

Operations review

In 2006, the SPC Group achieved record revenue of \$8.6 billion, an improvement of 14.7% compared to 2005's revenue of \$7.5 billion.



From the sourcing of mini bars of chocolates for its retail network to the securing of millions and millions of barrels of crudes for its refinery; from the marketing of petrol, parking coupons and pies to the sale of aviation fuel, asphalt and automotive products; these and more the Group accomplished in 2006 with clock-like precision and zealous teamwork.

The refining of crude oil to petroleum products remains central to the Group's operations. Given the complexity of its refining facilities, SPC is able to refine heavy, medium and light crudes. SPC buys crudes from some 13 countries with the bulk of its supplies coming from the Middle East. The API gravity of these crudes range from 18 (mostly heavy/sour crudes) to 45 (mostly light/sweet crudes). In 2006, the Group processed more than 51 million barrels of crudes through SRC, its jointly-owned refinery on Jurong Island.

During the year, SRC conducted a scheduled major revamp of its Residue Catalytic Cracker (RCC) unit in the third quarter. This extensive overhaul enabled the refinery to increase the RCC throughput as well as the percentage of high value products. Despite the scheduled downtime, the refinery was still able to process 29 different types of crude and utilisation was maintained at above 96%.

The Group uses production from the refinery to meet the marketing and distribution requirements of its well established product channels including jet and bunker fuel sales, liquefied petroleum gas marketing and distribution, asphalt sales, retail motor gasoline sales, fuel oil and gas oil supply to power utilities. In addition, the trading units will actively trade the other products not required in these channels in the spot trading market. In 2006, more than 74.1 million barrels of crudes and refined petroleum products were handled in these downstream product channels. Of this volume, slightly more than 50.0 million barrels were products sourced directly from SRC with the balance of more than 24.0 million barrels sourced from the Group's extensive network of oil majors, multinational oil traders and national oil companies.

The downstream activities are undertaken by the Refining, Supply & Trading (RST) and the Marketing Business Units (BUs). The activities of these BUs are described in detail in

the business review section of this report. In 2006, the RST BU handled approximately 66.7 million barrels of crudes and products from Singapore. The RST BU is also responsible for the Group's aviation and bunkering operations in the region. These overseas operations in turn contributed another 5.6 million barrels to the Group's total. The Marketing BU handled more than 7.4 million barrels of refined products in 2006 through the commercial sales channel, the special products unit, the 39 retail service stations network and the lubricants sales channel.

Downstream trading and sales activities registered a realisation of US\$66.75 per barrel on the 79.8 million barrels handled during the year. These activities contributed \$8.5 billion in revenue and \$338.2 million in operating profit.

From its initial E&P producing asset, the Kakap PSC acquired in 2000, the Group has continued to build up its E&P portfolio and currently owns interests in six E&P assets. Its sixth E&P asset, Block T06-3 in Australia was awarded in February 2007. During the year, SPC also increased its interests in Block B located offshore Cambodia from 30.0% to 33.3%.

In 2006, the Group participated in the drilling of a total of six exploration wells. It achieved a remarkable exploration success rate of 50%.

In 2006, the Kakap PSC contributed 2,540 barrels of oil equivalent per day production net to the Group. The Kakap fields' production was enhanced by some 10% following a series of planned well workover and services. The Lukah-1 well drilling in 2006 resulted in a gas discovery and this is expected to further enhance Kakap's asset performance.

For 2006, the E&P business achieved an average realisation of US\$58.22 per barrel and contributed \$49.2 million in revenue and \$14.6 million in operating profit.