

A flock of migratory birds in flight travels across borders along a clear direction and stays united as a means to reach their destination.

taking flight

The ability to swiftly, strategically and collectively adapt to varying market conditions will enable **Chemoil to seek new frontiers of growth and expand our horizons.**





global network

Change is a dynamic that Chemoil has embraced in recent years as we commit to a focused strategy that has increased our global presence and readied Chemoil for its new wave of growth.

Our Global Presence

Our strong global presence is a result of our ability to adapt to market conditions and respond to opportunities for expansion and growth.

Adaptability to constant change through a focused strategy for long-term growth has steered us through rough waters as we continue to expand into new markets, strengthen our supply chain through the acquisition and development of physical infrastructure, and nurture steadfast strategic alliances with global partners.

Operating in the world's largest bunkering markets, we are today positioned as a leading integrated physical supplier of marine fuel products globally.



Markets

Committed to delivering consistent and reliable supply to our customers around the world, we continue to expand our global footprint.

Today we have a physical presence not just in the top oil product ports in Singapore, Rotterdam and Fujairah but hold strategic locations in Los Angeles, New York, Houston, New Orleans, Balboa, Cristobal, Gulf of Mexico, and Mundra.

We will continue to seek new opportunities in developing regions that will add even greater value for our global customers.

Supply Chain

One of our key strengths is that we manage the entire supply chain, providing our international shipping customers competitive pricing, access to specialized products, customized term contracts and a fully integrated delivery service. In a strategic move to balance the volatility of the marine fuel business, we also hold terminal assets that continue to provide recurrent income.

Products

Responding to our customers' evolving needs, we offer a broad range of products tailored to add value to our existing services. For example, last year we introduced a diverse portfolio of risk management products and services to our customers. These products are designed to assist financing and improve liquidity for our customers while at the same time providing Chemoil with an additional revenue stream.

Harnessing the latest innovations and adhering to the environmental protocols, we also offer cleaner, more environment-friendly fuels to our customers around the globe.



Strategic Alliances

Our careful selection of the right global partners with whom to build strategic alliances is one of our key strategies for growth, and the reason we are able to expand quickly and seamlessly into new markets and strengthen our logistics capabilities. This approach not only facilitates successful diversification of our business but allows us to share the risks and rewards, thereby improving the quality of our income.

Our priority is to seize opportunities by enhancing, refining and adopting a business framework aimed at growth in terms of size, reach and relevance.



year in review

Chemoil's strong global competitive presence resulted in higher sales to the retail shipping market and, in turn, an overall gain in market share in certain ports.

With weak fuel demand from shipping companies and increased competition in the marine fuel business, Chemoil has been operating in a challenging environment. Since the third quarter of 2009, we have experienced a depression of wholesale to retail margins that have affected our profitability. We started 2010 with a disappointing first quarter. Yet our strong resolve to address a weakened market proved our resilience in a weak-margin environment. Overall volume growth was strong. As fuel margins began showing signs of recovery, coupled with a dynamic approach consisting of cost-cutting measures and the realignment of business models in certain ports, Chemoil registered a strong performance in the fourth quarter. Financial prudence however led us to record a financial loss in the fourth quarter despite strong operational results.

Strong Competitive Position for Market Share Gain

Despite a slow road to recovery for the world economy, and generally flat petroleum prices, our overall group volume growth in the year was at a healthy 3.3% to 15.6 million tons, including retail volume growth of 5.6% to 9.4 million tons. Although cargo volumes fell, our exwharf sales, ultimately consumed by our core shipping customers, also increased significantly.

In terms of our sales record for the year, we experienced a slight recovery in demand in comparison to the lows of 2009. Although arbitrage opportunities in cargo supply affected the cost of



our own supply, Chemoil's strong global competitive presence resulted in higher sales to the retail shipping market and, in turn, an overall gain in market share in certain ports.

A stand-out achievement for Chemoil in 2010 was our rise in ranking as the 6th largest supplier in Singapore, from 9th rank in 2009. Chemoil's higher ranking is a testament to our overall strength in the retail sector particularly in the Asian region, followed by a recovery in our retail volumes in the Americas.

year in review



Measuring Margins and Driving Operations

Mirroring our third-quarter performance in 2009, the first quarter of 2010 saw weak wholesale to retail margins. In this quarter, gross contribution per metric ton (GCMT) was at its lowest at US\$ 1.74 per metric ton although it recovered well during the second and third quarters to US\$ 5.00 and US\$ 5.60 per metric ton, respectively. Our fourth quarter presented the strongest operational performance for the year with GCMT of US\$ 6.70 per metric ton.

The end-of-year recovery can be credited to a number of measures employed to improve performance. Firstly, operations were rationalized through adjustments to our business model, taking into account the lack of arbitrage cargo opportunities. For example, in selected ports we purchased supply from local sources. Secondly, we sought to increase efficiency by examining our barge and storage assets, releasing excess capacity

where at all possible. This particular measure led to increased utilization rates by the end of the year. Finally, various cost control measures were adopted to help manage corporate overheads.

