where oil and gas had been discovered previously.

In September, through another wholly-owned subsidiary, SPC Vietnam (Blocks 102/106) Co. Ltd, the Group successfully increased its stake in Blocks 102 and 106 to 20 percent. The Blocks, covering a total acreage of approximately 10,600 square kilometres, are located in the Gulf of Tonkin, offshore northern Vietnam.