

**HUNTINGTON**  
COMMUNICATIONS

<b>Subject</b>	UPDATE 2-Glencore buys majority stake in fuel supplier Chemoil		
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**Media Monitoring**

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**UPDATE 2-Glencore buys majority stake in fuel supplier Chemoil**

- \* Glencore buys 51 pct stake from founder's family
- \* Offers 18 pct discount for remainder, values co at \$459mln
- \* Gets fuel storage assets, marine fuel business
- \* Chemoil shares suspended; have more than doubled in 2009 (Updates with details, background)

Commodity trader Glencore has bought a 51 percent stake in Singapore marine fuel supplier Chemoil Energy Ltd (CHEL.SI) and offered to buy all remaining shares, a move to give it storage assets and trading leverage. The family of Chemoil founder Robert Chandran has agreed to sell its majority stake in the firm to Glencore for an undisclosed sum. Glencore, the world second-largest independent oil trader, is offering \$0.3552 per share in cash for the remaining shares, an 18 percent discount to Chemoil's last traded share price, valuing the firm at \$459 million.

Chemoil's stock has more than doubled since the start of the year on expectations of a possible takeover deal and amid the recovery in oil prices. Chemoil halted trading in its shares on Tuesday.

Buying Chemoil gives Glencore [GLEN.UL] a valuable marine fuels business in the United States and a wealth of fuel storage terminal assets in Asia and the Middle East. For a FACTBOX see [ID:nSP352924].

"The valuable part of Chemoil is the terminals. If you look down the road, the terminal business is still better than the trading business -- it's not as up and down and it's pure profit," said Ong Eng Tong, an independent oil consultant.

Chemoil made a profit of \$34.8 million in the nine months to September, a 76 percent drop on the same period last year, though it made a loss in the third quarter, hurt by weak fuel oil margins. [ID:nSNBD11702]

Glencore was a frontrunner to buy Chemoil, which also drew interest from Europe-based oil trader Vitol and Wall Street bank Morgan Stanley (MS.N), sources told Reuters in June [ID:nSIN478340].

Chemoil owns the 448,000 cubic metre (cu m) Helios oil storage terminal in Singapore, the world's top ship refuelling port, and a stake in a joint venture 100,000 cu m terminal in the world's third biggest ship refuelling port Fujairah.

Japan's Itochu, through Itochu Corp (Itochu) and Itochu Petroleum, holds a combined 37.5 percent stake. The remaining 11.7 percent of Chemoil is in public hands.

"I don't think Itochu will sell," said Ong, pointing to the discount Glencore is offering and the access that Itochu Petroleum currently gets to Chemoil's Helios terminal in Singapore.

Having storage is a major advantage in oil trading as it allows firms to store oil cargoes in a bear market or influence prices in trading plays.

Glencore is a major player in the East Asia market for fuel oil, used for ship fuel and power generation. It boosted physical fuel oil buying in October-November, leading a bull trading play [ID:nSP202300]. For Asian fuel oil market reports see [FUEL/A].

Chandran's family has been looking to sell its stake after he was killed in a helicopter crash in Indonesia in January, 2008.

Under Singapore law, anyone buying a 30 percent stake in a company must make an offer for the rest.