A Call for Financial Prudence

By the end of 2010, operational results recovered moderately from the initial first-quarter lows. We generated a profit before tax of US\$ 3.7 million for the fourth quarter, which already included a number of write-offs. Specifically, these write-offs pertained to bad debt provisions from a non-core subsidiary, a disputed cargo in one of our affiliated companies, an abandoned terminal project, and inventory adjustments that were made by a joint venture company. Furthermore, a US\$ 5.1 million write-off for deferred tax assets of a subsidiary in Europe significantly contributed to an overall loss after tax.

Unfortunately, due mainly to Chemoil's first-quarter performance, for the full year 2010, we recorded a loss before tax of US\$ 11.8 million and a loss after tax, attributable to equity holders, of US\$ 9.5 million.

Benefits from Diversification and Synergy

Time and again we highlight the importance of our asset diversification strategy that has led us to convert our expenses to assets. Our shipping and terminaling business units have consistently generated profitable performance. In particular, our storage facilities have experienced strong demand from a number of petroleum traders. We have benefited from this strong demand through higher rental income while not compromising our ability delivery strong volumes. In addition, the synergies we have with our shareholders have allowed us to expand opportunities. We were able to recommence bunker deliveries in New Orleans due to the fuel supplies from Glencore, and we have been developing our relationships with Japanese shipping companies through Itochu ENEX.

Stable Financial Position

Chemoil continues to experience continued resilience in our year-end financial position. With shareholder funds of US\$ 300 million, and long-term debt-equity ratio down to 46%, Chemoil has room for strategic expansion as opportunities arise. We will continue to look closely for supply opportunities at other ports, while at the same time exploring opportunities for storage terminal expansion or acquisition. Our solid banking relationships have enabled us to raise US\$ 90 million for the expansion of our joint venture terminal in the Middle East, and this will be the group's first exposure to Islamic financing. We have likewise renewed the loan for one of our terminals in the USA.



Our access to short-term trade financing facilities currently amounts to close to US\$ 2 billion. With respect to financing our core business, the Group continues to maintain strong relationships with our trade financing banks. Further, our working capital ratios continue to remain healthy with turnover ratios of 13 days for inventory, 31 days for receivables, and 21 days for payables.

year in review

Affiliates and Joint Ventures

Our strong partnerships with some of the best players in the industry has enhanced our reputation as a leading integrated supplier of marine fuel products and proven to be a major strategy for growth.

A constant throughout Chemoil's journey of change over recent years has been the synergistic alliances we have formed with some of the strongest players in the industry. By consistently selecting the right partners, we have been able to add value to our clients through improved logistics capabilities and increased product and service lines both in existing and new markets. These strategic partnerships have proven to be a highly effective strategy for growth, and one that we will continue to harness as we explore the new business opportunities that await. Our associates and joint ventures continued to perform well in the year and their contributions totalled US\$ 7.8 million.



Formed in 1989, Galaxy incorporates the existing oil trading activities of FBA AG. In November 2000, 50% ownership of Galaxy was acquired in equal proportions by Itochu Corporation of Japan (Itochu) and Chemoil. Notwithstanding these changes, the business activities of Galaxy continue to be conducted by the same experienced trading and management team.

Throughout the years, Galaxy's core activities have remained that of trading, transportation and storage of physical cargoes with a focus on crude and fuel oil in the international oil markets through the worldwide distribution network of its two external shareholders, Itochu in Asia and Chemoil in the USA.



IPC (USA) Inc was founded in partnership by Chemoil and Itochu Corporation of Japan and assumed the US operations of Itochu Petroleum Japan Ltd in March, 2004. Headquartered in Irvine, California, IPC (USA) Inc utilizes Chemoil and Itochu's extensive global network to supply gasoline, diesel, naphtha, and other clean fuel products in the US West Coast region.



GPSchemoil was formed from a partnership between Chemoil and Gulf Petrol Supplies LLC, one of the subsidiaries of the Fujairah National Group. The joint venture company, 40 percent owned by Chemoil, was set up to develop and operate an oil storage terminal in Fujairah, United Arab Emirates.

The storage terminal currently has an operational capacity of 94,000 cubic meters of storage and is undergoing expansion in view of the significant role the port will play in the region's oil exports.



Burando is a market-leading marine logistics service provider in the Amsterdam-Rotterdam-Antwerp region. The company has full or part ownership in several operations under subsidiary brands such as FTS/Hofftrans BV and Service Terminal Rotterdam. With offices in Rotterdam, Antwerp and Giswil (Switzerland), the Burando Group's main activities include inland tank barging, and the transshipment and storage of mineral and chemical bulk goods. The Burando Group prides itself as a leader in sustainability and environmental practices.



ChemoilAdani, a joint venture between Chemoil and Adani Enterprises Ltd, is the largest supplier of marine fuels in the busy Gujarat region. The Mundra Port is its main container and dry bulk port. ChemoilAdani controls all key stages of the marine fuel supply chain, providing exceptional value to its customers. Its varied marine fuel product offerings are all compliant with ISO8217:2005 and Marpol Annex VI.

